

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

**EXPLANATORY NOTES**

<b>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).</b>
---

**1. Basis of Preparation**

The condensed 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 2008.

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. Changes in Accounting Policies**

During the current 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 121 The Effects of Changes in Foreign Exchange Rates
- 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.

During the current financial period, the Group had also effected the following change in accounting policy:

Handling fee paid to motor vehicles dealers for hire purchase loans are capitalised and amortised to the income statement using "sum-of-digit" method over the tenor of the loans in accordance with BNM Circular on handling fee dated 16 October 2006.

The amount amortised is offset against interest income earned on hire purchase loans. Previously, such handling fees were expensed off in the income statement as other operating expenses when incurred. The change in accounting policy has been applied retrospectively and an analysis of the impact to the financial results and position of the Group are summarized as follows;

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

	As previously reported RM'000	Effects from changes in accounting policies RM'000	As restated RM'000
<u>Balance sheet as at 31 December 2007</u>			
Other assets – unamortised handling fee	-	73,184	73,184
Deferred tax assets	108,639	(22,069)	86,570
- As at 1 January 2007	153,134	(19,028)	134,106
- As at 31 December 2007			
Reserves			
- As at 1 January 2007	2,304,165	59,669	2,363,834
- As at 31 December 2007	2,443,202	54,156	2,497,358
<u>Income statement for financial year ended 31 December 2007</u>			
Interest Income	1,946,658	(27,806)	1,918,852
Net income from Islamic Banking business	164,788	(5,722)	159,066
Other operating expenses	(614,330)	24,974	(589,356)
Taxation	(60,484)	3,041	(57,443)
Net profit after taxation and zakat	222,582	(5,513)	217,069

### 3. Audit Report

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

### 4. Seasonality or Cyclicity of Operations

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

### 5. Items Affecting Net Income and Cash Flow

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter/year ended 31 December 2008.

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

**EXPLANATORY NOTES**

**6. Changes in Estimates**

There were no significant changes in estimates arising from prior financial quarter/period that have a material effect on the financial results and position of the Group for the financial quarter/year ended 31 December 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 31 December 2008.

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

There were no interim dividends paid or declared in respect of financial year ended 31 December 2008 during the financial quarter ended 31 December 2008.

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

**EXPLANATORY NOTES**

**9. Segment reporting**

The segment reporting reflects the present business operation of the Group, which has three lines of businesses, i.e. Investment banking, Commercial banking and Islamic banking.

(a) Segment revenue and segment results are as follows:

<b><u>Group</u></b>	<b><u>Investment Banking</u></b>	<b><u>Commercial Banking</u></b>	<b><u>Islamic Banking</u></b>	<b><u>Total</u></b>
	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>	<b><u>RM'000</u></b>
<b><u>Current financial quarter ended 31 December 2008</u></b>				
Operating revenue <sup>(1)</sup>	4,397	526,790	115,385	646,572
Less : Inter segment revenue	847	97,540	22,222	120,609
	<u>3,550</u>	<u>429,250</u>	<u>93,163</u>	<u>525,963</u>
Segment results	(12,371)	107,379	16,877	111,885
Unallocated costs				<u>(2,686)</u>
Profit before taxation and zakat				109,199
Taxation and zakat				<u>(20,781)</u>
Net profit for the financial quarter ended 31 December 2008				<u>88,975</u>
<b><u>Preceding year corresponding quarter ended 31 December 2007</u></b>				
Operating revenue <sup>(1)</sup>	4,764	461,436	98,972	565,172
Less : Inter segment revenue	899	83,149	18,678	102,726
	<u>3,865</u>	<u>378,287</u>	<u>80,294</u>	<u>462,446</u>
Segment results	(8,623)	108,588	10,631	110,596
Unallocated costs				<u>(24,288)</u>
Profit before taxation and zakat				86,308
Taxation and zakat				<u>13,728</u>
Net profit for the financial quarter ended 31 December 2007				<u>100,036</u>

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

**EXPLANATORY NOTES**

**9. Segment reporting (continued)**

(a) Segment revenue and segment results are as follows: (continued)

<u>Group</u>	<u>Investment Banking</u> RM'000	<u>Commercial Banking</u> RM'000	<u>Islamic Banking</u> RM'000	<u>Total</u> RM'000
<b><u>Current financial year ended 31 December 2008</u></b>				
Operating revenue <sup>(1)</sup>	18,714	1,960,513	345,319	2,324,546
Less : Inter segment revenue	2,920	305,918	53,884	362,722
	<u>15,795</u>	<u>1,653,576</u>	<u>291,453</u>	<u>1,960,824</u>
Segment results	(9,404)	231,629	26,489	248,714
Unallocated costs				<u>(41,103)</u>
Profit before taxation and zakat				207,611
Taxation and zakat				<u>(73,834)</u>
Net profit for the financial year ended 31 December 2008				<u><u>133,777</u></u>
<b><u>Preceding year corresponding year ended 31 December 2007</u></b>				
Operating revenue <sup>(1)</sup>	16,119	1,908,574	302,775	2,227,468
Less : Inter segment revenue	2,233	264,433	41,950	308,616
	<u>13,837</u>	<u>1,645,104</u>	<u>259,911</u>	<u>1,918,852</u>
Segment results	(13,573)	257,527	46,911	290,865
Unallocated costs				<u>(12,048)</u>
Profit before taxation and zakat				278,817
Taxation and zakat				<u>(61,748)</u>
Net profit for the financial year ended 31 December 2007				<u><u>217,069</u></u>

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

**EXPLANATORY NOTES**

**9. Segment reporting (continued)**

(b) Segment assets and liabilities are as follows:

<u>Group</u>	<u>Investment Banking</u> RM'000	<u>Commercial Banking</u> RM'000	<u>Islamic Banking</u> RM'000	<u>Total</u> RM'000
<b><u>As at 31 December 2008</u></b>				
<i>Segment assets</i>	592,023	34,987,473	7,095,219	42,674,715
Unallocated assets				<u>748,027</u>
Total assets				<u>43,422,742</u>
<i>Segment liabilities</i>	322,873	32,596,308	6,633,601	39,552,782
Unallocated liabilities				<u>665,372</u>
Total liabilities				<u>40,218,154</u>
<i>Other segment information:</i>				
Capital expenditure	9,937	40,310	1,384	51,631
Depreciation of property, plant and equipment	3,519	31,668	632	35,819
Other non-cash expenses	<u>30,039</u>	<u>504,727</u>	<u>66,806</u>	<u>601,572</u>
<b><u>As at 31 December 2007</u></b>				
<i>Segment assets</i>	8,807,916	25,307,791	6,101,866	40,217,573
Unallocated assets				<u>956,465</u>
Total assets				<u>41,174,038</u>
<i>Segment liabilities</i>	8,170,553	23,356,346	5,524,821	37,051,720
Unallocated liabilities				<u>931,751</u>
Total liabilities				<u>37,983,471</u>
<i>Other segment information:</i>				
Capital expenditure	4,134	31,026	785	35,945
Depreciation of property, plant and equipment	6,606	31,948	708	39,262
Other non-cash expenses	<u>30,556</u>	<u>523,223</u>	<u>67,441</u>	<u>621,220</u>

<sup>(1)</sup> Operating revenue from each segment comprise of interest income received from loans, advances and financing (net of interest/income suspended), financial investments (net of accretion of discount less amortization of premium) and inter-bank placements and deposits, gains or losses from financial investments, and received from Islamic banking.

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

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

**EXPLANATORY NOTES**

**10. Held for Trading Securities**

	<b>Audited 31 December 2008</b>	<b>Audited 31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government investment issues	27,538	-
Quoted equity securities in Malaysia	393	2,500
Private debt securities	-	4,918
	<u>27,931</u>	<u>7,418</u>

**11. Derivative Financial Instruments**

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

	<b>Audited 31 December 2008</b>	<b>Audited 31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Derivatives at fair value through profit and loss:</b>		
- Interest rate swaps	1,967	10,004
- Foreign currency forwards	11,405	-
<b>Derivatives designated as fair value hedge:</b>		
- Interest rate swaps	21	-
<b>Total derivative financial instruments - assets</b>	<u>13,393</u>	<u>10,004</u>
<b>Derivatives at fair value through profit and loss:</b>		
- Interest rate swaps	1,097	7,120
- Foreign currency forwards	12,540	12,850
- Cross currency interest rate swap	275	-
<b>Derivatives designated as fair value hedge:</b>		
- Interest rate swaps	66,712	-
<b>Total derivative financial instruments - liabilities</b>	<u>80,624</u>	<u>19,970</u>

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

**EXPLANATORY NOTES**

**12. Available-for-sale Securities**

	<b>Audited 31 December 2008</b>	<b>Audited 31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Available-for-sale securities, at fair value</b>		
Bank Negara Malaysia monetary notes	40,916	224,803
Malaysian Government investment issues	349,460	266,479
Malaysian Government treasury bills	29,579	-
Malaysian Government Islamic treasury bills	29,546	98,486
Malaysian Government securities	501,909	751,980
Cagamas bonds	15,219	154,872
Bank Negara Malaysia Sukuk Ijarah	-	10,002
Quoted equity securities in Malaysia	11,292	29,873
Quoted private debt securities	1,324	4,891
Private and Islamic debt securities	1,085,920	1,029,081
Negotiable instruments of deposit	800,432	1,100,239
Islamic negotiable instruments debt securities	109,475	29,809
Commercial papers	31,790	5,973
Islamic commercial papers	48,284	42,328
Khazanah bonds	73,305	-
	<u>3,128,451</u>	<u>3,748,816</u>
Allowance for impairment	(58,710)	(39,960)
	<u>3,069,741</u>	<u>3,708,856</u>
<b>Available-for-sale securities, at cost</b>		
Unquoted equity securities in Malaysia	6,215	6,666
Unquoted equity securities outside Malaysia	3,787	804
Allowance for impairment	(2,763)	(3,214)
	<u>7,239</u>	<u>4,256</u>
	<u>3,076,980</u>	<u>3,713,112</u>

**13. Held-to-maturity Securities**

	<b>Audited 31 December 2008</b>	<b>Audited 31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Held-to-maturity securities, at amortised cost</b>		
Private and Islamic debt securities	428,326	595,407
Credit link notes denominated in USD	86,688	165,475
	<u>515,014</u>	<u>760,882</u>
<b>Held-to-maturity securities, at cost</b>		
Unquoted equity securities in Malaysia	18,082	17,557
	<u>533,096</u>	<u>778,439</u>
Allowance for impairment	(183,879)	(186,139)
	<u>349,217</u>	<u>592,300</u>



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

**EXPLANATORY NOTES**

**14. Loans, Advances and Financing**

	<b>Audited</b>	<b>Audited</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts/cash line	2,483,658	2,556,306
Term loans/financing:		
Housing loans/financing	6,959,353	6,731,117
Syndicated term loans/financing	1,209,860	840,929
Hire purchase receivables	12,455,025	11,395,887
Other term loans/financing	5,694,939	6,044,666
Bills receivable	10,410	18,282
Trust receipts	176,496	193,272
Claims on customers under acceptance credit/financing	2,750,785	2,702,920
Staff loans/financing	181,285	189,149
Credit cards	1,192,801	1,010,161
Revolving credit/financing	1,319,936	979,581
Other loans/financing	108,363	29,226
	<u>34,542,911</u>	<u>32,691,496</u>
Less: Unearned interest and income	(3,689,906)	(3,384,574)
Gross loans, advances and financing	30,853,005	29,306,922
Fair value changes arising from fair value hedge	28,011	-
Less: Allowances for bad and doubtful debts and financing:		
- Specific	(792,530)	(644,214)
- General	(450,928)	(429,914)
Total net loans, advances and financing	<u>29,637,558</u>	<u>28,232,794</u>

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

**EXPLANATORY NOTES**

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

	<b>Audited 31 December 2008</b>	<b>Audited 31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Gross loans, advances and financing are disbursed to the following type of customers:</b>		
Domestic non-bank financial institutions	224,787	146,679
Domestic business enterprises (of which: Small and medium enterprises)	11,744,610 <u>6,159,118</u>	11,522,192 <u>5,675,611</u>
Government and statutory bodies	21,753	26,563
Individuals	18,448,240	17,523,083
Other domestic entities	25,724	23,638
Foreign entities	387,891	64,767
	<u>30,853,005</u>	<u>29,306,922</u>
<b>(ii) Gross loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:</b>		
Fixed rate	13,905,535	13,286,982
(of which: (i) Housing loans/financing (ii) Hire purchase receivables)	<u>1,571,018</u> <u>10,606,348</u>	<u>1,613,251</u> <u>9,774,017</u>
Variable rate	16,947,470	16,019,940
(of which: (i) Base lending rate plus (ii) Cost plus)	<u>10,368,348</u> <u>5,028,424</u>	<u>10,251,554</u> <u>4,679,927</u>
	<u>30,853,005</u>	<u>29,306,922</u>
<b>(iii) Gross loans, advances and financing analysed by their economic purposes are as follows:</b>		
Agriculture, hunting, forestry and fishing	372,604	365,394
Mining and quarrying	94,048	253,821
Manufacturing	3,184,934	3,044,900
Electricity, gas and water	231,561	198,042
Construction (of which: Infrastructure)	2,200,008 <u>218,797</u>	2,354,005 <u>98,449</u>
Real estate	1,302,053	1,230,511
Purchase of landed property (comprise: (i) Residential (ii) Non-residential )	6,678,665 <u>5,940,081</u> <u>738,584</u>	6,449,311 <u>5,722,250</u> <u>727,061</u>
Wholesale, retail trade and restaurants and hotels	2,622,671	2,480,382
Transport, storage and communication	579,585	500,385
Finance, insurance and business services	908,250	635,829
Purchase of securities	314,192	387,541
Purchase of transport vehicles	9,476,845	8,835,004
Consumption credit	2,074,836	1,933,525
Others	812,753	638,272
	<u>30,853,005</u>	<u>29,306,922</u>

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

**EXPLANATORY NOTES**

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

	<b>Audited 31 December 2008 RM'000</b>	<b>Audited 31 December 2007 RM'000</b>
<b>(iv) Movements in non-performing loans, advances and financing are as follows:</b>		
Balance as at 1 January	1,847,443	1,909,258
Classified as non-performing during the financial year	4,152,844	4,493,429
Reclassified as performing during the financial year	(3,437,918)	(3,592,005)
Loans/financing converted to securities	-	(4,224)
Amount recovered	(662,074)	(584,449)
Amount written off	(354,641)	(374,566)
Balance as at 31 December	<u>1,545,654</u>	<u>1,847,443</u>
Non-performing loans, advances and financing which have no adverse financial impact on the Group	<u>(64,425)</u>	<u>(142,030)</u>
	1,481,229	1,705,413
Specific allowance	<u>(728,059)</u>	<u>(518,322)</u>
Net non-performing loans, advances and financing	<u>753,170</u>	<u>1,187,091</u>
As % of total loans, advances and financing, net of specific allowance	<u>2.5%</u>	<u>4.1%</u>
<b>(v) Non-performing loans, advances and financing analysed by their economic purposes are as follows:</b>		
Agriculture, hunting, forestry and fishing	5,107	15,313
Mining and quarrying	3,020	42
Manufacturing	275,981	229,043
Electricity, gas and water	250	204
Construction	146,137	305,094
(of which: Infrastructure)	<u>330</u>	<u>52,926</u>
Real estate	65,364	61,543
Purchase of landed property	499,708	595,354
(comprise: (i) Residential	<u>457,028</u>	<u>523,526</u>
(ii) Non-residential )	<u>42,680</u>	<u>71,828</u>
Wholesale, retail trade and restaurants and hotels	191,096	194,127
Transport, storage and communication	17,349	20,665
Finance, insurance and business services	20,505	40,044
Purchase of securities	28,221	21,150
Purchase of transport vehicles	201,720	207,316
Consumption credit	71,177	84,970
Others	20,019	72,578
	<u>1,545,654</u>	<u>1,847,443</u>

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

**EXPLANATORY NOTES**

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

	<b>Audited 31 December 2008 RM'000</b>	<b>Audited 31 December 2007 RM'000</b>
<b>(vi) Movements in allowances for bad and doubtful debts and financing:</b>		
<b>General allowance</b>		
Balance as at 1 January	429,914	414,316
Allowance made during the financial year	21,014	15,598
Balance as at 31 December	<u>450,928</u>	<u>429,914</u>
As % of gross loans, advances and financing, less fair value changes arising from fair value hedges and specific allowance	<u>1.5%</u>	<u>1.5%</u>
<b>Specific allowance</b>		
Balance as at 1 January	644,214	600,660
Allowance made during the financial year	658,687	567,550
Allowance charged to deferred asset/other assets during the financial year	15,998	33,068
Amount written back in respect of recoveries/reclassification	(152,324)	(168,356)
Recoveries set-off against deferred asset	(19,404)	(10,300)
Amount transferred to allowance for impairment of securities	-	(3,843)
Amount written off	(354,641)	(374,565)
Balance as at 31 December	<u>792,530</u>	<u>644,214</u>

**15. Other Assets**

	<b>Audited 31 December 2008 RM'000</b>	<b>Audited 31 December 2007 RM'000</b>
Unamortised handling fees	80,403	73,184
Trade receivables	8,803	32,652
Interest/income receivable	60,733	67,526
Other debtors, deposits and prepayments, net of allowance for doubtful debts of RM95,161 (2007: RM4,814,300)	383,135	460,103
Deferred asset account	226,407	209,348
Tax recoverable	20,772	20,205
Dividend receivable from a subsidiary	-	-
Prepaid lease payments	735	746
Amount due from originating non-banking institutions for mortgage loans sold on their behalf to Cagamas Berhad	-	14,553
	<u>780,988</u>	<u>878,317</u>

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

**EXPLANATORY NOTES**

**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.

**17. Deposits from Customers**

	<b>Audited 31 December 2008 RM'000</b>	<b>Audited 31 December 2007 RM'000</b>
Demand deposits	3,750,973	3,701,484
Savings deposits	2,801,338	2,595,213
Fixed/investment deposits	21,124,639	19,806,141
Money market deposits	2,440,625 -	1,359,734
Negotiable Islamic debt certificates	-	100
	<b>30,117,575</b>	<b>27,462,672</b>
 <b>(i) The maturity structure of fixed/investment deposits, negotiable Islamic debt certificates and money market deposits is as follows:</b>		
One year or less	22,591,963	19,879,191
More than one year	973,301	1,286,784
	<b>23,565,264</b>	<b>21,165,975</b>
 <b>(ii) The deposits are sourced from the following type of customers:</b>		
Government and statutory bodies	4,578,710	4,033,703
Business enterprises	11,860,874	10,777,968
Individuals	12,221,749	11,869,783
Others	1,456,242	781,218
	<b>30,117,575</b>	<b>27,462,672</b>

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

**EXPLANATORY NOTES**

**18. Deposits and Placements of Banks and Other Financial Institutions**

	<b>Audited 31 December 2008</b>	<b>Audited 31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	957,408	1,891,716
Licensed Islamic banks	531,332	55,000
Licensed investment banks	119,510	14
Bank Negara Malaysia	1,476,867	1,943,405
Other financial institutions	3,447,018	3,224,994
	<u>6,532,135</u>	<u>7,115,129</u>

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

One year or less	5,024,806	5,405,801
More than one year	1,507,329	1,709,328
	<u>6,532,135</u>	<u>7,115,129</u>
Included in the above are negotiable certificates of deposit/ Islamic debt certificates issued by the Group	<u>1,371,065</u>	<u>1,309,253</u>

**19. Other Liabilities**

Trade payable	35,014	21,568
Other liabilities	534,271	645,257
Interest/profit payable	251,383	234,960
Profit equalisation reserves	8	2,257
	<u>820,676</u>	<u>904,042</u>

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

**EXPLANATORY NOTES**

**20. Interest Income**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2008 RM'000	Preceding year corresponding quarter ended 31 December 2007 RM'000	Current financial year ended 31 December 2008 RM'000	Preceding year ended 31 December 2007 RM'000
Loans, advances and financing				
- Interest income other than recoveries	389,260	370,502	1,517,973	1,473,530
- Recoveries from non-performing loans, advances and financing	33,877	14,036	78,143	52,431
Money at call and deposit placements with financial institutions	55,866	48,368	216,486	218,160
Held for trading securities	7,789	9,961	31,957	37,937
Available-for-sale securities	32,495	33,807	132,396	152,112
Held-to-maturity securities	3,160	6,299	17,899	29,681
Others	-	-	-	5,717
	522,447	482,973	1,994,854	1,969,568
Accretion of discount less amortisation of premium	15,751	(4,296)	9,760	(147)
Interest suspended	(12,235)	(16,231)	(43,790)	(50,569)
Total interest income	525,963	462,446	1,960,824	1,918,852

**21. Interest Expense**

Deposits and placements of banks and other financial institutions	29,475	33,188	128,800	205,831
Deposits from other customers	212,157	194,531	808,096	790,454
Subordinated obligations	13,976	23,793	56,072	56,897
Long term borrowings	2,782	4,189	11,183	17,562
Others	692	717	2,535	1,742
	259,082	256,418	1,006,686	1,072,486

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

**EXPLANATORY NOTES**

**22 Non-interest income**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2008	Preceding year corresponding quarter ended 31 December 2007	Current financial year ended 31 December 2008	Preceding year ended 31 December 2007
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
- Commission	9,573	11,381	42,022	45,305
- Service charges and fees	43,127	29,173	142,165	113,373
- Guarantee fees	3,411	3,022	13,401	13,204
- Advisory and arrangement fees	1,543	2,357	8,523	14,685
- Underwriting commission	162	834	2,289	5,451
- Brokerage	1,392	3,421	7,236	18,387
Net (losses)/gains arising on sale of :				
- Held for trading securities	(171)	(1,168)	(452)	7,584
- Available-for-sale securities	-	6,857	16,628	44,183
Net gains on redemption of held-to-maturity securities	(3,932)	1,616	2,055	1,146
Net realised gains on redemption of subordinated debts	4,204	-	4,204	-
Dividend income from:				
- Held for trading securities	-	110	-	618
- Available-for-sale securities	(3,577)	265	184	3,035
- Held to maturity securities	3,698	-	3,698	-
Net unrealised gains/(losses) on fair value changes on held for trading securities	41	(214)	705	(379)
Net unrealised gains/(losses) on fair value changes on derivatives held at fair value through profit and loss:				
- interest rate derivatives	10,833	21,521	(491)	22,220
- foreign currency forwards	(11,802)	16,012	11,715	(11,710)
- cross currency interest rate swap	(275)	-	(275)	-
Net unrealized loss on fair value changes between the subordinated debts and interest rate derivatives designated as fair value hedges	-	(792)	-	(671)
Net unrealised gain on fair value changes between hire purchase receivable and interest rate swap designated as fair value hedges	128	-	128	-
Net unrealised loss on fair value changes between available-for-sale securities and interest rate swap designated as fair hedges	(1,727)	-	(1,727)	-
Net gains from foreign exchange translations	17,995	(8,842)	16,710	32,337
Other income/(expenditure):				
- Rental income from premises	561	698	2,596	2,999
- Gain on disposal of property, plant and equipment	13	1,875	29	1,919
- Other operating income	(216)	5,196	3,118	11,265
- Other non-operating income	1,943	724	2,760	2,537
- Net amount written back in respect of other bad and doubtful debts	422	761	-	591
- Other bad debts (written-off)/recovered	(215)	(641)	(336)	207
	<u>77,131</u>	<u>94,166</u>	<u>276,885</u>	<u>328,286</u>



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

**EXPLANATORY NOTES**

**23. Other Operating Expenses**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2008 RM'000	Preceding year corresponding quarter ended 31 December 2007 RM'000	Current financial year ended 31 December 2008 RM'000	Preceding year ended 31 December 2007 RM'000
Personnel expenses	116,380	95,351	420,095	318,671
Promotion and marketing related expenses	8,577	3,665	21,002	16,079
Establishment related expenses	30,329	32,324	122,052	119,088
General administrative expenses	44,419	55,082	180,882	135,518
	<u>199,705</u>	<u>186,422</u>	<u>744,031</u>	<u>589,356</u>
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	93,714	77,311	341,213	257,927
Defined contribution plan	14,978	12,874	55,539	42,471
Other employee benefits	7,688	5,166	23,343	18,273
	<u>116,380</u>	<u>95,351</u>	<u>420,095</u>	<u>318,671</u>
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity expenses	8,577	3,665	21,002	16,079
	<u>8,577</u>	<u>3,665</u>	<u>21,002</u>	<u>16,079</u>
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property, plant and equipment	9,060	10,546	35,819	39,278
Repair and maintenance of premises	5,695	7,620	23,827	22,771
Other repair and maintenance	6,523	4,521	24,266	21,450
Hire of equipment	(1,356)	1,059	1,829	3,894
Others	10,407	8,578	36,311	31,695
	<u>30,329</u>	<u>32,324</u>	<u>122,052</u>	<u>119,088</u>
<b>(iv) General administrative expenses comprise the following:</b>				
Communication costs	5,738	4,997	21,168	19,202
Printing and stationeries	3,778	3,268	16,187	13,974
Loss on disposal of property, plant and equipment	52	242	97	262
Property, plant and equipment written off		-	190	221
Auditors' remuneration	1,057	804	1,057	804
Taxation fees	367	420	367	420
Legal and other professional charges	11,092	15,868	70,510	38,919
Others	22,335	29,483	71,306	61,716
	<u>44,419</u>	<u>55,082</u>	<u>180,882</u>	<u>135,518</u>

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

**EXPLANATORY NOTES**

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

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 31 December 2008</b>	<b>Preceding year corresponding quarter ended 31 December 2007</b>	<b>Current financial year ended 31 December 2008</b>	<b>Preceding year ended 31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Allowances for bad and doubtful debts and financing:				
(a) Specific allowance:				
- Made	124,217	120,304	658,687	567,550
- Written back	(37,828)	(74,862)	(152,324)	(168,356)
(b) General allowance:				
- Made	5,090	4,721	21,014	15,598
Bad debts and financing:				
- Recovered	(27,706)	(19,544)	(104,733)	(95,189)
- Written back	(60)	-	-	-
	<b>63,713</b>	<b>30,619</b>	<b>422,644</b>	<b>319,603</b>

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

**EXPLANATORY NOTES**

**25. Off-Balance Sheet Exposures**

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:

<u>2008</u> Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	551,878	-	551,878	551,878
Transaction related contingent Items	1,161,767	-	580,884	580,884
Short Term Self Liquidating trade related contingencies	82,014	-	16,403	16,403
Assets sold with recourse	-	-	-	-
Forward Asset Purchases	82,000	-	-	-
Obligations under an on-going underwriting agreement	56,660	-	-	-
Foreign exchange related contracts				
One year or less	802,053	11,405	21,779	7,117
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Interest/Profit rate related contracts				
One year or less	2,640,562	1,967	5,058	1,012
Over one year to five years	1,985,000	21	49,670	9,934
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with				
an original maturity of over one year	3,263,085	-	1,631,543	1,413,037
Other commitments, such as formal standby facilities and credit lines, with				
an original maturity of up to one year	6,700,773	-	1,340,154	1,219,604
Any commitments that are unconditionally cancelled at any time by the Group without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-	-
Unutilised credit card lines	2,914,991	-	582,998	437,248
Off-balance sheet items for securitisation exposures	-	-	-	-
Off-balance sheet exposures due to early amortisation provisions	-	-	-	-
<b>Total</b>	<b>20,240,783</b>	<b>13,393</b>	<b>4,780,367</b>	<b>4,237,117</b>

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

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

<u>2007</u> Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount*	Risk Weighted Assets
	RM'000	RM'000	RM'000	RM'000
Direct Credit Substitutes	404,036	-	404,036	404,036
Transaction related contingent Items	925,460	-	462,730	462,730
Short Term Self Liquidating trade related contingencies	101,830	-	20,366	20,366
Assets sold with recourse	226,000	-	226,000	95,871
Forward Asset Purchases	-	-	-	-
Obligations under an on-going underwriting agreement	476,860	-	238,430	224,991
Foreign exchange related contracts				
One year or less	3,833,450	-	85,408	30,262
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Interest/Profit rate related contracts				
One year or less	2,958,913	10,004	47,844	10,230
Over one year to five years	-	-	-	-
Over five years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with				
an original maturity of over one year	2,591,710	-	1,200,485	902,444
Other commitments, such as formal standby facilities and credit lines, with				
an original maturity of up to one year	8,961,285	-	-	-
Any commitments that are unconditionally cancelled at any time by the Group without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-	-
Unutilised credit card lines	-	-	-	-
Off-balance sheet items for securitisation exposures	-	-	-	-
Off-balance sheet exposures due to early amortisation provisions	-	-	-	-
<b>Total</b>	<b>20,479,544</b>	<b>10,004</b>	<b>2,685,299</b>	<b>2,150,930</b>

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

**EXPLANATORY NOTES**

**26. Capital Adequacy**

**(i) Banking Units**

With effect from 1 January 2008, the capital adequacy ratios of the Banking units 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 components of Tier 1 and Tier II Capital for Banking units are as follows:

	<b>As at 31 December 2008</b>	<b>As at 31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Tier 1 Capital:		
Paid-up share capital	1,329,807	1,329,807
Share premium	39,337	39,337
Retained profits	991,096	951,087
Other reserves	<u>1,123,050</u>	<u>1,139,932</u>
	3,483,290	3,460,163
Less:		
Goodwill	(333,861)	(333,861)
Deferred tax assets	(114,429)	(167,344)
Available-for-sale securities and cash flow hedge reserve	<u>25,310</u>	<u>(40,444)</u>
Total Tier 1 Capital	<u>3,060,310</u>	<u>2,918,514</u>
Tier II Capital:		
Subordinated obligations	700,778	726,135
General allowance for bad and doubtful debts and financing	<u>450,928</u>	<u>429,914</u>
Total Tier II Capital	<u>1,151,706</u>	<u>1,156,049</u>
Total Capital	4,212,016	4,074,563
Less : Investment in subsidiaries	(690)	(690)
Capital Base	<u><u>4,211,326</u></u>	<u><u>4,073,873</u></u>
Capital ratios:		
Core capital ratio	9.19%	11.20%
Risk-weighted capital ratio	12.65%	15.64%
Core capital ratio (net of proposed dividends)	9.06%	10.94%
Risk-weighted capital ratio (net of proposed dividends)	12.51%	15.37%

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 9.47% and 13.22% respectively.

The risk-weighted capital adequacy of the banking and finance subsidiary company, EON Bank Berhad of 12.63%, the Islamic banking subsidiary company, EONCAP Islamic Bank Berhad of 11.54%, and the investment banking subsidiary company, MIMB Investment Bank Berhad of 87.20% as at 31 December 2008, exceeded the minimum requirements of 8.00% prescribed by Bank Negara Malaysia.

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

**(ii) The Group**

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.

The components of Tier 1 and Tier II Capital for the Group are as follows:

	<b>As at 31 December 2008</b>	<b>As at 31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Tier 1 Capital:		
Paid-up share capital	693,209	693,209
Share premium	1,066,296	1,066,296
Retained profits	813,196	782,292
Other reserves	631,887	648,770
	<u>3,204,588</u>	<u>3,190,567</u>
Less:		
Goodwill	(86,610)	(96,448)
Deferred tax assets	(122,866)	(134,106)
Available-for-sale securities and cash flow hedge reserve	25,311	(40,444)
Total Tier 1 Capital	<u>3,020,423</u>	<u>2,919,569</u>
Tier II Capital:		
Subordinated obligations	700,778	726,135
General allowance for bad and doubtful debts and financing	450,928	429,914
Total Tier II Capital	<u>1,151,706</u>	<u>1,156,049</u>
Total Capital Base	<u>4,172,129</u>	<u>4,075,618</u>
Capital ratios:		
Core capital ratio	9.06%	11.20%
Risk-weighted capital ratio	12.63%	15.64%
Core capital ratio (net of proposed dividends)	8.94%	10.94%
Risk-weighted capital ratio (net of proposed dividends)	12.39%	15.37%

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

**EXPLANATORY NOTES**

**27. Interest Rate Risk**

	← Non-trading book →					Non- interest/ profit sensitive	Trading book	Total
	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	RM'000
<b>As at 31 December 2008</b>								
Assets								
Cash and short-term funds	7,607,136	-	-	-	-	242,045	-	7,849,181
Deposits and placements with banks and other financial institutions	-	187,500	37,500	24,440	-	-	-	249,440
Held for trading securities	-	-	-	-	-	-	27,931	27,931
Derivative financial instruments	-	-	-	-	-	13,393	-	13,393
Available-for-sale securities	407,838	618,883	322,847	1,172,417	534,761	20,234	-	3,076,980
Held-to-maturity securities	86,688	-	35,029	172,615	36,803	18,082	-	349,217
Loans, advances and financing								
- performing	15,282,064	447,527	616,135	4,568,410	8,382,281	38,945	-	29,335,362
- non-performing	-	-	-	-	-	302,196 <sup>^</sup>	-	302,196
Other assets <sup>(1)</sup>	8,475	-	-	-	-	2,210,567	-	2,219,042
<b>Total assets</b>	<b>23,392,201</b>	<b>1,253,910</b>	<b>1,011,511</b>	<b>5,937,882</b>	<b>8,953,845</b>	<b>2,845,462</b>	<b>27,931</b>	<b>43,422,742</b>

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

**Note:**

(1) Other assets include other assets, statutory deposits with Bank Negara Malaysia, 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/ profit sensitive	Trading book	Total			
	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	RM'000
<b>As at 31 December 2008 (continued)</b>											
<b>Liabilities</b>											
Deposits from customers	10,487,344	6,583,732	8,317,151	973,301	-	3,756,047	-	30,117,575			
Deposits and placements of banks and other financial institutions	2,726,590	1,567,255	739,153	1,459,587	5,095	34,455	-	6,532,135			
Derivative financial instruments	-	-	-	-	-	80,624	-	80,624			
Bills and acceptances payable	634,788	937,962	139,554	-	-	105,136	-	1,817,440			
Borrowings	768,930	-	-	-	-	(68,152) <sup>(1)(i)</sup>	-	700,778			
Subordinated obligations	38,375	-	-	-	-	782,333	-	820,708			
Other liabilities <sup>(2)</sup>	-	-	150,000	-	-	(1,106) <sup>(1)(ii)</sup>	-	148,894			
<b>Total liabilities</b>	<b>14,656,027</b>	<b>9,088,949</b>	<b>9,345,858</b>	<b>2,432,888</b>	<b>5,095</b>	<b>4,689,337</b>	<b>-</b>	<b>40,218,154</b>			
Shareholders' Funds	-	-	-	-	-	3,204,588	-	3,204,588			
<b>Total Liabilities and Shareholders' Funds</b>	<b>14,656,027</b>	<b>9,088,949</b>	<b>9,345,858</b>	<b>2,432,888</b>	<b>5,095</b>	<b>7,893,925</b>	<b>-</b>	<b>43,422,742</b>			
On-balance sheet interest sensitivity gap	8,736,174	(7,835,039)	(8,334,347)	3,504,994	8,948,750						
Off-balance sheet interest sensitivity gap	620,000	1,665,000	(375,000)	(1,910,000)	-						
<b>Net interest rate gap</b>	<b>9,356,174</b>	<b>(6,170,039)</b>	<b>(8,709,348)</b>	<b>1,594,994</b>	<b>8,948,750</b>						

**Note:**

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

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



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

**EXPLANATORY NOTES**

**27. Interest Rate Risk (continued)**

	← Non-trading book →					Non- interest/ profit sensitive	Trading book	Total
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 31 December 2007</b>								
Assets								
Cash and short-term funds	5,392,155	-	-	-	-	155,763	-	5,547,918
Deposits and placements with banks and other financial institutions	-	340,879	282,962	-	-	-	-	623,841
Held for trading securities	-	-	-	-	-	-	7,418	7,418
Derivative financial instruments	-	-	-	-	-	10,004	-	10,004
Available-for-sale securities	478,804	1,218,518	236,695	1,207,715	531,980	39,400	-	3,713,112
Held-to-maturity securities	205,403	25,062	85,075	222,400	36,803	17,557	-	592,300
Loans, advances and financing								
- performing	14,398,880	373,455	462,225	4,472,854	7,744,086	6,151	-	27,457,651
- non-performing	-	-	-	-	-	775,143 <sup>^</sup>	-	775,143
Other assets <sup>(1)</sup>	5,742	-	-	-	-	2,440,909	-	2,446,651
<b>Total assets</b>	<b>20,480,984</b>	<b>1,957,914</b>	<b>1,066,957</b>	<b>5,902,969</b>	<b>8,312,869</b>	<b>3,446,927</b>	<b>7,418</b>	<b>41,174,038</b>

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

**Note:**

(1) Other assets include other assets, statutory deposits with Bank Negara Malaysia, 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/ profit sensitive	Trading book	Total
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years			
<b>As at 31 December 2007 (continued)</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Liabilities</b>								
Deposits from customers	11,302,846	4,101,611	7,059,482	1,286,784	-	3,711,949	-	27,462,672
Deposits and placements of banks and other financial institutions	2,876,604	1,831,295	861,996	1,505,628	-	39,606	-	7,115,129
Derivative financial instruments	-	-	-	-	-	19,970	-	19,970
Bills and acceptances payable	-	-	-	-	-	1,563,019	-	1,563,019
Borrowings	-	-	-	150,000	-	(2,136) <sup>1(i)</sup>	-	147,864
Subordinated obligations	-	-	-	855,000	-	(128,865) <sup>1(ii)</sup>	-	726,135
Other liabilities <sup>(2)</sup>	42,773	-	-	-	-	905,909	-	948,682
<b>Total liabilities</b>	<b>14,222,223</b>	<b>5,932,906</b>	<b>7,921,478</b>	<b>3,797,412</b>	<b>-</b>	<b>6,109,452</b>	<b>-</b>	<b>37,983,471</b>
Shareholders' Funds	-	-	-	-	-	3,190,567	-	3,190,567
<b>Total Liabilities and Shareholders' Funds</b>	<b>14,222,223</b>	<b>5,932,906</b>	<b>7,921,478</b>	<b>3,797,412</b>	<b>-</b>	<b>9,300,019</b>	<b>-</b>	<b>41,174,038</b>
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	-	-	-	-
<b>Net interest rate gap</b>	<b>5,614,123</b>	<b>(3,349,992)</b>	<b>(6,854,521)</b>	<b>2,125,195</b>	<b>8,312,869</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note:**

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

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

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

**EXPLANATORY NOTE**

**28. Interest Rate Risk (continued)**

The table below summarises the effective average interest rate for each class of interest sensitive financial assets and financial liabilities:

	<u>2008</u>	<u>Group</u> <u>2007</u>
	%	%
<u>Financial assets</u>		
Cash and short-term funds	3.19	3.82
Deposits and placements with financial institutions	4.17	5.60
Held for trading securities	3.18	6.51
Available-for-sale securities	3.76	3.57
Held-to-maturity securities	7.17	6.68
Loans, advances and financing		
- performing	6.50	6.72
Other assets	8.00	8.00
<u>Financial liabilities</u>		
Deposits from customers	2.98	2.98
Deposits and placements of banks and other financial institutions	3.79	3.76
Other liabilities	3.10	2.94
Borrowings	6.75	6.75
Subordinated obligations	5.38	5.38

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

**EXPLANATORY NOTES**

**29. Islamic Banking Operations**

**29(i) Islamic banking assets and liabilities**

Included in the Group's balance sheets are Islamic banking assets and liabilities of a subsidiary company as follows:

	<b>Audited</b>	<b>Audited</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2008</b>	<b>2007</b>
<b>Notes</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short term funds	1,783,860	1,004,427
Available-for-sale securities	353,004	287,543
Held-to-maturity securities	-	15,062
Financing and advances	28(iii) 4,702,496	4,553,237
Other assets	89,223	69,919
Statutory deposits with Bank Negara Malaysia	150,811	181,886
Deferred tax assets	13,663	15,519
Property, plant and equipment	2,162	2,525
<b>TOTAL ASSETS</b>	<b>7,095,219</b>	<b>6,130,118</b>
<b>LIABILITIES</b>		
Deposits from customers	28(iv) 3,970,663	3,763,887
Deposits and placements of banks and other financial institutions	2,398,376	1,700,192
Bills and acceptances payable	183,273	138,715
Other liabilities	25	2,763
Provision for taxation and zakat	81,264	72,557
<b>TOTAL LIABILITIES</b>	<b>6,633,601</b>	<b>5,678,114</b>
<b>NET ISLAMIC BANKING ASSETS</b>	<b>461,618</b>	<b>452,004</b>
<b>OFF-BALANCE SHEET EXPOSURES</b>	<b>951,001</b>	<b>949,306</b>

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

**EXPLANATORY NOTES**

**29 Islamic Banking Operations (continued)**

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

The financial results contribution from Islamic Banking operation to the Group's financial results is as follows:

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 31 December 2008 RM'000	Preceding year corresponding quarter ended 31 December 2007 RM'000	Current financial year ended 31 December 2008 RM'000	Preceding year ended 31 December 2007 RM'000
Income derived from investment of depositors' funds	82,383	73,373	308,078	272,884
Income derived from investment of shareholder's funds	13,352	7,347	37,241	29,891
	95,735	80,720	345,319	302,775
Allowances for losses on financing and advances	(9,089)	(11,969)	(57,508)	(41,992)
Transfer from profit equalisation reserve	-	3,800	2,250	9,178
Total distributable income	86,646	72,551	290,061	269,961
Income attributable to depositors	(46,645)	(40,575)	(174,580)	(152,887)
Total net income	40,001	31,976	115,481	117,074
Other operating expenses	(21,127)	(20,254)	(88,992)	(70,163)
Profit before taxation and zakat	18,874	11,722	26,489	46,911
Taxation	(2,553)	1,111	(8,069)	(12,372)
Zakat	556	(1,161)	(1,649)	(4,305)
Net profit for the financial quarter/year	16,877	11,672	16,771	30,234

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

**EXPLANATORY NOTES**

**29. Islamic Banking Operations (continued)**

**29(iii) Financing and advances**

	<b>Audited 31 December 2008 RM'000</b>	<b>Audited 31 December 2007 RM'000</b>
Cash line	352,054	380,389
Term financing:		
Housing financing	2,719,508	2,664,259
Hire purchase receivables	2,045,590	1,896,450
Syndicated financing	96,710	-
Other term financing	1,268,379	1,415,898
Bill receivable	1,074	743
Claims on customers under acceptance credit/financing	275,583	228,010
Trust receipt	6,515	4,955
Staff financing	27,488	33,163
Revolving financing	154,844	114,576
Other financing	76,990	4,496
	<u>7,024,735</u>	<u>6,742,939</u>
Less: Unearned income	(2,164,386)	(2,054,165)
	<u>4,860,349</u>	<u>4,688,774</u>
Less: Allowances for bad and doubtful financing:		
- Specific	(86,242)	(66,199)
- General	(71,611)	(69,338)
Total net financing and advances	<u><u>4,702,496</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 year	898,297	873,887
Reclassified as performing during the financial year	(800,487)	(772,282)
Amount recovered	(78,613)	(77,783)
Amount written off	(40,491)	(20,509)
Balance as at 31 December	<u>224,462</u>	<u>245,756</u>
Specific allowance	(86,242)	(66,199)
Net non-performing financing and advances	<u><u>138,220</u></u>	<u><u>179,557</u></u>
As % of total financing and advances, net of specific allowance	<u><u>2.9%</u></u>	<u><u>3.9%</u></u>

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

**EXPLANATORY NOTES**

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

**29(iv) Financing and advances (continued)**

	<b>Audited 31 December 2008 RM'000</b>	<b>Audited 31 December 2007 RM'000</b>
<b>(b) Movements in allowances for bad and doubtful financing are as follows:</b>		
<b><u>General allowance</u></b>		
Balance as at 1 January	69,338	62,278
Allowance made during the financial year	2,273	7,060
Balance as at 31 December	71,611	69,338
As % of total financing and advances, net of specific allowance	1.5%	1.5%
<b><u>Specific allowance</u></b>		
Balance as at 1 January	66,199	47,099
Allowance made during the financial year	83,722	55,287
Amount written back in respect of recoveries/reclassification	(23,188)	(15,678)
Amount written off	(40,491)	(20,509)
Balance as at 31 December	86,242	66,199

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

**EXPLANATORY NOTES**

**29. Islamic Banking Operations (continued)**

**29(v) Deposits from customers**

	<b>Audited 31 December 2008 RM'000</b>	<b>Audited 31 December 2007 RM'000</b>
<b><u>Non-Mudharabah :</u></b>		
Al-Wadiah demand deposits	984,742	861,037
Al-Wadiah savings deposits	173,296	150,189
<b><u>Mudharabah:</u></b>		
Al-Fareed demand deposits	111,258	118,481
Al-Mudharabah savings deposits	78,917	83,533
Total demand and savings deposits	1,348,213	1,213,240
<b><u>Non-Mudharabah:</u></b>		
Bai Al-Inah HARI	11,464	43,996
Negotiable Islamic debt certificates	-	100
<b><u>Mudharabah:</u></b>		
General investment deposits	2,610,986	2,506,551
Total investment deposits	2,622,450	2,550,647
Total deposits from customers	3,970,663	3,763,887

**30. Significant Events During the Financial Quarter/Year Ended 31 December 2008**

Other than those disclosed in Note 39 (1) and (2), there were no significant events during the financial quarter/year ended 31 December 2008 that have not been disclosed in these condensed financial statements.

**31. Changes in the Composition of the Group**

There were no significant changes in the composition of the Group during the financial quarter/year ended 31 December 2008 that have not been disclosed in these condensed financial statements.

**32. Significant Event Subsequent to the Balance Sheet Date**

Other than those disclosed in Note 36 and Note 39 (3) and (4), there were no other significant events subsequent to the balance sheet date that have not been disclosed in these condensed financial statements.



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

**EXPLANATORY NOTES**

**33. Other Commitments**

	<b>Audited 31 December 2008 RM'000</b>	<b>Audited 31 December 2007 RM'000</b>
Authorised and contracted for	56,750	19,862
Authorised but not contracted for	<u>2,773</u>	<u>11,840</u>
	<u>59,523</u>	<u>31,702</u>
Analysed as follows:		
- Property, plant and equipment	<u>59,523</u>	<u>31,702</u>
	<u>59,523</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.**

**34. Taxation**

The analysis of the tax expense for the financial quarter/year is as follows:-

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 31 December 2008</b>	<b>Preceding year corresponding quarter ended 31 December 2007</b>	<b>Current financial year ended 31 December 2008</b>	<b>Preceding year corresponding year ended 31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax:				
- Current quarter/year tax charge	22,030	48,287	57,504	110,293
- Overprovision in respect of prior years	(20,040)	(362)	(19,946)	(8,767)
	1,990	47,925	37,558	101,526
Transfer from/(to) deferred taxation	18,791	(22,814)	34,628	(4,083)
	20,781	25,111	72,186	97,443
Recognition of deferred tax assets on unutilised tax losses transferred from a subsidiary subsequent to its acquisition	-	(40,000)	-	(40,000)
	20,781	(14,889)	72,186	57,443

**35. Borrowings**

	<b>Audited 31 December 2008</b>	<b>Audited 31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Long term borrowings:</b>		
Secured fixed rate bonds, at par	150,000	150,000
Less: Unamortised discounts	(1,106)	(2,136)
	148,894	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 September 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**

**36. Subordinated Obligations**

	<b>Audited 31 December 2008 RM'000</b>	<b>Audited 31 December 2007 RM'000</b>
Subordinated obligations, at par	768,930	855,000
Foreign exchange translations	(67,281)	(110,363)
	701,649	744,637
Less: Unamortised discounts on issuance	(86)	(2,656)
Unamortised fair value changes arising from discontinued fair value hedges	(785)	(15,846)
	700,778	726,135

On 21 January 2004, the banking subsidiary 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 2008, Moody's Investors Service Limited has reaffirmed the rating of the Notes of Baa2. The net proceeds arising from the issuance of the Notes were utilised for general banking purposes.

The banking subsidiary 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 banking subsidiary 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.

With the approval of Bank Negara Malaysia, the bank subsidiary has fully redeemed the Notes on the optional maturity date of 21 January 2009.

The above Notes constitute unsecured liabilities of the banking subsidiary 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 banking subsidiary.

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

**EXPLANATORY NOTES**

**37. Unquoted Investments and Properties**

There were no sale of unquoted investments and properties for the financial quarter/year ended 31 December 2008 other than in the ordinary course of banking business.

**38. Quoted Securities**

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

**39. Status of Corporate Proposals Announced**

1. 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 unsecured subordinated bonds ('Bonds') by EON Bank Berhad; and
  - (b) proposed issuance of up to 93.8 million warrants ('Warrants') by the Company.

The Subordinated Bonds which qualifies as Tier Two Capital and the Warrants will be attached and issued to primary subscriber(s) or investor(s) on a bought – deal basis. All regulatory approvals have been obtained, and the proposals will be implemented in 2009.

2. On 3 November 2008, EON Bank Berhad had obtained the approval of Bank Negara Malaysia to commence discussions with PacificMas Berhad for the proposed acquisition of the entire shareholding interest in The Pacific Insurance Berhad, and these discussions had ceased on 21 January 2009.
3. On 16 January 2009, EON Capital Berhad's subsidiary, EON Bank Berhad announced that Bank Negara Malaysia has granted approval to EON Bank Berhad to commence discussions with Koperasi MCIS Berhad, Atalantik Sdn Bhd and other minority shareholders of MCIS Zurich Insurance Berhad for the proposed acquisition of up to 40% equity stake in MCIS Zurich Insurance Berhad, a composite insurance company.
4. On 27 February 2009, EON Capital Berhad's subsidiary, EON Bank Berhad, has issued the first tranche of RM410 million nominal value 5.75% coupon 10 Non-Call 5 years, of Subordinated MTN under its 20-year RM2.0 billion Subordinated MTN programme. The Subordinated Bonds issued under the MTN Program qualify as Tier Two Capital of EON Bank Berhad.

The Subordinated MTN issued under the Subordinated MTN Programme has been assigned a long term rating of A2 by the Rating Agency Malaysia Berhad.

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

**EXPLANATORY NOTES**

**40. Derivative Financial Instruments**

Based on the balance sheet as at 23 February 2009, 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	1,540,453	1,013,910	457,686	25,576	43,281	-	-
Interest rate related contracts:							
- Interest rate swaps	2,285,000	-	-	100,000	200,000	1,985,000	-

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 23 February 2009.

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

**EXPLANATORY NOTES**

**40. Derivative Financial Instruments (continued)**

**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 23 February 2009, the amount of contracts of the Group, which were not hedged and, hence, exposed to market risk was RM16,711,732 (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 23 February 2009, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM27,746,654 (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**

**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 23 February 2009 and at the date of this Announcement:-

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

- (1) A Writ of Summon was filed by the borrower/Plaintiff on 25 June 2007 against EBB and 7 other syndicated lenders (now collectively known as "the Lenders") for RM121.4 million claiming breach of an alleged agreement made between the borrower and the Lenders for the restructuring of the borrower's existing loans with the said Lenders. EBB has denied that there was such an alleged agreement. The solicitors are of the opinion that the suit is defensible.
- (2) A Writ of Summons was filed on 25 January 2005 by the Plaintiff against EBB claiming RM10.0 million as a result of EBB wrongfully claiming on a foreclosure action for an alleged unsecured claim. Both parties are appealing against the quantum of damages awarded by the court. 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.
- (3) A Writ of Summons and statement of claim was filed by the borrower on 29 November 2002 against EBB, alleging that EBB refused to give consent for the borrower's application to subdivide the land, which was charged to EBB. The borrower 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.

**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. 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 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. Defendant filed a Defence and Counter claim which was served on MIMB on 12 January 2006. In the Counter claim, the Defendant alleged that MIMB was negligent and failed to carry out its duty diligently. The Defendant is claiming for compensation totalling RM23.9 million being expenses and costs incurred by the Defendant and damages. Solicitors are of the opinion that the Defendant's claim is defensible.

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

**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**

The Group's pre-tax profit increased by RM18.3 million from RM90.9 million to RM109.2 million in the quarter ended December 2008. The improvement was due to a RM40.6 million increase in net interest income due to the expansion in total loans outstanding and a RM35.5 million rise in non-interest income due to the decline in the mark to market losses.. However, this improvement in income was partly offset by a RM36.3 million increase in allowances for losses on loans, advances and financing as the Group continued to build its loan loss coverage.. As a result, the Group achieved a higher profit after tax of RM89.0 million as compared to RM 64.7 million during the preceding financial quarter.

**44. Review of performance for the financial quarter ended 31 December 2008 against the corresponding financial quarter of preceding year**

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

The Group's pre-tax increased by RM22.9 million, from RM86.3 million in the financial quarter ended 31 December 2007 to RM109.2 million in the financial quarter ended 31 December 2008. The improvement was mainly due to higher net income by RM60.9 million.. Allowances for losses on loans, advances and financing were RM33.1million higher, and impairment on goodwill and impairment losses on securities also increased by RM23.9 million respectively. After taking into account the charge for reduction in the carrying amount of goodwill, which was offset by the corresponding tax benefit which has been recognised as a tax credit. the Group's net profit after tax for the financial quarter ended 31 December 2008 amounted to RM 89.0 million, as compared to RM 100.0 million in the financial quarter ended 31 December 2007.

**Current financial year against preceding year**

For the current financial year ended 31 December 2008, the Group's net income increased by 5.3% to RM1,404.0 million, as compared to RM1,333.7 million in the financial year ended 31 December 2007. However, this improvement was offset by the RM103.0 increase in allowances for losses on loans, advances and financing as the Group continued to build up its loans loss coverage in FY2008. In addition, total expenses had also risen by RM 154.7 million as the Group continued to invest in building its infrastructure. As a result, the Group's pre-tax profit declined by 25.5% to RM207.6 million. The Group registered a net profit after tax for the current financial year of RM 133.8 million, a decrease of RM83.3 million or 38.4% as compared to RM217.1 million registered in the previous financial year.



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

**EXPLANATORY NOTES**

**45. Prospects for 2009**

Given the scale of the global economy downturn, the Group is bracing for a tough macro operating environment in 2009. Under these challenging market conditions, the Group's business operations will continue to be focused on consumer and SME funding, as well as improving its capital and asset quality ratios. Moving ahead, the Group will continue to invest in improving its infrastructure, and pursue greater brand recognition to grow customer base, assets and deposits portfolio. Greater emphasis will be placed on mobilising more low cost transactional deposits and improving its cost of funding. The Group expects to achieve a satisfactory performance in 2009, barring major negative impacts of the global economic crisis.

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

The calculation of the earnings per share of the Group, which is based on the net profit for the financial quarter/year ended 31 December 2008 and 31 December 2007 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter/year, are set out as follows:

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 31 December 2008</u>	<u>Preceding year corresponding quarter ended 31 December 2007</u>	<u>Current financial year ended 31 December 2008</u>	<u>Preceding year corresponding year ended 31 December 2007</u>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit for the financial quarter/year	88,975	100,036	133,777	217,069
Weighted average number of ordinary shares in issue during the financial quarter/year	693,209	693,209	693,209	693,209
Earnings per share (sen) - basic/diluted	12.8	14.4	19.3	31.3

There were no dilutive potential ordinary shares outstanding as at 31 December 2008 and 31 December 2007.

**47. Proposed First and Final Dividend**

The Directors are pleased to recommend the payment of a first and final gross tax exempt dividends of 5.77 sen per share on 693,208,732 ordinary shares amounting to RM39,998,144 for the financial year ended 31 December 2008, which is subject to the members' approval at the forthcoming Annual General Meeting of the Company.