

PRESS RELEASE
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EON CAPITAL ANNOUNCES PRE-TAX PROFIT SURGE OF 28.2% TO RM281.4 Million

Group maintains momentum of aggressive “business as usual” performance

Highlights for the Half-Year ended 30 June 2010:

- **Increased Pre-Tax Profits:** Pre-tax profits increased by RM61.9 million or 28.2% due to the 12.8% growth in net interest income, 15.5% rise in Islamic banking earnings and 32.7% rise in non-interest income.
- **Increased After-Tax Profits:** Excluding the impact of a one-off non-recurring tax adjustment in June 2009, net profit after tax increased by 28.4% to RM211.1 million.
- **Return on Equity (ROE) and Return on Assets (ROA):** The pre-tax return on equity (ROE) rose to 15.5% from 12.5% in FY2009, whilst ROE after tax for the first-half was 11.6%. ROA increased to 0.9% from 0.8% in FY2009.
- **Total Assets:** Total assets expanded by 12.4% Y-o-Y, mainly driven by the strong loans growth.
- **Solid Loans and Deposits Y-o-Y Growth:** Outstanding net loans expanded by RM4.1 billion or 13.6% to RM34.3 billion, whilst customer deposits grew by 15.8% to RM37.3 billion.
- **Risk-Weighted Capital Ratio:** Strengthened to 14.1% leaving the Banking Group well-capitalized to support significant future growth.

KUALA LUMPUR, 12 August 2010 - EON Capital Berhad (“EON Capital”), the holding company of the EON Bank Group, today reported a pre-tax profit of RM281.4 million for the six-month period ended 30 June 2010, a surge of RM61.9 million or 28.2% compared to the first-half of 2009, which also outpaced many of its industry peers. Pre-tax profit for the current quarter at RM149.5 million was up RM17.6 million or 13.3%, when compared to the quarter ended 31 March 2010.

The Group’s net profit after tax too rose to RM211.1 million, which translated into net earnings per share of 30.5 sen, resulting in the book value per share now standing at RM5.38 as at end-June 2010. Stripping out the impact of the one-off non-recurring reversals of over-provisions of tax expenses relating to prior years in the June 2009 accounts, net profit after tax rose by 28.4% in the quarter ended 30 June 2010. Net profit after tax for the current quarter ended 30th June at RM113.3 million, was also RM15.5 million or 15.8% higher than the immediate preceding quarter ended 31 March 2010.

On announcing EON Bank Group’s results, its Group Chief Executive Officer, Mr. Michael Lor, said, “We are extremely pleased with our six-month performance, having made significant progress all round, as the Group stayed focused on executing our strategic agenda around profitable growth, asset quality, risk disciplines and cost management.”

“We successfully registered a double-digit expansion of our deposits Y-o-Y by 15.8% while accelerating loans growth to 13.6%, thereby helping to further improve our loans-to-deposits ratio. Even as we aggressively grew our business portfolio, we continue to register steady improvement in asset quality with gross impaired loans ratio, under FRS139, declining from 4.3% as at 1 January 2010 to 3.7%, as the inflow of new impaired loans in 1HFY2010 remains low, reflecting better asset underwriting standards. Accordingly, the overall credit costs too has reduced to 53 basis points in 1HFY 2010, from 57 basis points in 1HFY 2009, as reflected in only a minimal rise of RM2.5 million in loan loss expenses Y-o-Y to RM87.4 million (1HFY 2009: RM84.9 million),” Lor explained.

Further, the Group has proactively classified loan accounts with signs of stress as impaired loans under FRS139, even though the accounts may not be in arrears. Under the previous BNM/GP3 classification of Non-Performing Loans, the gross NPL ratio would have dropped to 3.4%, from 4.5% a year ago. EON Bank Group looks forward to proactive monitoring and collection strategies, coupled with enhanced credit policies, and the fine-tuning of credit scoring tools to ensure sustainable improvement in asset quality.

Lor added, “Concurrently, we have also raised the impaired loan loss coverage under FRS139 to 88.8% as at end-June 2010 from 81.9% as at 1 January 2010, when FRS139 was first adopted.”

“Further, our investments in people, infrastructure, expansion of distribution channels and strategic branding are also showing results, with total revenues rising by 8.7% compared to 1HFY 2009, whilst cost growth has moderated to 7.6%. We continue to implement initiatives and tactical actions for more effective cost management, such as reassessment of key expenses, reprioritising new capital spending and reviewing processes for greater efficiency. These initiatives have dramatically reduced our cost-to-income ratio from 57.9% in FY2009, to 50.1% in 1HFY 2010. We are well on track to achieve our targeted cost-to-income ratio of 48% by FY2012 or earlier.

I believe all these improvements in efficiency and productivity as we build a performance motivated organization driven by engaged employees, and the development of new sources of non-interest income augurs well for the future of our organisation and is a testament to the fact that the Banking Group is truly proceeding with ‘business as usual’, despite the corporate developments at EON Capital,” Lor continued.

Banking Group maintains strong loans growth across all major segments

The Banking Group’s loans portfolio expanded in the core areas of consumer as well as SME lending, which account for 60% and 21% respectively of the total loans as at 30 June 2010. Outstanding net loans increased by RM4.1 billion or 13.6% Y-o-Y to RM34.3 billion, and the Banking Group is on track to achieve its targeted growth of 14% for the 2010 financial year.

On the whole, consumer loans expanded by RM2.1 billion or 11.1% Y-o-Y, driven mainly by strong contributions from housing loans, hire purchase receivables, credit cards, as well as personal loans.

Notwithstanding the increasing competition, the Group’s housing loans portfolio registered a Y-o-Y growth of RM1.9 billion or 26.5%. The strong momentum in housing loans growth is expected to continue into the second half of this year, as the Group approved nearly RM1.6 billion of new housing loans. Housing loans now account for 23% of the gross loans portfolio.

Reflecting the rising sales of new motor vehicles, the Group's hire purchase loans too had expanded Y-o-Y by RM193.7 million to RM12.9 billion. Further, despite the impact of RM50 service tax for credit cards across the industry, EON Bank Group registered a healthy growth of 16.7% Y-o-Y in credit card receivables.

The Group's strong commitment to SMEs in a more challenging economic environment resulted in a Y-o-Y rise in commercial lending to 19.1% as a proportion of gross loans, advances and financing, representing a growth of RM1.2 billion. As at end-June 2010, total loans to the SMEs stood at RM7.4 billion and accounted for 20.9% of the Group's total loans outstanding. Many of these loans were provided to assist SMEs in their need for working capital financing.

Deposits register double-digit expansion at 15.8%

The Group continued to register a strong growth in deposits from customers by 15.8% or RM5.1 billion Y-o-Y, expanding to RM37.3 billion overall. This growth figure is well ahead of the banking industry's growth rate and was mainly due to extensive marketing promotions and product bundling coupled with competitive rates.

Some of the key initiatives launched in the first half of 2010 include the highly successful *FD Mad Grab* promotion, which offered up to 3.35% p.a. for fixed deposits; the *Savers Go Places* campaign, featuring attractive prizes and rewards for customer deposits; as well as the *FD Go Global* campaign, boasting an additional 3% p.a. in interest returns for foreign currency fixed deposits.

Poised to leverage economic upturn with strong capital position

EON Bank Group also announced that its overall risk weighted capital ratio had further strengthened to 14.1%, from 12.3% a year ago, and its Tier One capital ratio stood at 10.9%, leaving the Group well capitalised and poised to leverage on the economic upturn with intensified marketing efforts.

"We will also continue pursuing proactive capital management strategies in order to ensure adequate capitalisation to support the Group's business aspirations while maximising value for all shareholders. To that end, we will also proactively monitor the ongoing developments of the Basel III Accord, but its implementation should have minimal impact as the Group's banking operations are primarily in consumer and SME lending," said Lor.

Banking Group expects to report satisfactory results for the rest of 2010

Lor asserted, "We remain on track with our Strategic Business Plans for 2010 - 2012. With the great strides we have already achieved, as evidenced by our half-year 2010 results, we are even more resolute towards achieving our vision of becoming 'The Preferred Malaysian Bank'."

"For the remainder of 2010, we will continue to focus on building sustainable returns from our core businesses of consumer and SME banking, while also developing new revenue streams around several targeted offerings, including bancassurance, corporate and investment banking, treasury, as well as priority banking. This good half year results set the foundation for the Group to deliver on our earlier market guidance – that our transformation is beginning to show sustainable results" he continued.

ABOUT EON BANK GROUP

The **EON Bank Group** consists of EON Bank Berhad and its two main subsidiaries: EONCAP Islamic Bank and MIMB Investment Bank Berhad.

EON Bank Berhad is a licensed banking and finance company operating under the regulations of Bank Negara Malaysia under the provisions of the Banking and Financial Institutions Act 1989. EON Bank is principally engaged in the provision of a comprehensive range of financial products and services.

EON Bank's subsidiary, **EONCAP Islamic Bank Berhad**, has five full-fledged Islamic Banking branches, which offers Islamic shariah-compliant financial products and services, which includes deposit products, consumer financing products, business financing as well as corporate and investment banking activities.

An investment bank licensed under the Banking and Financial Institutions Act 1989, **MIMB Investment Bank Berhad** is a wholly owned subsidiary of EON Bank Berhad. MIMB Investment Bank provides full client services in key areas of investment banking including corporate finance advisory, structured finance, equity and debt capital markets, placements, underwriting and stock broking activities under its subsidiary.

EON Capital Berhad is the holding company of EON Bank Berhad.

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