

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010

	Note	Unaudited 31 March 2010 RM'000	Audited 31 December 2009 RM'000
ASSETS			
Cash and short-term funds		7,100,154	8,279,675
Deposits and placements with banks and other financial institutions		2,119,810	550,968
Held-for-trading securities	10	184,963	55,744
Derivative financial instruments	11	27,730	12,905
Available-for-sale securities	12	2,468,839	3,773,126
Held-to-maturity securities	13	190,378	211,179
Loans, advances and financing	14	32,828,223	32,048,326
Other assets	15	529,444	656,969
Statutory deposits with Bank Negara Malaysia		278,236	270,091
Deferred tax assets		147,385	129,684
Property, plant and equipment		316,957	312,569
Goodwill		86,610	86,610
TOTAL ASSETS		<u>46,278,729</u>	<u>46,387,846</u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	17	34,985,593	33,865,921
Deposits and placements of banks and other financial institutions	18	4,200,331	4,948,004
Derivative financial instruments	11	47,131	58,712
Bills and acceptances payable		1,112,531	1,675,163
Provision for taxation and zakat		57,237	32,795
Other liabilities	19	1,072,003	1,069,858
Subordinated medium term notes	33	633,539	631,630
Hybrid capital	34	488,163	487,223
Borrowings	35	65,000	65,000
TOTAL LIABILITIES		<u>42,661,528</u>	<u>42,834,306</u>
SHARE CAPITAL		693,209	693,209
RESERVES		2,923,992	2,860,331
SHAREHOLDERS' FUNDS		<u>3,617,201</u>	<u>3,553,540</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>46,278,729</u>	<u>46,387,846</u>
COMMITMENTS AND CONTINGENCIES	25	<u>22,738,012</u>	<u>21,541,403</u>
Net assets per ordinary share (RM)		<u>5.22</u>	<u>5.13</u>

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE 1ST QUARTER ENDED 31 MARCH 2010

	Note	1st Quarter Ended		Three Months Ended	
		31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Interest income	20	441,791	452,879	441,791	452,879
Interest expense	21	(199,821)	(228,930)	(199,821)	(228,930)
Net interest income		241,970	223,949	241,970	223,949
Net income from Islamic Banking business	27(ii)	60,101	46,149	60,101	46,149
		302,071	270,098	302,071	270,098
Non-interest income	22	82,120	70,096	82,120	70,096
Net income		384,191	340,194	384,191	340,194
Other operating expenses	23	(206,509)	(189,596)	(206,509)	(189,596)
Operating profit		177,682	150,598	177,682	150,598
Impairment losses on loans, advances and financing	24	(41,597)	(35,574)	(41,597)	(35,574)
Impairment losses on securities		(4,200)	(8,000)	(4,200)	(8,000)
Profit before taxation and zakat		131,885	107,024	131,885	107,024
Taxation	32	(34,063)	(27,455)	(34,063)	(27,455)
Zakat		(6)	(7)	(6)	(7)
Profit for the financial quarter		97,816	79,562	97,816	79,562
Earnings per share (sen)					
- Basic	45	14.11	11.48	14.11	11.48
- Diluted	45	14.11	11.48	14.11	11.48

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 1ST QUARTER ENDED 31 MARCH 2010

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Profit for the financial quarter	97,816	79,562	97,816	79,562
Other comprehensive income:				
Gains/(losses) recognised directly in equity				
Changes in fair value of available -for-sale securities	1,377	18,063	1,377	18,063
Taxation relating to components of other comprehensive income	(344)	(4,516)	(344)	(4,516)
Other comprehensive income for the financial quarter, net of tax	1,033	13,547	1,033	13,547
Total comprehensive income for the financial quarter	98,849	93,109	98,849	93,109

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 1ST QUARTER ENDED 31 MARCH 2010

	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available- for-sale securities reserve RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2010						
- As previously reported	693,209	1,066,296	754,339	22,535	1,017,161	3,553,540
- Effects of adopting FRS 139	-	-	-	-	(35,188)	(35,188)
- As restated	693,209	1,066,296	754,339	22,535	981,973	3,518,352
Profit for the financial quarter	-	-	-	-	97,816	97,816
Other comprehensive income	-	-	-	1,033	-	1,033
Total comprehensive income for the financial quarter	-	-	-	1,033	97,816	98,849
Balance as at 31 March 2010	693,209	1,066,296	754,339	23,568	1,079,789	3,617,201
Balance as at 1 January 2009	693,209	1,066,296	657,198	(25,311)	813,196	3,204,588
Profit for the financial quarter	-	-	-	-	79,562	79,562
Other comprehensive income	-	-	-	13,547	-	13,547
Total comprehensive income for the financial quarter	-	-	-	13,547	79,562	93,109
Balance as at 31 March 2009	693,209	1,066,296	657,198	(11,764)	892,758	3,297,697

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 1ST QUARTER ENDED 31 MARCH 2010

	31 March 2010 RM'000	31 March 2009 RM'000
Cash Flows From Operating Activities		
Profit for the financial quarter	97,816	79,562
Adjustments for investing and financing items not involving movement of cash and cash equivalents	467,271	39,860
Operating profit before working capital changes	565,087	119,422
Increase in operating assets	(2,706,446)	(523,672)
Decrease in operating liabilities	(307,862)	(1,133,720)
Cash used in operations	(2,449,221)	(1,537,970)
Income tax paid	(12,603)	(19,119)
Zakat paid	(6)	(7)
Net cash used in operating activities	(2,461,830)	(1,557,096)
Cash Flows From Investing Activities		
Purchase of available-for-sale and held to maturity securities, net of sale proceeds	1,330,604	(428,547)
Purchase of property, plant and equipment	(16,795)	(27,795)
Proceeds from disposal of property, plant and equipment	(17)	185
Interest/dividend received from available-for-sale and held-to-maturity securities	220	96,222
Net cash generated from/(used in) investing activities	1,314,012	(359,935)
Cash Flows From Financing Activities		
Net proceeds from issuance of subordinated medium term notes	-	371,759
Redemption of subordinated obligations	-	(731,799)
Interest paid on subordinated obligations	-	(5,085)
Interest paid on subordinated medium term notes	(10,942)	(430)
Interest paid on Innovative Tier-1 Capital Securities	(10,508)	-
Interest paid on long term borrowings	-	(14,152)
Interest paid on short term borrowings	(519)	-
Net interest paid for interest rate related derivatives	(9,734)	(18,592)
Net cash used in financing activities	(31,703)	(398,299)
Net decrease in cash and cash equivalents	(1,179,521)	(2,315,330)
Cash and cash equivalents:		
- as at beginning of the financial quarter	8,279,675	7,849,181
- as at end of the financial quarter	7,100,154	5,533,851

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Disclosure requirements pursuant to Malaysian Accounting Standards Board's (MASB) Standard No. FRS 134 (Interim Financial Reporting) and Bank Negara Malaysia's Guidelines on Financial Reporting for Banking Institutions (issued on 5 February 2010).

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) and Bank Negara Malaysia's ("BNM") Guidelines on Financial Reporting for Banking Institutions (issued on 5 February 2010) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the financial statements of the Group for the financial year ended 31 December 2009.

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 quarter, the Group adopted the following standards, amendments to published standards and interpretations to existing standards issued by MASB that are applicable and effective for the Group for the financial period beginning on 1 January 2010:

FRS 8	Operating Segments
FRS 101	Presentation of financial statements
Amendments to FRS 132	Financial Instruments: Presentation
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
Amendments to FRS 139	Financial Instruments: Recognition and Measurement

The adoption of the abovementioned standards, amendments to published standards and interpretations do not have any significant financial impact on the financial results and position of the Group, except for the following:

- (i) FRS 139 Financial Instruments: Recognition and Measurement
- (ii) Amendments to FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 "Financial Instruments: Recognition and Measurement" (effective from 1 January 2010) establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Prior to the adoption of FRS 139 on 1 January 2010, the accounting policies of the Group, as disclosed in its latest audited financial statements, incorporate requirements of BNM's Revised Guidelines on Financial Reporting for Licensed Institutions (Revised BNM/GP8 issued on 5 October 2004) which includes selected principles (i.e. recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting) of FRS 139.

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EXPLANATORY NOTES

2. Changes in Accounting Policies (continued)

The adoption of FRS 139 on 1 January 2010 has resulted in the following changes in accounting policies:

(a) Impairment of loans, advances and financing

The adoption of FRS 139 has resulted in a change in the accounting policy relating to the assessment for impairment of loans, advances and financing. Prior to the adoption of FRS 139, allowances for impaired loans, advances and financing (previously referred to as non-performing loans, advances and financing) were computed in conformity with the Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts (BNM/GP3). Upon the adoption of FRS 139, the Group assess at the end of each reporting period whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred 'loss event') and that loss event (or events) has an impact on future estimated cash flows of the loan or group of loans that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for loans which are individually significant, and collectively for loans which are not individually significant. An individual assessment will only be carried out for loans above the set threshold while loans below the set threshold are collective assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual assessment impairment allowance. Banking institutions applying the transitional arrangement are required to ensure that the overall level of impairment allowances maintained for loans/financing is adequate in relation to the total credit risk exposure in the loans/financing portfolio. In particular, for loans/financing classified as impaired but which are not individually assessed for impairment, BNM expects banking institutions to undertake an assessment on the adequacy of impairment allowances for such loans/financing. Banking institutions are required to provide additional collective assessment impairment allowances for these loans/financing where the amount provided under the transitional arrangement is inadequate. Subject to the prior written approval of BNM, banking institutions may be allowed to maintain a lower level of collective assessment impairment allowances where BNM is satisfied that the institution has a loss estimation process that is sufficiently robust and supported by adequate historical loan loss data. The Group has applied the abovementioned transitional arrangement in determining the collective assessment impairment allowances for loans/financing as at the end of the reporting period.

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EXPLANATORY NOTES

2. Changes in Accounting Policies (continued)

The adoption of FRS 139 on 1 January 2010 has resulted in the following changes in accounting policies:
(continued)

(a) Impairment of loans, advances and financing (continued)

The changes in accounting policy above have been accounted for prospectively, in line with the transitional arrangement under paragraph 103AA of FRS 139, with adjustments to the previous carrying amount of loans, advances and financing at the beginning of the current financial period being adjusted against the opening retained profits. With the adoption of the loans impairment basis under FRS 139 and application of the transitional arrangement under BNM's guidelines on Classification and Impairment Provisions for Loans/Financing, the Group wrote back general allowance of RM487,809,480 and specific allowance of RM592,062,747 against opening retained profits as at 1 January 2010. In addition, the Group had also recognised opening collective assessment impairment allowance of RM784,734,121 and opening individual assessment impairment allowance of RM386,585,135 against opening retained profits as at 1 January 2010. Any further collective assessment impairment allowance and individual assessment impairment allowance charged subsequent to the initial adoption of FRS 139 is recognised as impairment losses on loans, advances and financing in the income statement.

(b) Recognition of interest income on loans, advances and financing

FRS 139 prescribes that loans and receivables are measured at amortised cost using the effective interest method. Prior to the adoption of FRS 139, interest income on loans, advances and financing of the Group was recognised based on contractual interest rates. Upon the adoption of FRS 139 on 1 January 2010, interest income on loans, advances and financing is recognised using effective interest rates ("EIR"), which is the rate that exactly discounts estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan. This change in accounting policy has been accounted for prospectively in line with the transitional arrangement under paragraph 103AA of FRS 139, resulting in an adjustment of RM46,177,092 (credit) for the Group against the opening retained profits.

Prior to the adoption of FRS 139, where a loan account becomes non-performing, interest earned is reversed out from the income statement and reduced against the loan interest receivables accounts. Subsequently, interest earned on non-performing loan is recognised as interest income on a cash basis. Where an Islamic financing account become non-performing, income is suspended until it realised on a cash basis. Finance income recognised prior to non-performing classification is not clawed back to the first day of default, in conformity with BNM Guidelines. Upon the adoption of FRS 139, once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

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2. Changes in Accounting Policies (continued)

The adoption of FRS 139 on 1 January 2010 has resulted in the following changes in accounting policies:
(continued)

(c) Recognition of Embedded Derivatives

Upon the adoption of FRS 139, embedded derivatives are to be separated from the host contracts and accounted for as derivatives if the economic characteristics and risks of the embedded derivatives are not closely related to that of the host contracts and the fair value of the resultant derivatives can be reliably measured. Based on the assessment by the Group upon adoption of FRS 139 on 1 January 2010, there were no material embedded derivatives which were not closely related to the host contracts and which required bifurcation.

The financial impact arising from the adoption of FRS 139 on 1 January 2010 is summarised as follows:

	As previously reported RM'000	Effects from changes in accounting policies RM'000	As restated RM'000
Retained profits as at 1 January 2010	1,017,161	(35,188)	981,973

Notwithstanding the restatement or adjustments to the opening retained profit of the Group as at 1 January 2010, retrospective restatement of the statutory reserves maintained in compliance with Section 36 of the BAFIA 1989 is not required as specified in paragraph 4.3 of the BNM's Guidelines on financial Reporting for Banking Institutions issued on 5 February 2010.

The adoption of the revised FRS 101 "Presentation of financial statements" (effective from 1 January 2010) has no impact on the financial results of the Group as the changes introduced are in terms of presentation. The revised FRS 101 "Presentation of Financial Statements" prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. 'Non-owner changes in equity' are to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group had opted to present two statements (the income statement and statement of comprehensive income) and the comparative figures have been restated accordingly.

FRS 8 "Operating Segments" (effective from 1 July 2009) replaces FRS 114²⁰⁰⁴. The adoption of FRS 8 on 1 January 2010 has no impact on the financial results of the Group. In accordance with the requirements of FRS 8, segment information is reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision-maker. Prior year comparative figures have been restated accordingly.

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EXPLANATORY NOTES

3. Audit Report

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

4. Seasonality or Cyclicalality of Operations

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

5. Items Affecting Net Income and Cash Flow

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 31 March 2010.

6. Changes in Estimates

There were no significant changes in estimates arising from prior financial quarter that have a material effect on the financial results and position of the Group for the financial quarter ended 31 March 2010.

7. Issuance and Repayments

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the financial quarter ended 31 March 2010.

8. Dividends Paid During the Current Financial Quarter

There were no interim dividends paid or declared in respect of the financial year ending 31 December 2010 during the financial quarter ended 31 March 2010.

9. Segment reporting

The information on the Group's operating segments have been compiled in accordance with FRS 8 Operating Segments, which requires the information to be prepared on the same basis as the Group's internal management reporting and regularly reviewed by the Chief Operating Decision-maker to determine the performance of each segment and allocation of resources to each segment. Separate financial information is available for each of these segments.

Each of the reported segments is engaged in providing different types of banking products and services. All of the segments operate principally in Malaysia thus geographical disclosure will not be required. The Group's business is organised mainly into the following operating segments:

(a) Business and Investment Banking

The Business and Investment Banking provides a range of commercial and corporate lending as well as investment banking services and products to the corporate and small and medium enterprises ("SME") customers. The range of products and services includes lending, trade finance and specialised funding schemes as well as the full range of debt and equity capital market products. The capital market products include structured financing, origination, underwriting and distribution of debt and equity securities, mergers and acquisitions, debt restructurings, corporate advisory, Islamic capital market products and project advisory as well as stockbroking related services.

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9. Segment reporting (continued)

Each of the reported segments is engaged in providing different types of banking products and services. All of the segments operate principally in Malaysia thus geographical disclosure will not be required. The Group's business is organised mainly into the following operating segments: (continued)

(b) Consumer Banking

The Consumer Banking business provides financing for hire purchase, housing, credit cards, other personal loans, deposits, bancassurance, unit trust, and internet banking services to individual customers.

(c) Islamic Banking

The Islamic Banking business offers the full range of consumer, SME, commercial and corporate banking services to investment banking products and services that are Shariah compliant.

(d) Treasury

Treasury undertakes trading in currencies, interest rates, debt securities, credit spreads and other treasury related products and services across every market segment including the consumer, SME, corporate and inter-bank markets.

(e) Others

This segment comprises the Funding Centre which manages the Group's balance sheet and funding needs, as well as the other supporting departments in Head Office and non-banking subsidiaries.

The performance of each operating segment is measured on the basis of its profitability contribution, cost-to-income ratio, loan and deposit growth and asset quality. All direct expenses relating to its revenue are allocated directly to the segment whilst certain overheads and costs of shared resources are allocated on agreed allocation bases. The head office costs and other inter-segment costs eliminations are grouped under the "Others" segment.

None of the segments have revenue from a single external customer that is greater than 10% of the Group's revenue for the current financial period.

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EXPLANATORY NOTES

9. Segment reporting (continued)

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

Group

Three Months Ended

31 March 2010

	Business and Investment Banking RM'000	Consumer Banking RM'000	Islamic Banking RM'000	Treasury RM'000	Others RM'000	Inter- segment Elimination RM'000	Total RM'000
Net interest income and Islamic banking income	79,332	162,217	56,574	29,080	(25,132)	-	302,071
Non-interest income	25,328	46,189	3,153	12,772	(3,501)	(1,821)	82,120
Net income	104,660	208,406	59,727	41,852	(28,633)	(1,821)	384,191
Other operating expenses	(16,875)	(125,923)	(6,631)	(1,296)	(57,605)	1,821	(206,509)
Operating profit	87,785	82,483	53,096	40,556	(86,238)	-	177,682
Impairment losses on loans, advances and financing	6,536	(44,213)	(4,674)	-	754	-	(41,597)
Impairment losses on securities	-	-	-	-	(4,200)	-	(4,200)
Profit before taxation and zakat	94,321	38,270	48,422	40,556	(89,684)	-	131,885
Taxation and zakat							(34,069)
Profit for the financial quarter							97,816

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9. Segment reporting (continued)

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

Group

Three Months Ended

31 March 2009

	Business and Investment Banking RM'000	Consumer Banking RM'000	Islamic Banking RM'000	Treasury RM'000	Others RM'000	Inter- segment Elimination RM'000	Total RM'000
Net interest income and Islamic banking income	60,027	148,688	41,635	8,136	11,612	-	270,098
Non-interest income	21,321	43,152	1,771	4,801	(240)	(709)	70,096
Net income	81,348	191,840	43,406	12,937	11,372	(709)	340,194
Other operating expenses	(20,287)	(134,714)	(4,644)	(1,816)	(28,844)	709	(189,596)
Operating profit	61,061	57,126	38,762	11,121	(17,472)	-	150,598
Impairment losses on loans, advances and financing	(1,639)	(21,395)	(6,086)	-	(6,454)	-	(35,574)
Impairment losses on securities	-	-	-	-	(8,000)	-	(8,000)
Profit before taxation and zakat	59,422	35,731	32,676	11,121	(31,926)	-	107,024
Taxation and zakat							(27,462)
Profit for the financial quarter							79,562

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9. Segment reporting (continued)

(b) Segment assets and liabilities are as follows:

Group	Business and					Inter-	
31 March 2010	Investment	Consumer	Islamic	Treasury	Others	segment	Total
	Banking	Banking	Banking	Treasury	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	10,858,966	13,536,171	2,637,319	11,852,334	8,599,952	(1,206,013)	46,278,729
Segment liabilities	8,947,065	12,749,179	2,398,118	15,802,131	3,260,398	(495,363)	42,661,528
Group							
31 December 2009							
Segment assets	10,679,828	13,723,963	2,686,844	12,663,640	7,671,499	(1,037,928)	46,387,846
Segment liabilities	8,678,546	12,512,511	2,426,191	16,377,440	3,266,896	(427,278)	42,834,306

(c) Revenue by products and services

Details of revenue from external customers by products or services are disclosed in Note 20 and Note 22.

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EXPLANATORY NOTES

10. Held for Trading Securities

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
At fair value:		
Malaysian Government securities	145,260	55,744
Private and Islamic debt securities in Malaysia	39,703	-
	184,963	55,744
	184,963	55,744

11. Derivative Financial Instruments

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
Derivatives at fair value through profit and loss:		
Interest rate swaps	355	-
Foreign currency forwards	22,219	9,825
Derivatives designated as fair value hedge:		
Interest rate swaps	4,482	3,080
Cross currency interest rate swaps	674	-
Total derivative financial instruments - assets	27,730	12,905
	27,730	12,905
Derivatives at fair value through profit and loss:		
Interest rate swaps	418	2,012
Foreign currency forwards	15,797	14,639
Cross currency interest rate swap	-	125
Derivatives designated as fair value hedge:		
Interest rate swaps	30,916	41,936
Total derivative financial instruments - liabilities	47,131	58,712
	47,131	58,712

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12. Available-for-sale Securities

	Unaudited 31 March 2010 RM'000	Audited 31 December 2009 RM'000
At fair value:		
Bank Negara Malaysia monetary notes	174,470	94,698
Malaysian Government investment issues	86,601	250,970
Malaysian Government securities	497,077	499,224
Cagamas bonds	15,095	15,081
Khazanah bonds	-	9,982
Quoted equity securities in Malaysia	12,917	13,449
Quoted private debt securities	28,111	22,404
Private and Islamic debt securities	1,063,687	1,096,738
Negotiable instruments of deposit	229,966	1,500,017
Islamic negotiable instrument debt securities	354,151	278,798
Commercial papers	19,944	12,944
Islamic commercial papers	34,011	34,011
	<u>2,516,030</u>	<u>3,828,316</u>
Allowance for impairment	(72,288)	(62,381)
	<u>2,443,742</u>	<u>3,765,935</u>
At cost:		
Unquoted equity securities in Malaysia	24,727	6,215
Unquoted equity securities outside Malaysia	3,562	3,739
	<u>28,289</u>	<u>9,954</u>
Allowance for impairment	(3,192)	(2,763)
	<u>25,097</u>	<u>7,191</u>
	<u><u>2,468,839</u></u>	<u><u>3,773,126</u></u>

13. Held-to-maturity Securities

	Unaudited 31 March 2010 RM'000	Audited 31 December 2009 RM'000
At amortised cost:		
Private and Islamic debt securities	384,761	385,695
Allowance for impairment	(194,383)	(192,598)
	<u>190,378</u>	<u>193,097</u>
At cost:		
Unquoted equity securities in Malaysia	-	18,082
	<u>190,378</u>	<u>211,179</u>

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14. Loans, Advances and Financing

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
Overdrafts/cash line	2,175,728	2,209,784
Term loans/financing:		
Housing loans/financing	8,379,685	7,809,069
Syndicated term loans/financing	1,359,607	1,349,287
Hire purchase receivables	12,767,170	12,692,576
Other term loans/financing	7,055,007	6,670,542
Bills receivable	6,484	9,412
Trust receipts	112,499	120,976
Claims on customers under acceptance credit/financing	2,540,675	2,563,348
Staff loans/financing	240,394	237,014
Credit cards	1,454,793	1,445,975
Revolving credit/financing	1,492,571	1,530,220
Other loans/financing	90,281	94,464
	<u>37,674,894</u>	<u>36,732,667</u>
Unearned interest/income	(3,777,981)	(3,620,035)
Gross loans, advances and financing	<u>33,896,913</u>	<u>33,112,632</u>
Adjustment for effective interest rate	114,953	-
Gross loans, advances and financing	<u>34,011,866</u>	<u>33,112,632</u>
at amortised cost		
Fair value changes arising from fair value hedge	6,847	15,567
Allowances for impaired loans, advances and financing		
- Collective assessment impairment allowance	(797,313)	-
- Individual assessment impairment allowance	(393,177)	-
- General allowance	-	(487,810)
- Specific allowance	-	(592,063)
Net loans, advances and financing	<u><u>32,828,223</u></u>	<u><u>32,048,326</u></u>

(i) Gross loans, advances and financing are disbursed to the following type of customers:

Domestic non-bank financial institutions	500,628	457,040
Domestic business enterprises	12,471,773	12,289,280
(of which: Small and medium enterprises)	<u>7,081,622</u>	<u>6,749,056</u>
Government and statutory bodies	38,830	35,989
Individuals	20,357,229	19,815,564
Other domestic entities	24,268	23,899
Foreign entities	504,185	490,860
	<u><u>33,896,913</u></u>	<u><u>33,112,632</u></u>

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EXPLANATORY NOTES

14. Loans, Advances and Financing (continued)

Unaudited	Audited
31 March	31 December
2010	2009
RM'000	RM'000

(ii) Gross loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:

Fixed rate	14,325,612	14,091,455
(of which: (i) Housing loans/financing	1,647,377	1,542,556
(ii) Hire purchase receivables	10,882,165	10,803,102
(iii) Others)	1,796,070	1,745,797
Variable rate	19,556,754	19,007,235
(of which: (i) Base lending rate plus	11,943,974	11,379,517
(ii) Cost plus	5,763,093	5,772,714
(iii) Others)	1,849,687	1,855,004
Non-interest bearing	14,547	13,942
	33,896,913	33,112,632

(iii) Gross loans, advances and financing analysed by residual contractual maturity are as follows:

Maturing within one year	8,885,151	9,034,343
One year to three years	2,251,113	2,192,005
Three years to five years	4,627,171	4,481,200
Over five years	18,133,478	17,405,084
	33,896,913	33,112,632

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EXPLANATORY NOTES

14. Loans, Advances and Financing (continued)

Unaudited Audited
31 March 31 December
2010 2009
RM'000 RM'000

(iv) Gross loans, advances and financing analysed by sector are as follows:

Agriculture, hunting, forestry and fishing	558,097	545,283
Mining and quarrying	165,746	205,241
Manufacturing	2,931,380	2,959,430
Electricity, gas and water	331,699	337,658
Construction	2,303,426	2,227,894
Wholesale and retail trade and restaurants and hotels	2,578,819	2,589,827
Transport, storage and communication	826,576	781,559
Finance, insurance and business services	1,228,878	1,203,770
Real estate	1,792,035	1,627,020
Community, social and personal services	236,548	215,692
Household	20,477,077	19,912,220
(of which: (i) Purchase of transport vehicles	9,544,010	9,466,288
(ii) Purchase of residential properties	7,115,942	6,683,505
(iii) Purchase of non-residential properties	904,860	855,459
(iv) Consumption credit	2,664,105	2,723,187
(vi) Others	248,160	183,781
Others	466,632	507,038
	33,896,913	33,112,632

(v) Gross loans, advances and financing analysed by economic purpose are as follows:

Purchase of securities	477,705	503,823
Purchase of transport vehicles	10,797,159	10,733,667
Purchase of landed properties	10,024,440	9,377,958
(of which: (i) Residential	7,178,720	6,769,876
(ii) Non-residential	2,845,720	2,608,082
Purchase of fixed assets (excluding landed properties)	423,462	396,150
Personal use	1,209,001	1,109,207
Credit cards	1,454,793	1,445,976
Purchase of consumer durables	316	363
Construction	784,435	781,530
Mergers and acquisitions	12,388	12,271
Working capital	7,626,904	7,682,346
Others	1,086,310	1,069,341
	33,896,913	33,112,632

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EXPLANATORY NOTES

14. Loans, Advances and Financing (continued)

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
(vi) Gross loans, advances and financing analysed by geographical distribution are as follows:		
Malaysia	33,661,517	32,873,722
Other countries	235,396	238,910
	<u>33,896,913</u>	<u>33,112,632</u>
(vii) Movements in impaired loans, advances and financing are as follows:		
Balance as at 1 January		
- As previously reported	1,253,834	1,545,654
- Effects of adopting FRS 139	176,680	-
- As restated	1,430,514	1,545,654
Classified as impaired during the financial quarter/year	817,517	4,027,567
Reclassified as non-impaired during the financial quarter/year	(611,593)	(3,336,811)
Amount recovered	(139,987)	(515,583)
Amount written off	(62,646)	(449,071)
Loans/financing converted to securities	-	(17,922)
Balance as at 31 March/31 December	<u>1,433,805</u>	<u>1,253,834</u>
Less: Impaired loans, advances and financing, which have no adverse financial impact on the Group	<u>(14,189)</u>	<u>(9,170)</u>
	<u>1,419,616</u>	<u>1,244,664</u>

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EXPLANATORY NOTES

14. Loans, Advances and Financing (continued)

Unaudited	Audited
31 March	31 December
2010	2009
RM'000	RM'000

(viii) Impaired loans, advances and financing analysed by sector are as follows:

Agriculture, hunting, forestry and fishing	16,173	8,699
Mining and quarrying	578	626
Manufacturing	316,305	255,076
Electricity, gas and water	107	49
Construction	99,295	97,210
Wholesale and retail trade and restaurants and hotels	142,575	128,465
Transport, storage and communication	39,485	12,177
Finance, insurance and business services	22,225	12,034
Real estate	36,142	33,492
Community, social and personal services	1,368	1,640
Household	595,770	605,563
(of which: (i) Purchase of transport vehicles	163,264	166,773
(ii) Purchase of residential properties	320,354	331,066
(iii) Purchase of non-residential properties	25,173	26,470
(iv) Consumption credit	58,628	67,440
(vi) Others	28,351	13,814
Others	163,782	98,803
	1,433,805	1,253,834

(ix) Impaired loans, advances and financing analysed by economic purpose are as follows:

Purchase of securities	15,683	16,027
Purchase of transport vehicles	202,986	202,764
Purchase of landed properties	409,025	400,217
(of which: (i) Residential	325,406	331,992
(ii) Non-residential)	83,619	68,225
Purchase of fixed assets (excluding landed properties)	14,137	15,272
Personal use	38,953	36,799
Credit cards	34,339	30,641
Purchase of consumer durables	7	12
Construction	23,096	26,603
Working capital	668,099	505,902
Others	27,480	19,597
	1,433,805	1,253,834

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EXPLANATORY NOTES

14. Loans, Advances and Financing (continued)

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
(x) Impaired loans, advances and financing analysed by geographical distribution are as follows:		
Malaysia	1,276,003	1,159,643
Other countries	157,802	94,191
	<u>1,433,805</u>	<u>1,253,834</u>
(xi) Movements in allowances for impaired loans, advances and financing are as follows:		
Collective assessment impairment allowance		
Balance as at 1 January 2010		
- As previously reported	-	-
- Effects of adopting FRS 139	784,734	-
- As restated	784,734	-
Allowance made during the financial quarter/year	100,089	-
Allowance written-back in respect of recoveries/reclassification	(28,701)	
Amount written off	(58,809)	-
Balance as at 31 March/31 December	<u>797,313</u>	<u>-</u>
Individual assessment impairment allowance		
Balance as at 1 January 2010		
- As previously reported	-	-
- Effects of adopting FRS 139	386,585	-
- As restated	386,585	-
Allowance made during the financial quarter/year	21,034	-
Allowance charged to deferred asset/other assets during the financial quarter/year	14	-
Allowance written-back in respect of recoveries/reclassification	(10,338)	-
Reversal of allowance set-off against deferred asset	(279)	-
Amount written off	(3,839)	-
Balance as at 31 March/31 December	<u>393,177</u>	<u>-</u>

The Group has applied the transitional arrangement in determining the collective assessment impairment allowances as at the end of the reporting period for loans/financing, as prescribed in BNM's Guideline on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010.

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EXPLANATORY NOTES

14. Loans, Advances and Financing (continued)

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
(xi) Movements in allowances for impaired loans, advances and financing are as follows: (continued)		
General allowance		
Balance as at 1 January 2010		
- As previously reported	487,810	450,928
- Effects of adopting FRS 139	(487,810)	-
- As restated	-	450,928
Allowance made during the financial quarter/year	-	36,882
Balance as at 31 March/31 December	-	487,810
As % of gross loans, advances and financing less specific allowance	-	1.5%
 Specific allowance		
Balance as at 1 January 2010		
- As previously reported	592,063	792,530
- Effects of adopting FRS 139	(592,063)	-
- As restated	-	792,530
Allowance made during the financial quarter/year	-	462,405
Allowance charged to deferred asset/other assets during the financial quarter/year	-	237
Allowance written-back in respect of recoveries/reclassification	-	(199,181)
Reversal of allowance set-off against deferred asset	-	(4,235)
Amount written off	-	(449,072)
Amount transferred to allowance for impairment on securities	-	(10,621)
Balance as at 31 March/31 December	-	592,063

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14. Loans, Advances and Financing (continued)

(xii) Key indicators for loans, advances and financing

	31 March 2010 RM'000	1 January 2010 RM'000	31 December 2009 RM'000
(a) Gross loans, advances and financing	34,011,866	* 33,236,500	33,112,632
(b) Total allowances for impaired loans, advances and financing			
- Collective assessment impairment allowance	(797,313)	(784,734)	-
- Individual assessment impairment allowance	(393,177)	(386,585)	-
- General allowance	-	-	(487,810)
- Specific allowance	-	-	(592,063)
	<u>(1,190,490)</u>	<u>(1,171,319)</u>	<u>(1,079,873)</u>
(c) Net loans, advances and financing	32,828,223	32,080,748	32,048,326
(d) Gross impaired loans, advances and financing	1,433,805	1,430,514	-
(e) Gross non-performing loans, advances and financing	-	-	1,253,834
(f) Gross impaired loan ratio	4.2%	4.3%	-
(g) Gross non-performing loan ratio	-	-	3.8%
(h) Loan loss coverage	83.0%	81.9%	86.1%

* After taking into account effective interest rate adjustment of RM46.177 million and reclassification of unamortised handling fee of RM77.691 million from "other assets" to "loans, advances and financing".

15. Other Assets

	Unaudited 31 March 2010 RM'000	Audited 31 December 2009 RM'000
Unamortised handling fees	-	77,691
Trade receivables, net of allowances for bad and doubtful debts and interest-in-suspense of RM1,511,000 (31.12.2009: RM135,000)	32,714	12,707
Interest/income receivable	39,215	35,730
Other debtors, deposits and prepayments, net of impairment allowances for doubtful debts of RM781,000 (31.12.2009: RM708,040)	333,971	379,246
Deferred asset account	111,329	138,844
Tax recoverable	11,493	12,025
Prepaid lease payments	722	726
	<u>529,444</u>	<u>656,969</u>

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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,

17. Deposits from Customers

	Unaudited 31 March 2010 RM'000	Audited 31 December 2009 RM'000
Demand deposits	4,709,995	4,594,199
Savings deposits	3,185,887	3,095,661
Fixed/investment deposits	24,212,125	23,538,826
Money market deposits	2,877,586	2,637,235
	<u>34,985,593</u>	<u>33,865,921</u>

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

Due within six months	21,303,185	20,675,187
Six months to one year	5,132,201	4,808,241
One year to three years	641,716	678,719
Three years to five years	12,609	13,914
	<u>27,089,711</u>	<u>26,176,061</u>

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

Government and statutory bodies	3,054,676	3,500,571
Business enterprises	13,472,333	12,673,397
Individuals	12,726,219	12,504,900
Others	5,732,365	5,187,053
	<u>34,985,593</u>	<u>33,865,921</u>

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EXPLANATORY NOTES

18. Deposits and Placements of Banks and Other Financial Institutions

	Unaudited 31 March 2010 RM'000	Audited 31 December 2009 RM'000
Licensed banks	1,012,448	1,621,353
Licensed Islamic banks	377,996	317,890
Licensed investment banks	105,215	286,265
Bank Negara Malaysia	1,472,347	1,475,415
Other financial institutions	1,232,325	1,247,081
	<u>4,200,331</u>	<u>4,948,004</u>

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

One year or less	2,693,633	3,360,765
More than one year	1,506,698	1,587,239
	<u>4,200,331</u>	<u>4,948,004</u>

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

<u>528,665</u>	<u>1,429,714</u>
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19. Other Liabilities

	Unaudited 31 March 2010 RM'000	Audited 31 December 2009 RM'000
Trade payable	56,158	35,647
Other accruals and payables	417,925	327,645
Interest/dividend payable	171,811	181,169
Clearing account	229,754	327,246
Loans sold to Cagamas Berhad with recourse	196,348	198,144
Profit equalisation reserve	7	7
	<u>1,072,003</u>	<u>1,069,858</u>

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20. Interest Income

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Loans, advances and financing	376,506	372,354	376,506	372,354
Money at call and deposit placements with financial institutions	38,735	41,079	38,735	41,079
Held for trading securities	1,115	8,197	1,115	8,197
Available-for-sale securities	24,014	28,970	24,014	28,970
Held-to-maturity securities	1,421	2,279	1,421	2,279
	441,791	452,879	441,791	452,879
Of which:				
Interest income earned on impaired loans, advances and financing	8,732	-	8,732	-

21. Interest Expense

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Deposits and placements of banks and other financial institutions	32,359	31,530	32,359	31,530
Deposits from customers	144,289	188,908	144,289	188,908
Subordinated medium term notes	10,907	794	10,907	794
Subordinated obligations	-	4,252	-	4,252
Long term borrowings	-	2,846	-	2,846
Short term borrowings	520	-	520	-
Innovative Tier 1 Capital securities	10,459	-	10,459	-
Others	1,287	600	1,287	600
	199,821	228,930	199,821	228,930

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22. Non-interest Income

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Fee and commission income:				
Commissions	9,622	9,143	9,622	9,143
Service charges and fees	48,083	44,807	48,083	44,807
Guarantee fees	3,184	4,031	3,184	4,031
Advisory and arrangement fees	3,568	2,034	3,568	2,034
Underwriting commissions	692	275	692	275
Brokerage	2,269	871	2,269	871
	<u>67,418</u>	<u>61,161</u>	<u>67,418</u>	<u>61,161</u>
Net gains/(losses) arising from securities:				
Sales of Held for trading securities	432	(780)	432	(780)
Sales of Available-for-sale securities	49	(227)	49	(227)
Redemption of held-to-maturity securities	239	528	239	528
Net unrealised (losses)/gains on fair value changes on held for trading securities	(10)	270	(10)	270
	<u>710</u>	<u>(209)</u>	<u>710</u>	<u>(209)</u>
Net unrealised gains on fair value changes on derivatives held at fair value through profit and loss	<u>12,887</u>	<u>5,833</u>	<u>12,887</u>	<u>5,833</u>
Net unrealised (losses)/gains on fair value changes between hedged items and interest rate swaps designated as fair value hedges	<u>(2,581)</u>	<u>80</u>	<u>(2,581)</u>	<u>80</u>
Dividend income from:				
Available-for-sale securities	<u>220</u>	<u>120</u>	<u>220</u>	<u>120</u>
Other income/(expenditure):				
Net foreign exchange gains/(losses)	296	(209)	296	(209)
Rental income from premises	504	397	504	397
Gains on disposal of property, plant and equipment	17	161	17	161
Other operating income	1,884	2,388	1,884	2,388
Other non-operating income	841	551	841	551
Net allowances made in respect of other bad and doubtful debts	(76)	(177)	(76)	(177)
	<u>3,466</u>	<u>3,111</u>	<u>3,466</u>	<u>3,111</u>
	<u>82,120</u>	<u>70,096</u>	<u>82,120</u>	<u>70,096</u>

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EXPLANATORY NOTES

23. Other Operating Expenses

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Personnel expenses	121,409	112,662	121,409	112,662
Promotion and marketing related expenses	5,291	6,109	5,291	6,109
Establishment related expenses	33,155	30,512	33,155	30,512
General administrative expenses	46,654	40,313	46,654	40,313
	<u>206,509</u>	<u>189,596</u>	<u>206,509</u>	<u>189,596</u>

(i) Personnel expenses comprise the following:

Salaries, bonuses and allowances	98,351	89,180	98,351	89,180
Defined contribution plan	16,455	14,723	16,455	14,723
Other employee benefits	6,603	8,759	6,603	8,759
	<u>121,409</u>	<u>112,662</u>	<u>121,409</u>	<u>112,662</u>

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

Advertisement and publicity cost	4,390	5,123	4,390	5,123
Travelling and transportation	474	517	474	517
Others	427	469	427	469
	<u>5,291</u>	<u>6,109</u>	<u>5,291</u>	<u>6,109</u>

(iii) Establishment related expenses comprise the following:

Depreciation of property, plant and equipment	11,956	10,221	11,956	10,221
Repair and maintenance	6,665	4,457	6,665	4,457
Rental of premises	6,454	6,416	6,454	6,416
Hire of equipment	398	362	398	362
Dataline rental	1,348	1,402	1,348	1,402
Security services	2,150	2,471	2,150	2,471
Electricity, water and sewerage	2,643	2,842	2,643	2,842
Others	1,541	2,341	1,541	2,341
	<u>33,155</u>	<u>30,512</u>	<u>33,155</u>	<u>30,512</u>

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23. Other Operating Expenses (continued)

	<u>1st Quarter Ended</u>		<u>Three Months Ended</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
(iv) General administrative expenses comprise the following:				
Communication costs	4,134	4,904	4,134	4,904
Auditors' remuneration	137	142	137	142
Printing and stationeries	2,820	3,260	2,820	3,260
Loss on disposal of property, plant and equipment	14	18	14	18
Legal and other professional charges	16,179	10,633	16,179	10,633
Cards expenses	14,852	15,151	14,852	15,151
Others	8,518	6,205	8,518	6,205
	<u>46,654</u>	<u>40,313</u>	<u>46,654</u>	<u>40,313</u>

24. Impairment Losses on Loans, Advances and Financing

	<u>1st Quarter Ended</u>		<u>Three Months Ended</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Impairment losses on loans, advances and financing:				
Collective assessment impairment allowance				
- Made	100,089	-	100,089	-
- Written back	(28,701)	-	(28,701)	-
Individual assessment impairment allowance				
- Made	21,034	-	21,034	-
- Written back	(10,338)	-	(10,338)	-
General allowance				
- Made	-	2,398	-	2,398
Specific allowance				
- Made	-	116,570	-	116,570
- Written back	-	(53,204)	-	(53,204)
Impaired loans, advances and financing:				
- Recovered	(40,493)	(30,190)	(40,493)	(30,190)
- Written off	6	-	6	-
	<u>41,597</u>	<u>35,574</u>	<u>41,597</u>	<u>35,574</u>

The Group has evaluated the portfolio of impaired loans, advances and financing of less than RM1 million each that had been impaired and remained uncollected for more than 5 years and no value has been assigned to the realisable value of collateral.

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EXPLANATORY NOTES

25. Commitments and Contingencies

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

The commitments and contingencies and their related counterparty credit risk of the Group are as follows:

Unaudited	Positive Fair		Credit	Risk
31 March 2010	Principal	Derivative	Equivalent	Weighted
	Amount	Contracts	Amount *	Amount *
	RM'000	RM'000	RM'000	RM'000
<u>Commitments and Contingent Liabilities</u>				
Direct credit substitutes	356,977	-	356,977	356,977
Transaction related contingent items	1,271,562	-	635,781	635,781
Short term self liquidating trade related contingencies	142,706	-	28,541	28,541
Forward asset purchases	4,995	-	-	-
Obligations under an on-going underwriting agreement	62,716	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
Over one year	4,238,908	-	2,119,453	1,866,694
Up to one year	7,860,154	-	-	-
Unutilised credit card lines	3,616,108	-	723,222	542,416
	17,554,126	-	3,863,974	3,430,409
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
One year or less	1,438,886	22,893	34,869	11,281
Interest/profit rate related contracts:				
One year or less	275,000	-	425	85
Over one year to three years	1,780,000	1,790	27,890	5,578
Over three years	1,690,000	3,047	63,547	12,709
	5,183,886	27,730	126,731	29,653
	22,738,012	27,730	3,990,705	3,460,062

* 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 ("BNM") revised Risk-Weighted Capital Adequacy Framework ("RWCAF") and Capital Adequacy Framework for Islamic Banks ("CAFIB").

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25. Commitments and Contingencies (continued)

The commitments and contingencies and their related counterparty credit risk of the Group are as follows:
(continued)

Audited 31 December 2009	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount * RM'000	Risk Weighted Amount * RM'000
<u>Commitments and Contingent Liabilities</u>				
Direct credit substitutes	468,115	-	468,115	468,115
Transaction related contingent items	1,384,930	-	692,465	692,465
Short term self liquidating trade related contingencies	131,466	-	26,293	26,293
Obligations under an on-going underwriting agreement	64,200	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
Over one year	3,531,747	-	1,765,874	1,555,523
Up to one year	7,718,382	-	-	-
Unutilised credit card lines	3,710,027	-	742,005	556,504
	<u>17,008,867</u>	<u>-</u>	<u>3,694,752</u>	<u>3,298,900</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
One year or less	1,687,536	9,825	29,464	8,591
Interest/profit rate related contracts:				
One year or less	275,000	-	688	138
Over one year to three years	1,300,000	652	17,652	3,530
Over three years	1,270,000	2,428	47,027	9,405
	<u>4,532,536</u>	<u>12,905</u>	<u>94,831</u>	<u>21,664</u>
	<u>21,541,403</u>	<u>12,905</u>	<u>3,789,583</u>	<u>3,320,564</u>

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

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EXPLANATORY NOTES

26. Capital Adequacy

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

	Unaudited 31 March 2010	Audited 31 December 2009
Before deducting proposed dividends:		
Core capital ratio	10.81%	11.15%
Risk-weighted capital ratio	<u>14.91%</u>	<u>14.41%</u>
After deducting proposed dividends:		
Core capital ratio	10.58%	10.92%
Risk-weighted capital ratio	<u>14.68%</u>	<u>14.18%</u>

The components of Tier I and Tier II capital of the Banking Units of the Group are as follows:

	Unaudited 31 March 2010 RM'000	Audited 31 December 2009 RM'000
Tier I Capital:		
Paid-up share capital	1,329,807	1,329,807
Share premium	39,337	39,337
Retained profits	1,166,227	1,201,415
Other reserves	1,245,501	1,245,501
Innovative Tier I capital securities	<u>488,809</u>	<u>488,520</u>
	4,269,681	4,304,580
Less: Goodwill	(333,861)	(333,861)
Deferred tax assets	<u>(157,851)</u>	<u>(137,193)</u>
Total Tier I Capital	<u>3,777,969</u>	<u>3,833,526</u>
Tier II Capital:		
Subordinated financing facilities	634,492	632,944
Collective assessment impairment allowance	797,313	-
General allowance	-	487,810
Total Tier II Capital	<u>1,431,805</u>	<u>1,120,754</u>
Total Capital	5,209,774	4,954,280
Less: Investment in subsidiaries	<u>(690)</u>	<u>(690)</u>
Capital Base	<u>5,209,084</u>	<u>4,953,590</u>

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EXPLANATORY NOTES

26. Capital Adequacy (continued)

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

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 ("EBB"), EONCAP Islamic Bank Berhad ("EIBB") and MIMB Investment Bank Berhad ("MIMB").

The capital adequacy ratios of the Banking Units of the Group are computed in accordance with BNM'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 Indicators Approach for Operational Risk.

EBB had, on 24 March 2010, granted a RM270 million Standby Subordinated Financing Facility ("Financing Facility") to EIBB to support the expansion of the business operations of EIBB. EBB had issued RM270 million of Subordinated Medium Term Notes ("MTN") under its RM2.0 billion MTN Program to raise this capital on behalf of EIBB. Under the Guidelines for the computation of Risk-Weighted Capital Adequacy Ratio ("RWCR"), the funding disbursed by EBB to EIBB under this Financing Facility will be reflected as a deduction from EBB's capital funds, as an "Investment in Capital Instruments of Other Banking Institutions". The first tranche of RM100 million under the Financing Facility has been drawn down by EIBB on 26 March 2010.

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

	EON Bank Berhad ¹	MIMB Investment Bank Berhad ¹	EONCAP Islamic Bank Berhad ²
Unaudited			
31 March 2010			
Before deducting proposed dividends:			
Core capital ratio	12.80%	67.16%	10.79%
Risk-weighted capital ratio	14.27%	67.77%	15.35%
After deducting proposed dividends:			
Core capital ratio	12.53%	67.16%	10.79%
Risk-weighted capital ratio	14.01%	67.77%	15.35%

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EXPLANATORY NOTES

26. Capital Adequacy (continued)

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

	EON Bank Berhad ¹	MIMB Investment Bank Berhad ¹	EONCAP Islamic Bank Berhad ²
Audited			
31 December 2009			
Before deducting proposed dividends:			
Core capital ratio	13.24%	71.88%	11.14%
Risk-weighted capital ratio	<u>14.17%</u>	<u>72.52%</u>	<u>12.69%</u>
After deducting proposed dividends:			
Core capital ratio	12.97%	71.88%	11.14%
Risk-weighted capital ratio	<u>13.89%</u>	<u>72.52%</u>	<u>12.69%</u>

- 1 The capital adequacy ratios of EBB and MIMB are computed in accordance with BNM's RWCAF-Basel II. EBB and MIMB have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.
- 2 The capital adequacy ratios of EIBB are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II Capital Accord. EIBB has adopted the Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

The Financing Facility granted by EBB to EIBB qualified for inclusion as part of EIBB's Tier Two capital funds for the purposes of computation of EIBB's capital adequacy ratios.

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EXPLANATORY NOTES

27. Operations of Islamic Banking

(i) Unaudited Statement of Financial Position as at 31 March 2010

	Note	Unaudited 31 March 2010 RM'000	Audited 31 December 2009 RM'000
ASSETS			
Cash and short-term funds		1,608,863	1,794,815
Deposits and placements with banks and other financial institutions		28,000	45,000
Derivative financial instruments		2,657	-
Available-for-sale securities		620,144	475,637
Financing and advances	27(iv)	4,690,970	4,568,751
Other assets		52,341	81,605
Statutory deposits with Bank Negara Malaysia		42,143	40,131
Deferred tax assets		15,246	11,474
Property, plant and equipment		2,752	2,623
TOTAL ASSETS		<u>7,063,116</u>	<u>7,020,036</u>
LIABILITIES			
Deposits from customers	27(v)	5,234,839	4,833,735
Deposits and placements of banks and other financial institutions		1,033,639	1,554,130
Derivative financial instruments		2,552	-
Bills and acceptances payable		15,742	32,392
Provision for zakat		18,328	1,011
Other liabilities		111,901	92,437
Borrowings		100,000	-
TOTAL LIABILITIES		<u>6,517,001</u>	<u>6,513,705</u>
SHARE CAPITAL		397,755	397,755
RESERVES		148,360	108,576
SHAREHOLDER'S FUNDS		<u>546,115</u>	<u>506,331</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>7,063,116</u>	<u>7,020,036</u>
COMMITMENTS AND CONTINGENCIES		<u>1,322,837</u>	<u>1,152,466</u>

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EXPLANATORY NOTES

27. Operations of Islamic Banking (continued)

(ii) Unaudited Income Statement for the 1st Quarter ended 31 March 2010

	<u>1st Quarter Ended</u>		<u>Three Months Ended</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	76,973	76,629	76,973	76,629
Income derived from investment of shareholder's funds	9,984	6,317	9,984	6,317
	<u>86,957</u>	<u>82,946</u>	<u>86,957</u>	<u>82,946</u>
Impairment losses on financing and advances	(4,741)	(16,796)	(4,741)	(16,796)
Total distributable income	82,216	66,150	82,216	66,150
Income attributable to depositors	(26,856)	(36,797)	(26,856)	(36,797)
Total net income	55,360	29,353	55,360	29,353
Other operating expenses	(24,248)	(21,096)	(24,248)	(21,096)
Profit before taxation and zakat	31,112	8,257	31,112	8,257
Taxation	(7,761)	(2,065)	(7,761)	(2,065)
Zakat	(6)	(7)	(6)	(7)
Profit for the financial quarter	<u>23,345</u>	<u>6,185</u>	<u>23,345</u>	<u>6,185</u>

(iii) Unaudited Statement of Comprehensive Income for the 1st Quarter ended 31 March 2010

	<u>1st Quarter Ended</u>		<u>Three Months Ended</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Profit for the financial quarter	<u>23,345</u>	<u>6,185</u>	<u>23,345</u>	<u>6,185</u>
Other comprehensive income:				
(Losses)/gains recognised directly in equity				
Changes in fair value of available -for-sale securities	(480)	659	(480)	659
Taxation relating to other components of comprehensive income	120	(165)	120	(165)
Other comprehensive income for the financial quarter, net of tax	<u>(360)</u>	<u>494</u>	<u>(360)</u>	<u>494</u>
Total comprehensive income for the financial quarter	<u>22,985</u>	<u>6,679</u>	<u>22,985</u>	<u>6,679</u>

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EXPLANATORY NOTES

27. Operations of Islamic Banking (continued)

(iv) Financing and Advances

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
Cash line	286,370	300,862
Term financing:		
Housing financing	2,685,511	2,544,109
Hire purchase receivables	1,923,084	1,946,768
Syndicated financing	86,370	89,756
Other term financing	1,571,974	1,414,832
Bills receivable	1,717	1,555
Trust receipts	3,023	3,013
Claims on customers under acceptance financing	208,094	247,661
Staff financing	31,446	28,848
Revolving financing	138,766	126,510
Other financing	71,474	75,008
	<u>7,007,829</u>	<u>6,778,922</u>
Unearned income	<u>(2,146,233)</u>	<u>(2,000,976)</u>
Gross financing and advances	4,861,596	4,777,946
Adjustment for effective interest rate	41,730	-
Gross financing and advances at amortised cost	<u>4,903,326</u>	<u>4,777,946</u>
Allowances for impaired financing and advances		
- Collective assessment impairment allowance	(110,824)	-
- Individual assessment impairment allowance	(101,532)	-
- General allowance	-	(69,575)
- Specific allowance	-	(139,620)
Net financing and advances	<u><u>4,690,970</u></u>	<u><u>4,568,751</u></u>

(a) Movements in impaired financing and advances are as follows:

Balance as at 1 January		
- As previously reported	265,721	224,462
- Effects of adopting FRS 139	79,936	-
- As restated	<u>345,657</u>	<u>224,462</u>
Classified as impaired during the financial quarter/year	179,546	1,028,553
Reclassified as non-impaired during the financial quarter/year	(144,480)	(853,091)
Amount recovered	(25,730)	(95,164)
Amount written off	(10,402)	(26,933)
Financing converted to securities	-	(12,106)
Balance as at 31 March/31 December	<u><u>344,591</u></u>	<u><u>265,721</u></u>

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EXPLANATORY NOTES

27. Operations of Islamic Banking (continued)

(iv) Financing and Advances (continued)

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
(b) Movements in allowances for impaired financing and advances are as follows:		
Collective assessment impairment allowance		
Balance as at 1 January		
- As previously reported	-	-
- Effects of adopting FRS 139	112,826	-
- As restated	112,826	-
Allowance made during the financial quarter/year	10,271	-
Allowance written back in respect of recoveries/reclassification	(5,683)	-
Amount written off	(6,590)	-
Balance as at 31 March/31 December	<u>110,824</u>	<u>-</u>
Individual assessment impairment allowance		
Balance as at 1 January		
- As previously reported	-	-
- Effects of adopting FRS 139	103,427	-
- As restated	103,427	-
Allowance made during the financial quarter/year	2,625	-
Allowance written back in respect of recoveries/reclassification	(707)	-
Amount written-off	(3,813)	-
Balance as at 31 March/31 December	<u>101,532</u>	<u>-</u>

The Islamic banking subsidiary has applied the transitional arrangement in determining the collective assessment impairment allowances for financing and advances as at the end of the reporting period, as prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010.

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EXPLANATORY NOTES

27. Operations of Islamic Banking (continued)

(iv) Financing and Advances (continued)

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
(b) Movements in allowances for impaired financing and advances are as follows: (continued)		
General allowance		
Balance as at 1 January		
- As previously reported	69,575	71,611
- Effects of adopting FRS 139	(69,575)	-
- As restated	-	71,611
Allowance written back during the financial quarter/year	-	(2,036)
Balance as at 31 March/31 December	-	69,575
As % of gross financing and advances, less specific allowance	-	1.5%
Specific allowance		
Balance as at 1 January		
- As previously reported	139,620	86,242
- Effects of adopting FRS 139	(139,620)	-
- As restated	-	86,242
Allowance made during the financial quarter/year	-	125,020
Allowance written back in respect of recoveries/reclassification	-	(39,001)
Amount written-off	-	(26,934)
Amount transferred to allowance for impairment of securities	-	(5,707)
Balance as at 31 March/31 December	-	139,620

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EXPLANATORY NOTES

27. Operations of Islamic Banking (continued)

(v) Deposits from Customers

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
<u>Non-Mudharabah:</u>		
Al-Wadiah demand deposits	1,182,443	1,149,555
Al-Wadiah savings deposits	194,934	187,109
 <u>Mudharabah:</u>		
Al-Fareed demand deposits	126,512	122,927
Al-Mudharabah savings deposits	102,808	94,731
Total demand and savings deposits	1,606,697	1,554,322
 <u>Non-Mudharabah:</u>		
Bai Al-Inah HARI	473	1,294
 <u>Mudharabah:</u>		
General investment deposits	3,627,669	3,278,119
Total investment deposits	3,628,142	3,279,413
	5,234,839	4,833,735

28. Significant Events During the Financial Quarter Ended 31 March 2010

Other than those disclosed in Note 26(a), Notes 38(e) to 38(l), there were no significant events during the financial quarter ended 31 March 2010 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 ended 31 March 2010 that have not been disclosed in these condensed financial statements.

30. Significant Events Subsequent to the Balance Sheet Date

Other than those disclosed Note 38(m) to 38(o), there were no significant events subsequent to the balance sheet date that have not been disclosed in these condensed financial statements.

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31. Other Commitments

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
Authorised and contracted for	34,262	31,565
Authorised but not contracted for	23,594	3,741
	<u>57,856</u>	<u>35,306</u>
Analysed as follows:		
- Property, plant and equipment	<u>57,856</u>	<u>35,306</u>

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

32. Taxation

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

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Charge for the financial quarter	37,780	28,411	37,780	28,411
Transfer (to)/from deferred taxation	(3,717)	(956)	(3,717)	(956)
	34,063	27,455	34,063	27,455

33. Subordinated Medium Term Notes

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
Subordinated medium term notes, at par	660,000	660,000
Fair value changes arising from fair value hedge	(953)	(1,314)
Unamortised discounts	(25,508)	(27,056)
	633,539	631,630

On 27 February 2009, EON Bank Berhad ("EBB") issued the first tranche of 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 RM2.0 billion 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 EBB 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.

Subsequently, on 2 December 2009, EBB issued a second tranche of RM250.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 2 December 2014 (and thereafter) and due on 2 December 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this second tranche of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should EBB decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate of this second tranche 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; similar to the step-up rates in the first tranche.

The above tranches of Subordinated MTNs constitute unsecured liabilities of EBB 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 MTNs. The Subordinated MTNs qualify as Tier II capital for the purpose of determining the capital adequacy ratio of EBB, and are rated A2 by RAM Rating Services Berhad.

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EXPLANATORY NOTES

34. Hybrid Capital

	Unaudited	Audited
	31 March	31 December
	2010	2009
	RM'000	RM'000
Innovative Tier 1 Capital Securities	500,000	500,000
Fair value changes arising from fair value hedge	(646)	(1,297)
Unamortised discounts	(11,191)	(11,480)
	<u>488,163</u>	<u>487,223</u>
	<u>488,163</u>	<u>487,223</u>

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 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 EBB has the option to redeem the RM500 million IT-1 Capital Securities at the 10th anniversary, subject to the approval of Bank Negara Malaysia. 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 EBB 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 EBB.

35. Borrowings

		Unaudited	Audited
		31 March	31 December
		2010	2009
	Note	RM'000	RM'000
Short-term borrowings:			
Revolving credit facility	(i)	65,000	65,000
Total borrowings		<u>65,000</u>	<u>65,000</u>
		<u>65,000</u>	<u>65,000</u>

(i) Short-term borrowings are unsecured revolving credit facilities granted by licensed banks under a rollover tenure of one, three and six months.

36. Unquoted Investments and Properties

There were no sale of unquoted investments and properties for the financial quarter ended 31 March 2010, other than in the ordinary course of banking business.

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EXPLANATORY NOTES

37. Quoted securities

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

38. Status of Corporate Proposals Announced But Not Completed

- (a) On 28 October 2008, the Company announced the proposed establishment of an Employees Share Scheme ("ESS") involving up to 15% of the issued and paid-up share capital of the Company for the benefit of the eligible Directors and employees of the Company and its subsidiaries. The ESS was subsequently approved by the shareholders of the Company on 5 December 2008. To-date, the ESS has yet to be implemented.

- (b) On 5 February 2008, the Company announced the proposed issue of RM655.0 million nominal value of the subordinated bonds ("Proposed Bond Issue") by EON Bank Berhad ("EBB"), a wholly-owned subsidiary of the Company and the proposed issue of 93.8 million new warrants by the Company to Primus Pacific Partners 1 LP ("Primus") ("Proposed Issue of Warrants A"). The Proposed Bond Issue was approved by Bank Negara Malaysia ("BNM") and the Securities Commission ("SC") on 1 August 2008 and 9 October 2008 respectively, whereas the Proposed Issue of Warrants A was approved by BNM and the SC on 16 September 2008 and 30 September 2008 respectively and by the shareholders of the Company on 5 December 2008.

The Proposed Bond Issue and Proposed Issue of Warrants A have since lapsed and no bonds and warrants have been issued to-date.

- (c) On 26 May 2009, the Company announced that it proposed to undertake an issuance of up to 58,174,500 new warrants to Primus for a total consideration of RM29.5 million ("Proposed Issue of Warrants B"). Through a letter dated 18 June 2009, the Company has been advised by BNM that the Proposed Issue of Warrants B was not approved. Primus, in a letter issued to the Company on 22 June 2009, has advised that it intends to appeal the decision. To-date, the appeal on BNM's decision is still outstanding.

- (d) 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.

- (e) On 21 January 2010, the Company had received an unsolicited offer from Hong Leong Bank Berhad ("HLBB") to acquire the entire assets and liabilities of the Company for a total cash consideration of RM4,921,781,997.20. After due consideration of the said offer, the Board of Directors ("Board") of the Company had resolved that the said offer is not in the interest of the Company and its shareholders based on, amongst others, the consideration in relation to the offer. Accordingly, the Board of the Company had on 2 February 2010 notified HLBB that it has resolved not to table the offer for consideration and approval by the shareholders of the Company. The first offer had therefore lapsed.

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

On 30 March 2010, the Board received a second offer from HLBB to acquire the entire assets and liabilities of the Company for a total cash consideration of RM4,921,781,997.20. Following negotiations between the Company and HLBB, HLBB had subsequently on 1 April 2010 made a revised offer to the Company by increasing the offer price from RM4,921,781,997.20 to RM5,060,423,743.60 ("HLBB Offer").

On 23 April 2010, the Company had submitted an application to BNM seeking for approval for the HLBB Offer. An extraordinary general meeting for the shareholders of the Company to consider, and if deem fit, approve the HLBB Offer and the proposed distribution of the disposal proceeds back to the shareholders via a special dividend and capital repayment exercise will be held in due course.

39. Derivative Financial Instruments

Details of derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts outstanding as at 31 March 2010 are as follows:

Unaudited 31 March 2010	Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Laibilities RM'000
Foreign exchange related contracts:			
One year or less	1,438,886	22,893	15,797
Interest/profit rate related contracts:			
One year or less	275,000	-	1,779
Over one year to three years	1,780,000	1,790	15,202
Over three years	1,690,000	3,047	14,353
	5,183,886	27,730	47,131
Audited			
31 December 2009			
Foreign exchange related contracts:			
One year or less	1,687,536	9,825	14,764
Interest/profit rate related contracts:			
One year or less	275,000	-	3,314
Over one year to three years	1,300,000	652	22,587
Over three years	1,270,000	2,428	18,047
	4,532,536	12,905	58,712

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39. Derivative Financial Instruments (continued)

The Group's derivative financial instruments are subject to market and credit risk as follows:

(i) 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 31 March 2010, the amount of contracts of the Group, which were not hedged and, hence, exposed to market risk was RM8,550,124 (31 December 2009: RM20,308,353).

(ii) 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 31 March 2010, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM3,448,330 (31 December 2009: RM9,824,168). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

There have been no changes since the end of the previous financial year in respect of the following:

- (a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- (b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- (c) the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Group are discussed in the audited annual financial statements for the financial year ended 31 December 2009 and in the Risk Management section of the 2009 Annual Report.

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40. Material Litigation

As at 31 March 2010, 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.

41. Profit Forecast

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

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

The Group reported a pre-tax profit of RM131.9 million for the quarter ended 31 March 2010, as compared with RM101.9 million for the immediate preceding quarter ended 31 December 2009. The higher pre-tax profit was attributed mainly to RM3.3 million of higher net interest income arising largely from lower interest expenses and RM36.1 million reduction in other operating expenses. Income from Islamic banking has also increased by RM2.3 million along with a RM4.6 million rise in non-interest income. The lower other operating expenses was principally due to lower personnel expenses and lower general administrative expenses which have resulted from the overall Group's initiative to lower operating costs.

43. Review of performance for the financial quarter ended 31 March 2010 against the corresponding financial quarter of preceding year

Current financial quarter against corresponding financial quarter of preceding year

The Group reported a pre-tax profit of RM131.9 million for the financial quarter ended 31 March 2010, as compared with RM107.0 million during the corresponding quarter of preceding year. The RM24.9 million increase in pre-tax profit was mainly due to higher operating profit of RM27.1 million despite higher other operating expenses of RM16.9 million. Net interest income has increased by RM18.0 million whilst income from Islamic banking business and non-interest income increased by RM14.0 million and RM12.0 million respectively. Lower interest expense for deposits and lower income attributable to the Islamic depositors had contributed towards the higher operating profit. Other operating expenses were higher owing to higher personnel costs, depreciation, investments in distribution channels, technology infrastructure and branding.

44. Prospects for 2010

In 2010, with the GDP growth expected to expand by more than 5% and asset quality continuing to improve further, the Group expects to leverage on the infrastructure that has been built over the last two years, to compete more aggressively in the consumer and SME business. The Group anticipates that it will be able to achieve its loans growth targets of nearly 14%, driven mainly by the rising demand for funding from SMEs as a result of business expansion, increase in trade finance activities as well as consumer spending on housing and other consumer durables. Arising from the more robust capital market activities, the Group also expects to see further growth in its non-interest income. Interest margins, however, would continue to come under pressure as competition continues to intensify.

In line with Phase 2 of the Group's Business Transformation Program, the Group will continue to grow its corporate and investment banking business, Group Treasury as well as the bancassurance business, to achieve further revenue diversification, while continuing to introduce more innovative products for its consumer and SME business. The Group expects to report a satisfactory financial performance for the current financial year.

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45. Earnings Per Share

The calculation of the earnings per share of the Group, which is based on the profit for the financial quarter ended 31 March 2010 and 31 March 2009 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter, are set out as follows:

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Profit for the financial quarter	97,816	79,562	97,816	79,562
Weighted average number of ordinary shares in issue during the financial quarter	693,209	693,209	693,209	693,209
Earnings per share (sen) - Basic/diluted	14.11	11.48	14.11	11.48

There were no dilutive potential ordinary shares outstanding as at 31 March 2010 and 31 March 2009.