

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
**AS AT 30 SEPTEMBER 2009**

	Note	Unaudited 30 September 2009 RM'000	Audited 31 December 2008 RM'000
<b>ASSETS</b>			
Cash and short-term funds		7,210,332	7,849,181
Deposits and placements with banks and other financial institutions		1,048,005	249,440
Held-for-trading securities	9	132,008	27,931
Derivative financial instruments	10	23,456	13,393
Available-for-sale securities	11	3,282,116	3,076,980
Held-to-maturity securities	12	221,088	349,217
Loans, advances and financing	13	30,972,765	29,637,558
Other assets	14	697,238	780,988
Statutory deposits with Bank Negara Malaysia		270,256	940,952
Deferred tax assets		136,820	122,866
Property, plant and equipment		312,494	287,626
Goodwill		86,610	86,610
<b>TOTAL ASSETS</b>		<u>44,393,188</u>	<u>43,422,742</u>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	16	32,112,858	32,391,890
Deposits and placements of banks and other financial institutions	17	4,636,051	4,257,820
Derivative financial instruments	10	69,952	80,624
Bills and acceptances payable		2,047,799	1,817,440
Provision for taxation and zakat		4,912	32
Other liabilities	18	935,867	820,676
Subordinated medium term notes	33	382,764	-
Hybrid capital	34	487,550	-
Subordinated obligations	35	-	700,778
Borrowings	36	229,730	148,894
<b>TOTAL LIABILITIES</b>		<u>40,907,483</u>	<u>40,218,154</u>
SHARE CAPITAL		693,209	693,209
RESERVES		2,792,496	2,511,379
<b>SHAREHOLDERS' FUNDS</b>		<u>3,485,705</u>	<u>3,204,588</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>44,393,188</u>	<u>43,422,742</u>
<b>OFF-BALANCE SHEET EXPOSURES</b>	24	<u>22,168,192</u>	<u>20,240,783</u>
Net assets per ordinary share (RM)		<u>5.03</u>	<u>4.62</u>

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 SEPTEMBER 2009**

	Note	Individual quarter		Cumulative quarter	
		Current financial quarter ended 30 September 2009 RM'000	Preceding year corresponding quarter ended 30 September 2008 RM'000	Current financial period ended 30 September 2009 RM'000	Preceding year corresponding period ended 30 September 2008 RM'000
Interest income	19	436,603	480,925	1,315,518	1,434,862
Interest expense	20	(203,597)	(254,583)	(635,847)	(747,604)
Net interest income		233,006	226,342	679,671	687,258
Net income from Islamic Banking business	27	59,497	43,531	163,458	123,899
		292,503	269,873	843,129	811,157
Non-interest income	21	76,885	41,643	218,048	199,754
Net income		369,388	311,516	1,061,177	1,010,911
Other operating expenses	22	(209,479)	(184,980)	(595,244)	(544,326)
Operating profit		159,909	126,536	465,933	466,585
Allowances for losses on loans, advances and financing	23	(55,685)	(27,383)	(132,218)	(358,931)
Impairment losses on securities		(3,675)	(4,054)	(13,704)	(5,002)
Profit before taxation and zakat		100,549	95,099	320,011	102,652
Taxation		(25,191)	(26,811)	(40,472)	(32,377)
Zakat		(10)	661	(26)	(2,205)
Net profit for the financial quarter/period		75,348	68,949	279,513	68,070
Earnings per share (sen)					
- Basic	46	10.87	9.95	40.32	9.82
- Diluted	46	10.87	9.95	40.32	9.82

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009**

	<b>Issued and fully paid ordinary shares of RM1 each</b>			<b>Available- for-sale securities reserve</b>		
	<b>Share capital RM'000</b>			<b>Share premium RM'000</b>		
Balance as at 1 January 2009	693,209	1,066,296	657,198	(25,311)	813,196	3,204,588
Net fair value changes in available-for-sale securities, net of tax	-	-	-	41,602	-	41,602
Income and expense recognised directly in equity	-	-	-	41,602	-	41,602
Net profit for the financial period	-	-	-	-	279,513	279,513
Total recognised income and expense for the financial period	-	-	-	41,602	279,513	321,115
Dividends in respect of financial year ended 31 December 2008	-	-	-	-	(39,998)	(39,998)
Balance as at 30 September 2009	693,209	1,066,296	657,198	16,291	1,052,711	3,485,705
Balance as at 1 January 2008	693,209	1,066,296	608,326	40,444	782,292	3,190,567
Net fair value changes in available-for-sale securities, net of tax	-	-	-	(33,683)	-	(33,683)
Income and expense recognised directly in equity	-	-	-	(33,683)	-	(33,683)
Net profit for the financial period	-	-	-	-	68,070	68,070
Total recognised income and expense for the financial period	-	-	-	(33,683)	68,070	34,387
Dividends in respect of financial year ended 31 December 2007	-	-	-	-	(54,001)	(54,001)
Balance as at 30 September 2008	693,209	1,066,296	608,326	6,761	796,361	3,170,953

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009**

	<b>Current financial period ended 30 September 2009</b>	<b>Preceding year corresponding period ended 30 September 2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Net profit for the financial period	279,513	68,070
Adjustments for investing and financing items not involving movement of cash and cash equivalents	171,050	433,237
Operating profit before working capital changes	450,563	501,307
Increase in operating assets	(1,524,572)	(1,847,627)
Increase in operating liabilities	444,415	1,784,612
Cash (used in)/generated from operations	(629,594)	438,292
Income tax paid	(60,361)	(70,032)
Income tax refunded	-	7,739
Zakat paid	(17)	(4,371)
Net cash (used in)/generated from operating activities	(689,972)	371,628
<b>Cash Flows From Investing Activities</b>		
Purchase of available-for-sale and held to maturity securities, net of sale proceeds	(83,411)	548,271
Purchase of property, plant and equipment	(59,341)	(34,406)
Proceeds from disposal of property, plant and equipment	282	475
Interest/dividend received from available-for-sale and held-to-maturity securities	4,255	136,043
Net dividends received	3,100	3,052
Net cash (used in)/generated from investing activities	(135,115)	653,435
<b>Cash Flows From Financing Activities</b>		
Net proceeds from issuance of subordinated medium term notes	378,126	-
Net proceeds from short-term borrowings	80,000	-
Redemption of subordinated obligations	(731,799)	-
Interest paid on subordinated obligations	(2,185)	(39,322)
Net proceeds from issuance of Innovative Tier-1 Capital Securities	495,000	-
Interest paid on long term borrowings	(5,049)	(4,561)
Interest paid on short term borrowings	(437)	-
Net interest received for interest rate related derivatives	12,580	4,120
Net dividends paid	(39,998)	(54,001)
Net cash generated from/(used in) financing activities	186,238	(93,764)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(638,849)</b>	<b>931,299</b>
<b>Cash and cash equivalents:</b>		
- as at beginning of the financial period	7,849,181	5,547,918
- as at end of the financial period	7,210,332	6,479,217

**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) and Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions (revised BNM/GP8), and should be read in conjunction with the financial statements of the Group 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.

**2. Audit Report**

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

**3. Seasonality or Cyclicity of Operations**

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

**4. 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 September 2009.

**5. 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/period ended 30 September 2009.

**6. Issuance and Repayments**

EON Bank Berhad ("EBB"), a wholly-owned subsidiary of the Company, had fully redeemed its USD225 million nominal value Subordinated Notes on the optional maturity date of 21 January 2009. Subsequently, on 27 February 2009, EBB issued a first tranche of RM410 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes ("MTN") from the RM2.0 billion Subordinated MTN programme and is rated A2 by RAM Rating Services Berhad.

On 10 September 2009, EBB had issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500 million in nominal value, from the IT-1 Capital Securities Programme of up to RM1.0 billion in nominal value and is rated A3 by RAM Rating Services Berhad.

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

There were no interim dividends paid or declared in respect of financial year ending 31 December 2009 during the financial quarter/period ended 30 September 2009.

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

**EXPLANATORY NOTES**

**8. Segment reporting**

The Group can be divided into four major business lines, i.e. Enterprise Banking, Retail Banking, Islamic Banking and Treasury and Investment Banking. The business lines are the basis on which the Group reports its primary segment information.

(a) Segment revenue and segment results

<b><u>Group</u></b>	<b><u>Enterprise Banking</u></b> RM'000	<b><u>Retail Banking</u></b> RM'000	<b><u>Islamic Banking</u></b> RM'000	<b><u>Treasury and Investment Banking</u></b> RM'000	<b><u>Total</u></b> RM'000
<b><u>Current financial quarter ended 30 September 2009</u></b>					
Gross operating revenue from external parties <sup>(1)</sup>	116,508	300,967	83,909	97,488	598,872
Inter-segment gross operating revenue <sup>(2)</sup>	3,523	12,535	-	-	16,058
Total segment revenue	<u>120,031</u>	<u>313,502</u>	<u>83,909</u>	<u>97,488</u>	<u>614,930</u>
Segment results	34,552	73,464	8,350	(13,574)	102,792
Unallocated costs					(2,243)
Profit before taxation and zakat					<u>100,549</u>
Taxation and zakat					(25,201)
Net profit for the financial quarter ended 30 September 2009					<u><u>75,348</u></u>
<b><u>Preceding year corresponding quarter ended 30 September 2008</u></b>					
Gross operating revenue from external parties <sup>(1)</sup>	154,609	349,289	86,773	20,374	611,045
Inter-segment gross operating revenue <sup>(2)</sup>	4,116	16,838	-	-	20,954
Total segment revenue	<u>158,725</u>	<u>366,127</u>	<u>86,773</u>	<u>20,374</u>	<u>631,999</u>
Segment results	81,660	101,724	12,211	(98,108)	97,487
Unallocated costs					(2,388)
Loss before taxation and zakat					<u>95,099</u>
Taxation and zakat					(26,150)
Net loss for the financial quarter ended 30 September 2008					<u><u>68,949</u></u>

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

**EXPLANATORY NOTES**

**8. Segment reporting (continued)**

(a) Segment revenue and segment results (continued)

<b>Group</b>	<b>Enterprise Banking RM'000</b>	<b>Retail Banking RM'000</b>	<b>Islamic Banking RM'000</b>	<b>Treasury and Investment Banking RM'000</b>	<b>Total RM'000</b>
<b><u>Current financial period ended 30 September 2009</u></b>					
Gross operating revenue from external parties <sup>(1)</sup>	356,098	891,510	252,044	291,530	1,791,182
Inter-segment gross operating revenue <sup>(2)</sup>	10,466	36,849	-	-	47,315
Total segment revenue	<u>366,564</u>	<u>928,359</u>	<u>252,044</u>	<u>291,530</u>	<u>1,838,497</u>
Segment results	103,043	217,869	47,726	(40,823)	327,815
Unallocated costs					(7,804)
Profit before taxation and zakat					320,011
Taxation and zakat					(40,498)
Net profit for the financial period ended 30 September 2009					<u>279,513</u>
<b><u>Preceding year corresponding period ended 30 September 2008</u></b>					
Gross operating revenue from external parties <sup>(1)</sup>	427,879	925,640	249,584	286,523	1,889,626
Inter-segment gross operating revenue <sup>(2)</sup>	10,075	38,451	-	-	48,526
Total segment revenue	<u>437,954</u>	<u>964,091</u>	<u>249,584</u>	<u>286,523</u>	<u>1,938,152</u>
Segment results	1,091	169,692	7,615	(68,768)	109,630
Unallocated costs					(6,978)
Profit before taxation and zakat					102,652
Taxation and zakat					(34,582)
Net loss for the financial period ended 30 September 2008					<u>68,070</u>

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

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

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

**EXPLANATORY NOTES**

**8. Segment reporting (continued)**

(b) Segment assets

<b>Group</b>	<b>Enterprise Banking</b>	<b>Retail Banking</b>	<b>Islamic Banking</b>	<b>Treasury and Investment Banking</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>As at 30 September 2009</u></b>					
Segment assets	10,554,543	14,602,880	6,335,948	12,728,004	44,221,375
Unallocated assets					171,813
Total assets					<u>44,393,188</u>
Segment liabilities	15,127,616	11,515,397	5,842,323	8,422,726	40,908,062
Unallocated liabilities					(579)
Total liabilities					<u>40,907,483</u>
Other segment information:					
Capital expenditure	9,716	30,494	3,407	15,724	59,341
Depreciation of property, plant and equipment	9,536	19,073	320	3,179	32,108
Other non-cash expenses	239,821	302,562	155,014	53,932	751,329
<b><u>As at 31 December 2008</u></b>					
Segment assets	9,100,745	14,745,282	7,077,924	11,972,945	42,896,896
Unallocated assets					525,846
Total assets					<u>43,422,742</u>
Segment liabilities	11,643,204	13,742,804	6,199,705	7,800,203	39,385,916
Unallocated liabilities					832,238
Total liabilities					<u>40,218,154</u>
Other segment information:					
Capital expenditure	14,479	25,831	1,384	9,937	51,631
Depreciation of property, plant and equipment	10,552	21,104	632	3,517	35,805
Other non-cash expenses	224,788	279,939	66,806	30,039	601,572

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

**9. Held for Trading Securities**

	<b>Unaudited 30 September 2009</b>	<b>Audited 31 December 2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government securities	132,008	27,538
Quoted equity securities in Malaysia	-	393
	<u>132,008</u>	<u>27,931</u>

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

**EXPLANATORY NOTES**

**10. Derivative Financial Instruments**

	<b>Unaudited 30 September 2009 RM'000</b>	<b>Audited 31 December 2008 RM'000</b>
<b>Derivatives at fair value through profit and loss:</b>		
- Interest rate swaps	220	1,967
- Foreign currency forwards	19,662	11,405
<b>Derivatives designated as fair value hedge:</b>		
- Interest rate swaps	3,574	21
Total derivative financial instruments - assets	<u>23,456</u>	<u>13,393</u>
<b>Derivatives at fair value through profit and loss:</b>		
- Interest rate swaps	-	1,097
- Foreign currency forwards	21,652	12,540
- Cross currency interest rate swap	-	275
<b>Derivatives designated as fair value hedge:</b>		
- Interest rate swaps	47,790	66,712
- Cross currency interest rate swaps	510	-
Total derivative financial instruments - liabilities	<u>69,952</u>	<u>80,624</u>

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

	<b>Unaudited 30 September 2009 RM'000</b>	<b>Audited 31 December 2008 RM'000</b>
<b>Available-for-sale securities, at fair value:</b>		
Bank Negara Malaysia monetary notes	99,633	40,916
Malaysian Government investment issues	251,983	349,460
Malaysian Government treasury bills	-	29,579
Malaysian Government Islamic treasury bills	-	29,546
Malaysian Government securities	501,552	501,909
Cagamas bonds	15,093	15,219
Khazanah bonds	9,929	73,305
Quoted equity securities in Malaysia	15,295	11,292
Quoted private debt securities	17,983	1,324
Private and Islamic debt securities	1,119,795	1,085,920
Negotiable instruments of deposit	1,030,014	800,432
Islamic negotiable instrument debt securities	219,063	109,475
Commercial papers	12,932	31,790
Islamic commercial papers	50,323	48,284
	<u>3,343,595</u>	<u>3,128,451</u>
Allowance for impairment	(68,710)	(58,710)
	<u>3,274,885</u>	<u>3,069,741</u>
<b>Available-for-sale securities, at cost:</b>		
Unquoted equity securities in Malaysia	6,215	6,215
Unquoted equity securities outside Malaysia	3,779	3,787
	<u>9,994</u>	<u>10,002</u>
Allowance for impairment	(2,763)	(2,763)
	<u>7,231</u>	<u>7,239</u>
	<u>3,282,116</u>	<u>3,076,980</u>

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

**EXPLANATORY NOTES**

**12. Held-to-maturity Securities**

	<b>Unaudited 30 September 2009 RM'000</b>	<b>Audited 31 December 2008 RM'000</b>
<b>Held-to-maturity securities, at amortised cost:</b>		
Private and Islamic debt securities	389,620	428,326
Credit linked notes denominated in USD	-	86,688
	<u>389,620</u>	<u>515,014</u>
<b>Held-to-maturity securities, at cost:</b>		
Unquoted equity securities in Malaysia	18,082	18,082
	<u>407,702</u>	<u>533,096</u>
Allowance for impairment	(186,614)	(183,879)
	<u>221,088</u>	<u>349,217</u>

**13. Loans, Advances and Financing**

	<b>Unaudited 30 September 2009 RM'000</b>	<b>Audited 31 December 2008 RM'000</b>
Overdrafts/cash line	2,305,976	2,483,658
Term loans/financing:		
Housing loans/financing	7,414,991	6,959,353
Syndicated term loans/financing	1,173,267	1,209,860
Hire purchase receivables	12,805,304	12,455,025
Other term loans/financing	6,226,401	5,694,939
Bills receivable	7,695	10,410
Trust receipts	130,059	176,496
Claims on customers under acceptance credit/financing	2,536,140	2,750,785
Staff loans/financing	231,909	181,285
Credit cards	1,364,013	1,192,801
Revolving credit/financing	1,509,914	1,319,936
Other loans/financing	92,286	108,363
	<u>35,797,955</u>	<u>34,542,911</u>
Less: Unearned interest/income	(3,659,121)	(3,689,906)
Gross loans, advances and financing	<u>32,138,834</u>	<u>30,853,005</u>
Fair value changes arising from fair value hedge	17,650	28,011
Less: Allowances for bad and doubtful debts and financing		
- Specific	(712,322)	(792,530)
- General	(471,397)	(450,928)
Net loans, advances and financing	<u>30,972,765</u>	<u>29,637,558</u>

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

**EXPLANATORY NOTES**

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

	<b>Unaudited 30 September 2009 RM'000</b>	<b>Audited 31 December 2008 RM'000</b>
<b>(i) Gross loans, advances and financing are disbursed to the following type of customers:</b>		
Domestic non-bank financial institutions	409,336	224,787
Domestic business enterprises (of which: Small and medium enterprises)	11,843,882 6,495,299	11,744,610 6,159,118
Government and statutory bodies	23,264	21,753
Individuals	19,351,827	18,448,240
Other domestic entities	22,700	25,724
Foreign entities	487,825	387,891
	<u>32,138,834</u>	<u>30,853,005</u>
<b>(ii) Gross loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:</b>		
Fixed rate	14,172,230	13,905,535
(of which: (i) Housing loans/financing (ii) Hire purchase receivables)	1,539,389 10,885,531	1,571,018 10,606,348
Variable rate	17,953,677	16,934,839
(of which: (i) Base lending rate plus (ii) Cost plus)	10,917,241 5,246,375	10,355,717 5,028,424
Non-interest bearing	12,927	12,631
	<u>32,138,834</u>	<u>30,853,005</u>
<b>(iii) Gross loans, advances and financing analysed by their sectors are as follows:</b>		
Agriculture, hunting, forestry and fishing	445,283	372,604
Mining and quarrying	93,415	94,048
Manufacturing	3,014,686	3,184,934
Electricity, gas and water	239,236	231,561
Construction	2,336,192	2,200,008
Wholesale and retail trade and restaurants and hotels	2,579,503	2,622,671
Transport, storage and communication	684,687	579,585
Finance, insurance and business services	1,108,581	931,514
Real estate	1,293,085	1,302,053
Community, social and personal services	312,818	304,260
Household	19,438,751	18,519,944
(comprise: (i) Purchase of transport vehicles (ii) Purchase of residential properties (iii) Purchase of non-residential properties (iv) Others)	9,588,239 6,334,401 799,836 2,716,275	9,475,724 5,938,134 738,586 2,367,500
Others	592,597	509,823
	<u>32,138,834</u>	<u>30,853,005</u>

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

**EXPLANATORY NOTES**

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

	<b>Unaudited 30 September 2009 RM'000</b>	<b>Audited 31 December 2008 RM'000</b>
<b>(iv) Gross loans, advances and financing analysed by their economic purposes are as follows:</b>		
Purchase of securities	482,685	547,432
Purchase of transport vehicles	10,833,039	10,589,345
Purchase of landed properties	8,789,198	8,445,896
(comprise: (i) Residential	6,400,765	5,974,735
(ii) Non-residential)	2,388,433	2,471,161
Purchase of fixed assets (excluding landed properties)	360,329	267,744
Personal use	1,024,030	882,141
Credit cards	1,364,013	1,191,898
Purchase of consumer durables	347	764
Construction	776,312	811,991
Mergers and acquisitions	13,950	13,033
Working capital	7,607,694	7,235,940
Others	887,237	866,821
	<u>32,138,834</u>	<u>30,853,005</u>
<b>(v) Movements in non-performing loans, advances and financing are as follows:</b>		
Balance as at 1 January	1,545,654	1,847,443
Classified as non-performing during the financial period/year	3,120,356	4,152,844
Reclassified as performing during the financial period/year	(2,606,562)	(3,437,918)
Amount recovered	(382,906)	(662,074)
Amount written off	(263,682)	(354,641)
Loans/financing converted to securities	(17,922)	-
Balance as at 30 September/31 December	<u>1,394,938</u>	<u>1,545,654</u>
Less: Non-performing loans, advances and financing, which have no adverse financing impact on the Group	-	-
	<u>(20,564)</u>	<u>(64,425)</u>
Specific allowance	1,374,374	1,481,229
Net non-performing loans, advances and financing	<u>(597,607)</u>	<u>(728,059)</u>
	<u>776,767</u>	<u>753,170</u>
As % of total loans, advances and financing, net of specific allowance	<u>2.5%</u>	<u>2.5%</u>
Loan loss coverage	<u>84.9%</u>	<u>80.4%</u>
<b>(vi) Non-performing loans, advances and financing analysed by their sectors are as follows:</b>		
Agriculture, hunting, forestry and fishing	10,796	5,107
Mining and quarrying	625	3,020
Manufacturing	265,142	275,981
Electricity, gas and water	23	250
Construction	133,823	146,137
Wholesale and retail trade and restaurants and hotels	157,105	191,096
Transport, storage and communication	12,963	17,349
Finance, insurance and business services	19,198	20,505
Real estate	41,840	65,364
Community, social and personal services	3,230	2,934
Household	640,452	800,825
(comprise: (i) Purchase of transport vehicles	175,859	201,720
(ii) Purchase of residential properties	353,724	457,028
(iii) Purchase of non-residential properties	28,972	42,680
(iv) Others)	81,897	99,397
Others	109,741	17,086
	<u>1,394,938</u>	<u>1,545,654</u>

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

**EXPLANATORY NOTES**

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

	<b>Unaudited 30 September 2009 RM'000</b>	<b>Audited 31 December 2008 RM'000</b>
<b>(vii) Non-performing loans, advances and financing analysed by their economic purposes are as follows:</b>		
Purchase of securities	15,993	31,027
Purchase of transport vehicles	210,166	235,539
Purchase of landed properties	442,234	584,738
(comprise: (i) Residential	355,127	458,727
(ii) Non-residential)	87,107	126,011
Purchase of fixed assets (excluding landed properties)	16,710	26,673
Personal use	38,111	44,048
Credit cards	29,353	26,966
Purchase of consumer durables	7	158
Construction	16,748	32,239
Working capital	600,059	510,813
Others	25,557	53,453
	<u>1,394,938</u>	<u>1,545,654</u>
<b>(viii) Movements in allowances for bad and doubtful debts and financing:</b>		
<b>General allowance</b>		
Balance as at 1 January	450,928	429,914
Allowance made during the financial period/year	20,469	21,014
Balance as at 30 September/31 December	<u>471,397</u>	<u>450,928</u>
As % of gross loans, advances and financing, net of specific allowance	<u>1.5%</u>	<u>1.5%</u>
<b>Specific allowance</b>		
Balance as at 1 January	792,530	644,214
Allowance made during the financial period/year	342,706	658,687
Allowance charged to deferred asset/other assets during the financial period/year	233	15,998
Amount written back in respect of recoveries/reclassification	(145,454)	(152,324)
Recoveries set-off against deferred asset	(3,390)	(19,404)
Amount written-off	(263,682)	(354,641)
Amount transferred to allowance for impairment on securities	(10,621)	-
Balance as at 30 September/31 December	<u>712,322</u>	<u>792,530</u>

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

**EXPLANATORY NOTES**

**14. Other Assets**

	<b>Unaudited 30 September 2009 RM'000</b>	<b>Audited 31 December 2008 RM'000</b>
Unamortised handling fees	79,944	80,403
Trade receivables, net of allowances for bad and doubtful debts and interest-in-suspense of RM216,724 (31.12.2008: RM5,673,000)	23,389	8,803
Interest/income receivable	39,721	60,733
Other debtors, deposits and prepayments, net of allowances for bad and doubtful debts of RM750,981 (31.12.2008: RM95,161)	378,809	383,135
Deferred asset account	161,116	226,407
Tax recoverable	13,531	20,772
Prepaid lease payments	728	735
	<u>697,238</u>	<u>780,988</u>

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

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

**16. Deposits from Customers**

	<b>Unaudited 30 September 2009 RM'000</b>	<b>Audited 31 December 2008 RM'000</b>
Demand deposits	4,383,355	3,785,408
Savings deposits	2,979,093	2,804,807
Fixed/investment deposits	23,013,440	22,894,115
Money market deposits	1,736,970	2,907,560
	<u>32,112,858</u>	<u>32,391,890</u>

**(i) The maturity structure of fixed/investment deposits and money market deposits is as follows:**

Due within six months	19,670,295	19,607,045
Six months to one year	4,328,474	5,221,329
One year to three years	729,327	911,881
Three years to five years	22,314	61,420
	<u>24,750,410</u>	<u>25,801,675</u>

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

Government and statutory bodies	3,634,307	4,578,710
Business enterprises	12,620,359	11,860,874
Individuals	12,138,239	12,221,749
Others	3,719,953	3,730,557
	<u>32,112,858</u>	<u>32,391,890</u>

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

**EXPLANATORY NOTES**

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

	<b>Unaudited 30 September 2009 RM'000</b>	<b>Audited 31 December 2008 RM'000</b>
Licensed banks	1,475,007	957,408
Licensed Islamic banks	169,552	531,332
Licensed investment banks	62,036	119,510
Bank Negara Malaysia	1,475,465	1,476,867
Other financial institutions	1,453,991	1,172,703
	<u>4,636,051</u>	<u>4,257,820</u>

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

One year or less	3,132,946	2,753,979
More than one year	1,503,105	1,503,841
	<u>4,636,051</u>	<u>4,257,820</u>
Included in the above are negotiable certificates of deposit/ Islamic debt certificates issued by the Group	<u>1,231,705</u>	<u>1,371,065</u>

**18. Other Liabilities**

	<b>Unaudited 30 September 2009 RM'000</b>	<b>Audited 31 December 2008 RM'000</b>
Trade payable	52,297	35,014
Other liabilities	690,562	534,271
Interest/dividend payable	193,001	251,383
Profit equalisation reserves	7	8
	<u>935,867</u>	<u>820,676</u>

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

**EXPLANATORY NOTES**

**19. Interest Income**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 September 2009	Preceding year corresponding quarter ended 30 September 2008	Current financial period ended 30 September 2009	Preceding year corresponding period ended 30 September 2008
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest income other than recoveries	370,655	384,128	1,107,859	1,128,712
- Recoveries from non-performing loans, advances and financing	9,875	13,670	31,389	44,266
Money at call and deposit placements with financial institutions	33,783	52,043	100,865	160,622
Held for trading securities	3,702	6,432	18,293	24,168
Available-for-sale securities	26,728	32,116	85,189	99,901
Held-to-maturity securities	1,177	3,812	4,603	14,739
Others	138	-	554	-
	446,058	492,201	1,348,752	1,472,408
Accretion of discount less amortisation of premium	2,075	(1,239)	5,677	(5,991)
Interest suspended	(11,530)	(10,037)	(38,911)	(31,555)
	436,603	480,925	1,315,518	1,434,862

**20. Interest Expense**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 September 2009	Preceding year corresponding quarter ended 30 September 2008	Current financial period ended 30 September 2009	Preceding year corresponding period ended 30 September 2008
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	36,227	32,170	103,190	99,325
Deposits from customers	152,577	204,578	497,253	595,939
Subordinated medium term notes	7,498	-	17,513	-
Subordinated obligations	2,328	14,435	4,809	42,096
Long term borrowings	2,831	2,809	8,409	8,401
Short term borrowings	388	-	784	-
Others	1,748	591	3,889	1,843
	203,597	254,583	635,847	747,604

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

**EXPLANATORY NOTES**

**21. Non-interest Income**

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 September 2009	Preceding year corresponding quarter ended 30 September 2008	Current financial period ended 30 September 2009	Preceding year corresponding period ended 30 September 2008
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
- Commissions	10,208	10,803	28,665	32,449
- Service charges and fees	42,698	40,092	131,662	99,038
- Guarantee fees	4,168	4,024	13,110	9,990
- Advisory and arrangement fees	1,310	1,660	4,950	6,980
- Underwriting commissions	103	208	479	2,127
- Brokerage	2,540	1,333	6,996	5,844
Net gains/(losses) arising from sale of:				
- Held for trading securities	252	(974)	183	(281)
- Available-for-sale securities	714	(45)	3,079	16,628
Net gains on redemption of held-to-maturity securities	692	1,323	1,383	5,987
Dividend income from:				
- Held for trading securities	2,944	-	2,957	-
- Available-for-sale securities	9	2,898	142	3,761
Net unrealised (losses)/gains on fair value changes on held for trading securities	(92)	908	(254)	664
Net unrealised gains/(losses)/gains on fair value changes on derivatives held at fair value through profit and loss:				
- interest rate derivatives	502	(25,440)	(668)	(11,324)
- foreign currency forwards	(5,270)	13,275	(855)	23,517
Net unrealised losses on fair value changes between the subordinated medium term notes and interest rate swaps designated as fair value hedge	(9)	-	(1,186)	-
Net unrealised gains/(losses) on fair value changes between hire purchase receivables and interest rate swaps designated as fair value hedge	170	-	(848)	-
Net unrealised gains on fair value changes between foreign currency loans and cross currency interest rate swaps designated as fair value hedge	524	-	315	-
Net unrealised (losses)/gains on fair value changes between available-for-sale securities and interest rate swaps designated as fair value hedge	(729)	-	271	-
Reversal of net unrealised losses/(gains) on fair value changes of hedged available-for-sale securities upon their maturity	16	-	(4,156)	-
Net gains/(losses) from foreign exchange translations	11,779	(7,121)	20,810	(1,285)
Other income/(expenditure):				
- Rental income from premises	517	633	1,549	2,035
- Gains on disposal of property, plant and equipment	168	3	348	16
- Other operating income/(expenditure)	3,202	(1,244)	7,660	3,213
- Other non-operating income/(expenditure)	525	(817)	1,604	817
- Net amount written-back/(provided) in respect of other bad and doubtful debts	(56)	124	(148)	(422)
	<u>76,885</u>	<u>41,643</u>	<u>218,048</u>	<u>199,754</u>

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

**EXPLANATORY NOTES**

**22. Other Operating Expenses**

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 September 2009</u>	<u>Preceding year corresponding quarter ended 30 September 2008</u>	<u>Current financial period ended 30 September 2009</u>	<u>Preceding year corresponding period ended 30 September 2008</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Personnel expenses	117,129	107,048	338,193	303,715
Promotion and marketing related expenses	4,671	5,257	15,985	12,425
Establishment related expenses	25,980	32,563	95,831	91,723
General administrative expenses	61,699	40,112	145,235	136,463
	<u>209,479</u>	<u>184,980</u>	<u>595,244</u>	<u>544,326</u>
<b>(i) Personnel expenses comprise the following:</b>				
Salaries, bonuses and allowances	94,128	86,224	271,375	247,499
Defined contribution plan	16,106	14,012	45,478	40,561
Other employee benefits	6,895	6,812	21,340	15,655
	<u>117,129</u>	<u>107,048</u>	<u>338,193</u>	<u>303,715</u>
<b>(ii) Promotion and marketing related expenses comprise the following:</b>				
Advertisement and publicity cost	3,536	4,453	13,175	9,587
Travelling and transportation	596	410	1,708	1,440
Others	539	394	1,102	1,398
	<u>4,671</u>	<u>5,257</u>	<u>15,985</u>	<u>12,425</u>
<b>(iii) Establishment related expenses comprise the following:</b>				
Depreciation of property, plant and equipment	11,176	8,822	32,108	26,759
Repair and maintenance	5,359	6,859	16,607	18,132
Rental of premises	6,158	5,999	18,839	17,743
Hire of equipment	350	1,190	1,058	3,185
Others	2,937	9,693	27,219	25,904
	<u>25,980</u>	<u>32,563</u>	<u>95,831</u>	<u>91,723</u>
<b>(iv) General administrative expenses comprise the following:</b>				
Communication costs	5,328	5,777	15,341	15,430
Printing and stationeries	2,983	4,227	9,085	12,409
Property, plant and equipment written off	29	-	115	45
Loss on disposal of property, plant and equipment	16	14	154	60
Legal and other professional charges	7,999	10,229	26,694	59,418
Cards expenses	19,241	13,398	49,562	32,254
Others	26,103	6,467	44,284	16,847
	<u>61,699</u>	<u>40,112</u>	<u>145,235</u>	<u>136,463</u>

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

**EXPLANATORY NOTES**

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

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 September 2009 RM'000	Preceding year corresponding quarter ended 30 September 2008 RM'000	Current financial period ended 30 September 2009 RM'000	Preceding year corresponding period ended 30 September 2008 RM'000
Allowances for bad and doubtful debts and financing:				
(a) Specific allowance:				
- Made	118,507	99,797	342,706	534,470
- Written back	(42,971)	(48,519)	(145,454)	(114,496)
(b) General allowance:				
- Made	11,892	13,880	20,469	15,924
Bad debts on loans, advances and financing:				
- Recovered	(31,743)	(37,833)	(85,609)	(77,027)
- Written off	-	58	106	60
	55,685	27,383	132,218	358,931

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

**EXPLANATORY NOTES**

**24. Off-Balance Sheet Exposures**

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

The Off-Balance Sheet exposures and their related counterparty credit risk of the Banking Units of the Group are as follows:

	<b>Unaudited</b>			
	<b>30 September 2009</b>			
	<b>Principal</b>	<b>Positive Fair</b>	<b>Credit</b>	<b>Risk</b>
	<b>Amount</b>	<b>Value of</b>	<b>Equivalent</b>	<b>Weighted</b>
	<b>RM'000</b>	<b>Derivative</b>	<b>Amount *</b>	<b>Amount *</b>
	<b>RM'000</b>	<b>Contracts</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	360,322	-	360,322	360,322
Transaction related contingent items	1,238,062	-	619,032	619,032
Short term self liquidating trade related contingencies	115,386	-	23,078	23,078
Forward asset purchases	-	-	-	-
Obligations under an on-going underwriting agreement	40,000	-	-	-
Foreign exchange related contracts:				
One year or less	3,120,117	19,662	53,000	12,022
Interest/profit rate related contracts:				
One year or less	375,000	-	638	128
Over one year to five years	2,570,000	3,794	72,493	14,498
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
Over one year	3,088,188	-	1,544,095	1,361,520
Up to one year	7,625,839	-	-	-
Unutilised credit card lines	3,635,278	-	727,056	545,291
	<u>22,168,192</u>	<u>23,456</u>	<u>3,399,714</u>	<u>2,935,891</u>

\* The credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors and risk-weights as defined in Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework ("RWCAF") and Capital Adequacy Framework for Islamic Banks ("CAFIB").

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

**EXPLANATORY NOTES**

**24. Off-Balance Sheet Exposures (continued)**

- (e) The Off-Balance Sheet exposures and their related counterparty credit risk of the Banking Units of the Group are as follows (continued):

	<b>Audited</b>			
	<b>31 December 2008</b>			
	<b>Principal Amount</b>	<b>Positive Fair Value of Derivative Contracts</b>	<b>Credit Equivalent Amount *</b>	<b>Risk Weighted Amount *</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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
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
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
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
Up to one year	6,700,773	-	1,340,154	1,219,604
Unutilised credit card lines	2,914,991	-	582,998	437,248
	<b>20,240,783</b>	<b>13,393</b>	<b>4,780,367</b>	<b>4,237,117</b>

\* The credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors and risk-weights as defined in Bank Negara Malaysia's revised RWCAF and CAFIB.

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

**EXPLANATORY NOTES**

**25. Capital Adequacy**

(a) The capital adequacy ratios of the Banking Units of the Group are analysed as follows:

	<b>Unaudited 30 September 2009</b>	<b>Audited 31 December 2008</b>
<u>Before deducting proposed dividends:</u>		
Core capital ratio	10.93%	9.17%
Risk-weighted capital ratio	13.46%	12.63%
<u>After deducting proposed dividends:</u>		
Core capital ratio	10.93%	9.05%
Risk-weighted capital ratio	13.46%	12.50%
	<b>Unaudited 30 September 2009</b>	<b>Audited 31 December 2008</b>
Components of Tier I and Tier II capital:	<b>RM'000</b>	<b>RM'000</b>
<b>Tier I Capital:</b>		
Paid-up share capital	1,329,807	1,329,807
Share premium	39,337	39,337
Retained profits	1,156,813	991,096
Other reserves	1,148,360	1,148,360
Innovative Tier 1 capital securities	487,550	0
	4,161,867	3,508,600
Less: Goodwill	(333,861)	(333,861)
Deferred tax assets	(139,846)	(114,429)
Total Tier I Capital	3,688,160	3,060,310
<b>Tier II Capital:</b>		
Subordinated medium term notes	381,698	-
Subordinated obligations	-	700,778
General allowance for bad and doubtful debts and financing	471,397	450,928
Total Tier II Capital	853,095	1,151,706
Total Capital	4,541,255	4,212,016
Less: Investment in subsidiaries	(690)	(690)
<b>Capital Base</b>	<b>4,540,565</b>	<b>4,211,326</b>

The capital adequacy ratios of the Banking Units of the Group consist of capital base and risk-weighted assets derived from consolidated balances of its banking subsidiaries which comprise EON Bank Berhad, EONCAP Islamic Bank Berhad and MIMB Investment Bank Berhad.

The capital adequacy ratios of the Banking Units of the Group are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework ("RWCAF")– Basel II. The Banking Units of the Group have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

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

**EXPLANATORY NOTES**

**25. Capital Adequacy (continued)**

(b) The capital adequacy ratios of the banking subsidiary companies of the Group are as follows:

	<b>EON Bank Berhad<sup>1</sup></b>	<b>MIMB Investment Bank Berhad<sup>1</sup></b>	<b>EONCAP Islamic Bank Berhad<sup>2</sup></b>
<b>30 September 2009</b>			
<b>Unaudited</b>			
<u>Before deducting proposed dividends:</u>			
Core capital ratio	13.08%	89.94%	10.79%
Risk-weighted capital ratio	<u>13.11%</u>	<u>90.73%</u>	<u>12.32%</u>
<u>After deducting proposed dividends:</u>			
Core capital ratio	13.08%	89.94%	10.79%
Risk-weighted capital ratio	<u>13.11%</u>	<u>90.73%</u>	<u>12.32%</u>
<b>31 December 2008</b>			
<b>Audited</b>			
<u>Before deducting proposed dividends</u>			
Core capital ratio	11.18%	86.28%	9.99%
Risk-weighted capital ratio	<u>12.25%</u>	<u>87.20%</u>	<u>11.54%</u>
<u>After deducting proposed dividends</u>			
Core capital ratio	11.03%	86.28%	9.99%
Risk-weighted capital ratio	<u>12.10%</u>	<u>87.20%</u>	<u>11.54%</u>

<sup>1</sup> The capital adequacy ratios of EON Bank Berhad and MIMB Investment Bank Berhad are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework ("RWCAF")–Basel II. EON Bank Berhad and MIMB Investment Bank Berhad have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

<sup>2</sup> The capital adequacy ratios of EONCAP Islamic Bank Berhad are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. EONCAP Islamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

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

**EXPLANATORY NOTES**

**26. Interest Rate Risk**

Group	← Non-trading book →					Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1- 3 months	> 3 - 12 months	1 - 5 years	Over 5 years				
As at 30 September 2009	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets:									
Cash and short-term funds	6,914,558	252	-	-	-	295,522	-	7,210,332	2.06
Deposits and placements with banks and other financial institutions	-	913,538	111,513	22,954	-	-	-	1,048,005	2.36
Held for trading securities	-	-	-	-	-	-	132,008	132,008	3.37
Derivative financial instruments	-	-	-	-	-	23,456	-	23,456	-
Available-for-sale securities	443,856	469,746	1,152,855	602,705	584,171	28,783	-	3,282,116	3.41
Held-to-maturity securities	-	-	-	171,315	31,691	18,082	-	221,088	4.54
Loans, advances and financing									
- performing	16,410,538	632,003	456,999	4,672,308	8,560,078	29,620	-	30,761,546	6.56
- non-performing	-	-	-	-	-	211,219 <sup>^</sup>	-	211,219	-
Other assets <sup>(1)</sup>	624	-	-	-	-	1,502,794	-	1,503,418	7.00
<b>Total assets</b>	<b>23,769,576</b>	<b>2,015,539</b>	<b>1,721,367</b>	<b>5,469,282</b>	<b>9,175,940</b>	<b>2,109,476</b>	<b>132,008</b>	<b>44,393,188</b>	

Note:

<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 allowances for bad and doubtful debts and financing.

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

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

**EXPLANATORY NOTES**

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

	← Non-trading book →					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1- 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>As at 30 September 2009</b>									
Liabilities:									
Deposits from customers	12,349,028	6,604,616	8,015,777	754,181	-	4,389,256	-	32,112,858	1.90
Deposits and placements of banks and other financial institutions	1,044,556	1,632,420	429,070	1,529,982	-	23	-	4,636,051	2.47
Derivative financial instruments	-	-	-	-	-	69,952	-	69,952	-
Bills and acceptances payable	-	-	-	-	-	2,047,799	-	2,047,799	-
Other liabilities <sup>(2)</sup>	31,936	-	-	-	-	908,843	-	940,779	4.01
Subordinated medium term notes	-	-	-	-	410,000	(27,236) <sup>1(ii)</sup>	-	382,764	5.75
Hybrid capital	-	-	-	-	500,000	(12,450) <sup>1(iii)</sup>	-	487,550	8.25
Borrowings	-	80,000	150,000	-	-	(270) <sup>1(i)</sup>	-	229,730	5.57
<b>Total liabilities</b>	<b>13,425,520</b>	<b>8,317,036</b>	<b>8,594,847</b>	<b>2,284,163</b>	<b>910,000</b>	<b>7,375,917</b>	<b>-</b>	<b>40,907,483</b>	
Shareholders' funds	-	-	-	-	-	3,485,705	-	3,485,705	
<b>Total liabilities and shareholders' funds</b>	<b>13,425,520</b>	<b>8,317,036</b>	<b>8,594,847</b>	<b>2,284,163</b>	<b>910,000</b>	<b>10,861,622</b>	<b>-</b>	<b>44,393,188</b>	
On-balance sheet interest sensitivity gap	10,344,056	(6,301,497)	(6,873,480)	3,185,119	8,265,940				
Off-balance sheet interest sensitivity gap	775,001	730,000	(275,001)	(1,230,000)	-				
<b>Total interest sensitivity gap</b>	<b>11,119,057</b>	<b>(5,571,497)</b>	<b>(7,148,481)</b>	<b>1,955,119</b>	<b>8,265,940</b>				

Note:

(1) The negative balance represents (i) unamortised discounts of the long term secured fixed rate bonds, (ii) unamortised discounts and fair value changes arising from fair value hedge of the subordinated medium term notes and (iii) unamortised discounts of Innovative Tier-1 capital securities, 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**

**26. 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	%
<b>Group</b>												
<b>As at 31 December 2008</b>												
Assets:												
Cash and short-term funds	7,607,136	-	-	-	-	242,045	-	7,849,181	3.19			
Deposits and placements with banks and other financial institutions	-	187,500	37,500	24,440	-	-	-	249,440	3.15			
Held for trading securities	-	-	-	-	-	-	27,931	27,931	3.18			
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	3.76			
Held-to-maturity securities	86,688	-	35,029	172,615	36,803	18,082	-	349,217	7.17			
Loans, advances and financing												
- performing	15,282,064	447,527	616,135	4,568,410	8,382,281	38,945	-	29,335,362	6.50			
- non-performing	-	-	-	-	-	302,196 <sup>^</sup>	-	302,196				
Other assets <sup>(1)</sup>	8,475	-	-	-	-	2,210,567	-	2,219,042	8.00			
<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>				

Note:

<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 allowances for bad and doubtful debts and financing.

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

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

**EXPLANATORY NOTES**

**26. 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					RM'000	RM'000	RM'000	%
<b>As at 31 December 2008</b>														
Liabilities:														
Deposits from customers	11,465,676	7,336,178	8,833,193	976,003	-	3,780,840	-	32,391,890	2.97					
Deposits and placements of banks and other financial institutions	1,280,970	1,281,393	206,587	1,478,708	500	9,662	-	4,257,820	3.79					
Derivative financial instruments	-	-	-	-	-	80,624	-	80,624						
Bills and acceptances payable	634,788	937,962	139,554	-	-	105,136	-	1,817,440						
Other liabilities <sup>(2)</sup>	38,375	-	-	-	-	782,333	-	820,708	3.10					
Subordinated obligations	768,930	-	-	-	-	(68,152) <sup>1(ii)</sup>	-	700,778	5.38					
Borrowings	-	-	150,000	-	-	(1,106) <sup>1(i)</sup>	-	148,894	6.75					
<b>Total liabilities</b>	<b>14,188,739</b>	<b>9,555,533</b>	<b>9,329,334</b>	<b>2,454,711</b>	<b>500</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>14,188,739</b>	<b>9,555,533</b>	<b>9,329,334</b>	<b>2,454,711</b>	<b>500</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>Total interest sensitivity gap</b>	<b>9,356,174</b>	<b>(6,170,039)</b>	<b>(8,709,347)</b>	<b>1,594,994</b>	<b>8,948,750</b>									

Note:

(1) The negative balance represents (i) unamortised discounts of the long term secured fixed rate bonds, and (ii) unamortised discounts, unamortised fair value changes 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. Islamic Banking Operations**

**27(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>Unaudited</b>	<b>Audited</b>
	<b>30 September</b>	<b>31 December</b>
	<b>2009</b>	<b>2008</b>
<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	1,153,216	1,783,860
Deposits and placements with banks and other financial institutions	85,000	-
Available-for-sale securities	417,961	353,004
Held-to-maturity securities	-	-
Financing and advances	27(iii) 4,567,017	4,702,496
Other assets	66,775	89,223
Statutory deposits with Bank Negara Malaysia	40,411	150,811
Deferred tax assets	11,561	13,663
Property, plant and equipment	2,080	2,162
<b>TOTAL ASSETS</b>	<b>6,344,021</b>	<b>7,095,219</b>
<b>LIABILITIES</b>		
Deposits from customers	27(iv) 4,482,788	4,735,142
Deposits and placements of banks and other financial institutions	1,088,179	1,633,897
Bills and acceptances payable	186,538	183,273
Provision for zakat	51	25
Other liabilities	84,818	81,264
<b>TOTAL LIABILITIES</b>	<b>5,842,374</b>	<b>6,633,601</b>
<b>NET ISLAMIC BANKING ASSETS</b>	<b>501,647</b>	<b>461,618</b>
<b>OFF-BALANCE SHEET EXPOSURES</b>	<b>996,198</b>	<b>951,001</b>

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

**EXPLANATORY NOTES**

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

**27(ii) Financial Results Contribution from Operations of Islamic Banking**

The financial results contribution from Islamic banking operation to the Group's financial results are as follows:

	<u>Individual quarter</u>		<u>Cumulative quarter</u>	
	<u>Current financial quarter ended 30 September 2009</u>	<u>Preceding year corresponding quarter ended 30 September 2008</u>	<u>Current financial period ended 30 September 2009</u>	<u>Preceding year corresponding period ended 30 September 2008</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Income derived from investment of depositors' funds	75,573	78,768	226,884	225,992
Income derived from investment of shareholder's funds	8,336	8,005	25,160	23,592
	83,909	86,773	252,044	249,584
Allowances for losses on financing and advances	(28,568)	(2,281)	(49,581)	(48,419)
Transfer from profit equalisation reserves	-	1,850	-	2,250
Total distributable income	55,341	86,342	202,463	203,415
Income attributable to depositors	(24,412)	(45,092)	(88,586)	(127,935)
Net income	30,929	41,250	113,877	75,480
Other operating expenses	(22,579)	(29,039)	(66,151)	(67,865)
Profit before taxation and zakat	8,350	12,211	47,726	7,615
Taxation	(2,087)	(3,168)	(11,931)	(1,833)
Zakat	(10)	661	(26)	(2,205)
Net profit for the financial quarter/period	<u>6,253</u>	<u>9,704</u>	<u>35,769</u>	<u>3,577</u>

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

**EXPLANATORY NOTES**

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

**27(iii) Financing and Advances**

	<b>Unaudited 30 September 2009</b>	<b>Audited 31 December 2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash line	291,223	352,054
Term financing:		
Housing financing	2,589,263	2,719,508
Hire purchase receivables	1,998,326	2,045,590
Syndicated loans	98,442	96,710
Other term financing	1,260,196	1,268,379
Bills receivable	1,593	1,074
Trust receipts	2,557	6,515
Claims on customers under acceptance financing	267,196	275,583
Staff financing	25,719	27,488
Revolving financing	179,054	154,844
Other financing	75,497	76,990
	<u>6,789,066</u>	<u>7,024,735</u>
Less: Unearned income	(2,031,164)	(2,164,386)
Gross financing and advances	<u>4,757,902</u>	<u>4,860,349</u>
Less: Allowances for bad and doubtful financing		
- Specific	(121,337)	(86,242)
- General	(69,548)	(71,611)
Net financing and advances	<u><u>4,567,017</u></u>	<u><u>4,702,496</u></u>

**(a) Movements in non-performing financing and advances are as follows:**

Balance as at 1 January	224,462	245,756
Classified as non-performing during the financial period/year	768,894	898,297
Reclassified as performing during the financial period/year	(618,106)	(800,487)
Amount recovered	(70,777)	(78,613)
Amount written off	(15,298)	(40,491)
Financing converted to investment securities	(12,106)	-
Balance as at 30 September/31 December	<u>277,069</u>	<u>224,462</u>
Less: Specific allowance	(111,387)	(86,242)
Net non-performing financing and advances	<u>165,682</u>	<u>138,220</u>
As % of total financing and advances, net of specific allowance	<u>3.57%</u>	<u>2.90%</u>

**(b) Movements in allowances for bad and doubtful financing:**

**General allowance**

Balance as at 1 January	71,611	69,338
Allowance (written back)/made during the financial period/year	(2,063)	2,273
Balance as at 30 September/31 December	<u>69,548</u>	<u>71,611</u>
As % of gross financing and advances, net of specific allowance	<u>1.5%</u>	<u>1.5%</u>

**Specific allowance**

Balance as at 1 January	86,242	66,199
Allowance made during the financial period/year	89,690	83,722
Amount written back in respect of recoveries/reclassification	(33,590)	(23,188)
Amount written-off	(15,298)	(40,491)
Amount transferred to allowance for impairment of securities	(5,707)	-
Balance as at 30 September/31 December	<u>121,337</u>	<u>86,242</u>

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

**EXPLANATORY NOTES**

**27(iv) Deposits from Customers**

	<b>Unaudited 30 September 2009</b>	<b>Audited 31 December 2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-Mudharabah:</b>		
Al-Wadiah demand deposits	1,133,617	994,385
Al-Wadiah savings deposits	183,241	173,454
<b>Mudharabah:</b>		
Al-Fareed demand deposits	137,378	111,258
Al-Mudharabah savings deposits	88,679	78,917
Total demand and savings deposits	<u>1,542,915</u>	<u>1,358,014</u>
<b>Non-Mudharabah:</b>		
Bai Al-Inah HARI	5,152	11,464
<b>Mudharabah:</b>		
General investment deposits	2,934,721	3,365,664
Total investment deposits	<u>2,939,873</u>	<u>3,377,128</u>
	<u>4,482,788</u>	<u>4,735,142</u>

**28. Significant Events During the Financial Quarter/Period Ended 30 September 2008**

Other than those disclosed in Note 33, 34, 35 and 39(b) and 39(c), there were no significant events during the financial quarter/ period ended 30 September 2009 that have not been disclosed in these condensed financial statements.

**29. 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 September 2009 that have not been disclosed in these condensed financial statements.

**30. 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.

**31. Other Commitments**

	<b>Unaudited 30 September 2009</b>	<b>Audited 31 December 2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Authorised and contracted for	29,257	56,750
Authorised but not contracted for	4,883	2,773
	<u>34,140</u>	<u>59,523</u>
Analysed as follows:		
- Property, plant and equipment	<u>34,140</u>	<u>59,523</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.**

**32. Taxation**

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

	Individual quarter		Cumulative quarter	
	Current financial quarter ended 30 September 2009	Preceding year corresponding quarter ended 30 September 2008	Current financial period ended 30 September 2009	Preceding year corresponding period ended 30 September 2008
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Charge for the financial quarter/period	28,533	28,059	88,099	35,474
- (Over)/under provision in respect of prior years	-	22	(18,868)	94
	28,533	28,081	69,231	35,568
Transfer to deferred taxation	(3,342)	(1,270)	(28,759)	(3,191)
	25,191	26,811	40,472	32,377

**33. Subordinated Medium Term Notes**

	Unaudited 30 September 2009 RM'000	Audited 31 December 2008 RM'000
Subordinated medium term notes, at par	410,000	-
Fair value changes arising from fair value hedge	1,066	-
Less: Unamortised discounts	(28,302)	-
	382,764	-

On 27 February 2009, EON Bank Berhad, a wholly owned subsidiary of the Company issued a first tranche RM410.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes (MTN) callable on 27 February 2014 (and thereafter) and due on 27 February 2019 under the Subordinated MTN Programme. The coupon rate of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should EON Bank Berhad 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 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date. The MTN is rated A2 by RAM Rating Services Berhad.

The above Subordinated MTN constitute unsecured liabilities of EON Bank Berhad 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 Subordinated MTN. The Subordinated MTN qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of EON Bank Berhad.

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

**EXPLANATORY NOTES**

**34 Hybrid Capital**

	<b>Unaudited 30 September 2009</b>	<b>Audited 31 December 2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Innovative Tier 1 Capital Securities	500,000	-
Less : Unamortised discounts	(12,450)	-
	487,550	-

On 10 September 2009, EON Bank Berhad had issued the first tranche of Innovative Tier 1 Capital Securities ("IT-1 Capital Securities") amounting to RM500 million in nominal value, from its RM1.0 billion IT-1 Capital Securities Programme. The IT-1 Capital Securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by Bank Negara Malaysia and is rated A3 by RAM Rating Services Berhad.

The RM500 million IT-1 Capital Securities has a tenor of 30 years and EON Bank Berhad has the option to redeem the RM500 million IT-1 Capital Securities at the 10th anniversary, subject to Bank Negara Malaysia's approval. The RM500 million IT-1 Capital Securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 Capital Securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

The IT-1 Capital Securities constitute unsecured and subordinated obligations of EON Bank Berhad and are subordinated to all deposit liabilities and all other liabilities except those liabilities which rank equally in right, and/or junior to, the rights of payment of the IT-1 Capital Securities. The IT-1 Capital Securities qualify as Tier 1 capital for the purpose of computing the capital adequacy ratio of EON Bank Berhad.

**35. Subordinated Obligations**

	<b>Unaudited 30 September 2009</b>	<b>Audited 31 December 2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Subordinated obligations, at par	-	768,930
Foreign exchange translations	-	(67,281)
	-	701,649
Less: Unamortised discounts	-	(86)
Unamortised fair value changes arising from the discontinued fair value hedge	-	(785)
	-	700,778

On 21 January 2004, EON Bank Berhad 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.

EON Bank Berhad 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 EON Bank Berhad 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 EON Bank Berhad 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 EON Bank Berhad.

EON Bank Berhad has fully redeemed the Notes on the optional maturity date of 21 January 2009.

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

**EXPLANATORY NOTES**

**36. Borrowings**

	Note	Unaudited 30 September 2009 RM'000	Audited 31 December 2008 RM'000
<b>Short-term borrowings:</b>			
Revolving credit facility	(i)	80,000	-
<b>Long-term borrowing:</b>			
Secured fixed rate bonds, at par	(ii)	150,000	150,000
Less: Unamortised discounts		(270)	(1,106)
Total borrowings		229,730	148,894

- (i) Short-term borrowings are unsecured revolving credit facilities granted by licensed banks under a rollover tenure of one, three and six months.
- (ii) The secured fixed rate bonds bear 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 ("RAM") has reaffirmed the long-term rating of A2 for the Company's long-term bonds which was awarded by RAM in December 2002.

**37. Unquoted Investments and Properties**

There were no sale of unquoted investments and properties for the financial quarter/period ended 30 September 2009 other than in the ordinary course of banking business.

**38. Quoted securities**

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

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

- (a) On 5 December 2008, the Company obtained the approval of shareholders for the proposed establishment of Employee Share Scheme ("ESS"), which has yet to be implemented.
- (b) Proposed issue of up to RM655.0 million nominal value of the Medium Term Notes ("MTN") pursuant to Medium Term Notes Programme by EON Bank Berhad and proposed issue of up to 93.8 million 2008/2013 new warrants by EON Capital Berhad ("ECB") to Primus Pacific Partners LPI ("Primus") ("Proposed Issue of Warrants").

The proposed issue of MTN and the Proposed Issue of Warrants were inter-conditional with each other and were to be completed on the same date. On 5 December 2008, ECB obtained the approval of its shareholders for the issue of the Warrants, which are exchangeable into 93.8 million new shares of ECB.

On 26 May 2009, the Company announced that it proposed to undertake an issuance of up to 58,174,500 new warrants ("New Warrants"), which are part of the 93.8 million warrants as mentioned above, to Primus for a total consideration of RM29.5 million. Through a letter dated 18 June 2009, the Company has been advised by Bank Negara Malaysia that the proposed issue of the Warrants is not approved. Primus, in a letter issued to the Company on 22 June 2009, has advised that it intends to appeal the decision.

- (c) On 25 June 2009, the Company had obtained the approval of shareholders to purchase up to 10 percent (10%) of its issued and paid-up share capital in accordance with Section 67A of the Companies Act, 1965 ("Act"). To date no shares have been purchased by the Company pursuant to this mandate.

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

**EXPLANATORY NOTES**

**40. Derivative Financial Instruments**

As at 3 November 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
Foreign exchange related contracts:						
- Forward contracts	3,148,509	1,196,859	1,221,556	711,859	18,235	-
Interest rate related contracts:						
- Interest rate swaps	2,945,000	-	200,000	-	275,000	2,470,000

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 3 November 2009.

**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 3 November 2009, the amount of contracts of the Group, which were not hedged and, hence, exposed to market risk was RM 4,292,538 (31 December 2008: RM5,414,070).

**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 3 November 2009, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM50,258,256 (31 December 2008: RM9,395,167). 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.

**EXPLANATORY NOTES**

**41. Material Litigation**

As at 3 November 2009, the Group does not have any litigation outside the ordinary course of business. The Group also does not have any material litigation in the ordinary course of business which would materially and adversely affect the Group's financial position.

**42. Profit Forecast**

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

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

Compared to the immediate preceding financial quarter ended 30 June 2009, the Group's pre-tax profit declined by RM11.9 million from RM112.4 million to RM100.5 million. This was mainly due to an increase in allowances for losses on loans, advances and financing, other operating expenses and impairment losses on securities by RM14.7 million, RM13.3 million and RM1.6 million respectively. However, the decrease in pre-tax profit was partly offset by an increase in net interest income, net income from Islamic banking business and non-interest income by RM10.3 million, RM1.7 million and RM5.8 million respectively.

**44. Review of performance for the financial quarter ended 30 September 2009 against the corresponding financial quarter/period of preceding year**

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

For the financial quarter ended 30 September 2009, a pre-tax profit of RM100.5 million was registered by the Group, as compared to a pre-tax profit of RM95.1 million recorded in the preceding year's corresponding financial quarter ended 30 September 2008. The increase in pre-tax profit by RM5.4 million was mainly attributable to an increase in net interest income, net income from Islamic banking business and non-interest income by RM6.7 million, RM16.0 million and RM35.2 million respectively. However, the increase was partly set-off by an increase in other operating expenses and allowances for losses on loans, advances and financing by RM24.5 million and RM28.3 million respectively.

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

For the financial period ended 30 September 2009, the Group recorded a pre-tax profit of RM320.0 million, an increase of RM217.4 million as compared to RM102.6 million recorded in the preceding year's corresponding financial period ended 30 September 2008. The improvement in financial performance was mainly due to the reduction in allowances for losses on loans, advances and financing by RM226.7 million and increase in net income from Islamic banking business by RM39.6 million, which was, however, partially offset by the increase in other operating expenses and impairment losses on securities by RM50.9 million and RM8.7 million respectively. In 2008, the Group had undertaken a one-off adjustment to raise the loan loss coverage from 58.1% as at 31 December 2007 to 75.4% as at 30 September 2008, closer to the industry average then.

In term of net interest income, there was a marginal decrease of RM7.6 million as compared to the preceding year's corresponding financial period. The decline was mainly attributable to the decrease in Overnight Policy Rate ("OPR") by 150 basis points by Bank Negara Malaysia from 3.5% to 2.0% as the floating rate loans constitutes 55.8% of the Group's loans portfolio. On the other hand, non-interest income increased by RM18.3 million due mainly to the increase in fee and commission income by RM29.4 million, partly offset by a reduction in net gains arising from sale of securities by RM13.1 million.

Total gross loans and advances have expanded by RM1.3 billion or 4.2% , driven mainly by the strong expansion in consumer lending in mortgage financing, hire purchase and credit cards.

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

**EXPLANATORY NOTES**

**45. Prospects for 2009**

Although the economic environment will remain challenging for the balance of 2009, the banking industry remains positive and maintain its resilience with excess liquidity, strong asset quality and favourable risk management practices. With the recent liberalisation of the Malaysian financial landscape, the banking sector will remain competitive and the strain on net interest margin would continue.

The Group continues to remain optimistic as it seeks to be the bank of choice for consumers and will continue with its embarkation on Phase 2 of its Business Transformation Program to further broaden the range of business activities, streamline its business operations for greater efficiency through the increase in electronic delivery systems and internet banking capabilities, improve customer service, focusing on SME banking and expanding Islamic banking activities. The Group expects to report a satisfactory financial performance for the current financial year.

**46. Earnings Per Share**

The calculation of the earnings per share of the Group, which is based on the net profit for the financial quarter/period ended 30 September 2009 and 30 September 2008 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter/period, are set out as follows:

	<b>Individual quarter</b>		<b>Cumulative quarter</b>	
	<b>Current financial quarter ended 30 September 2009</b>	<b>Preceding year corresponding quarter ended 30 September 2008</b>	<b>Current financial period ended 30 September 2009</b>	<b>Preceding year corresponding period ended 30 September 2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit for the financial quarter/period	75,348	68,949	279,513	68,070
Weighted average number of ordinary shares in issue during the financial quarter/period	693,209	693,209	693,209	693,209
Earnings per share (sen) - Basic/diluted	10.87	9.95	40.32	9.82

There were no dilutive potential ordinary shares outstanding as at 30 September 2009 and 30 September 2008.