

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2010**

	Note	Unaudited 30 June 2010 RM'000	Audited 31 December 2009 RM'000
<b>ASSETS</b>			
Cash and short-term funds		8,553,218	8,279,675
Deposits and placements with banks and other financial institutions		1,199,197	550,968
Held-for-trading securities	10	75,414	55,744
Derivative financial instruments	11	41,799	12,905
Available-for-sale securities	12	2,877,865	3,773,126
Held-to-maturity securities	13	179,031	211,179
Loans, advances and financing	14	34,300,081	32,048,326
Other assets	15	630,398	656,969
Statutory deposits with Bank Negara Malaysia		296,648	270,091
Deferred tax assets		150,225	129,684
Property, plant and equipment		315,347	312,569
Goodwill		86,610	86,610
<b>TOTAL ASSETS</b>		<u>48,705,833</u>	<u>46,387,846</u>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>			
Deposits from customers	17	37,309,267	33,865,921
Deposits and placements of banks and other financial institutions	18	3,918,660	4,948,004
Derivative financial instruments	11	64,903	58,712
Bills and acceptances payable		1,372,641	1,675,163
Provision for taxation and zakat		84,002	32,795
Other liabilities	19	1,030,175	1,069,858
Subordinated medium term notes	33	640,016	631,630
Hybrid capital	34	490,094	487,223
Borrowings	35	65,000	65,000
<b>TOTAL LIABILITIES</b>		<u>44,974,758</u>	<u>42,834,306</u>
SHARE CAPITAL		693,209	693,209
RESERVES		3,037,866	2,860,331
<b>SHAREHOLDERS' FUNDS</b>		<u>3,731,075</u>	<u>3,553,540</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>48,705,833</u>	<u>46,387,846</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	25(e)	<u>26,669,847</u>	<u>21,541,403</u>
Net assets per ordinary share (RM)		<u>5.38</u>	<u>5.13</u>

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENT**  
**FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 JUNE 2010**

	Note	2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Interest income	20	477,849	426,036	919,640	878,915
Interest expense	21	(216,109)	(203,320)	(415,930)	(432,250)
Net interest income		261,740	222,716	503,710	446,665
Net income from Islamic Banking business	27(ii)	59,999	57,812	120,100	103,961
		321,739	280,528	623,810	550,626
Non-interest income	22	105,265	71,067	187,385	141,163
Net income		427,004	351,595	811,195	691,789
Other operating expenses	23	(204,918)	(191,850)	(406,208)	(377,407)
Operating profit		222,086	159,745	404,987	314,382
Impairment losses on loans, advances and financing	24	(40,578)	(45,278)	(87,394)	(84,891)
Impairment losses on securities		(31,969)	(2,029)	(36,169)	(10,029)
<b>Profit before taxation and zakat</b>		149,539	112,438	281,424	219,462
Taxation	32	(36,214)	12,174	(70,277)	(15,281)
Zakat		(8)	(9)	(14)	(16)
<b>Profit for the financial quarter/period</b>		113,317	124,603	211,133	204,165
Earnings per share (sen)					
- Basic	45	16.35	17.97	30.46	29.45
- Diluted	45	16.35	17.97	30.46	29.45

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE FINANCIAL QUARTER/PERIOD ENDED 30 JUNE 2010**

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit for the financial quarter/period</b>	<u>113,317</u>	<u>124,603</u>	<u>211,133</u>	<u>204,165</u>
<b>Other comprehensive income:</b>				
<b>Gains/(losses) recognised directly in equity</b>				
Changes in fair value of available -for-sale securities	743	12,624	2,120	30,687
Taxation relating to components of other comprehensive income	<u>(186)</u>	<u>(3,156)</u>	<u>(530)</u>	<u>(7,672)</u>
<b>Other comprehensive income for the financial quarter/period, net of tax</b>	<u>557</u>	<u>9,468</u>	<u>1,590</u>	<u>23,015</u>
<b>Total comprehensive income for the financial quarter/period</b>	<u>113,874</u>	<u>134,071</u>	<u>212,723</u>	<u>227,180</u>

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2010**

	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Statutory reserve RM'000</b>	<b>Available- for-sale securities reserve RM'000</b>	<b>Retained profits RM'000</b>	<b>Total RM'000</b>
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 period	-	-	-	-	211,133	211,133
Other comprehensive income	-	-	-	1,590	-	1,590
Total comprehensive income for the financial period	-	-	-	1,590	211,133	212,723
Transfer to statutory reserve	-	-	64,886	-	(64,886)	-
Balance as at 30 June 2010	693,209	1,066,296	819,225	24,125	1,128,220	3,731,075
Balance as at 1 January 2009	693,209	1,066,296	657,198	(25,311)	813,196	3,204,588
Profit for the financial period	-	-	-	-	204,165	204,165
Other comprehensive income	-	-	-	23,015	-	23,015
Total comprehensive income for the financial period	-	-	-	23,015	204,165	227,180
Dividends in respect of financial year ended 31 December 2008	-	-	-	-	(39,998)	(39,998)
Balance as at 30 June 2009	693,209	1,066,296	657,198	(2,296)	977,363	3,391,770

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

**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2010**

	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit for the financial period	211,133	204,165
Adjustments for investing and financing items not involving movement of cash and cash equivalents	244,071	(140,401)
Operating profit before working capital changes	455,204	63,764
(Increase)/decrease in operating assets	(2,830,933)	231,687
Increase/(decrease) in operating liabilities	2,822,778	(386,726)
Cash generated from/(used in) operations	447,049	(91,275)
Income tax paid	(19,482)	(34,647)
Income tax refund	-	4,606
Zakat paid	(6)	(1,008)
Net cash generated from/(used in) operating activities	427,561	(122,324)
<b>Cash Flows From Investing Activities</b>		
Purchase of available-for-sale and held to maturity securities, net of sale proceeds	(125,101)	90,653
Purchase of property, plant and equipment	(26,949)	(47,543)
Proceeds from disposal of property, plant and equipment	140	6,700
Interest/dividend received from available-for-sale and held-to-maturity securities	65,097	63,103
Net cash (used in)/generated from investing activities	(86,813)	112,913
<b>Cash Flows From Financing Activities</b>		
Net proceeds from issuance of subordinated medium term notes	-	378,126
Net proceeds from short-term borrowings	-	30,000
Redemption of subordinated obligations	-	(731,799)
Interest paid on subordinated obligations	-	(2,185)
Interest paid on subordinated medium term notes	(22,691)	(430)
Interest paid on Innovative Tier-1 Capital Securities	(20,455)	-
Interest paid on long term borrowings	-	(5,049)
Interest paid on short term borrowings	(1,003)	(327)
Net interest paid for interest rate related derivatives	(23,056)	(43,138)
Net cash used in financing activities	(67,205)	(374,802)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>273,543</b>	<b>(384,213)</b>
<b>Cash and cash equivalents:</b>		
- as at beginning of the financial period	8,279,675	7,849,181
- as at end of the financial period	8,553,218	7,464,968

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

**EXPLANATORY NOTES**

**Disclosure requirements pursuant to Malaysian Accounting Standards Board's (MASB) Standard No. FRS 134 (Interim Financial Reporting) and Bank Negara Malaysia's 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 period, 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.

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

**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 assesses 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 collectively 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.

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

**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 is 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.



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

**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)

(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:

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

Notwithstanding the restatement or adjustments to the opening retained profits 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 114<sup>2004</sup>. 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.

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

**EXPLANATORY NOTES**

**3. Audit Report**

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

**4. Seasonality or Cyclicity of Operations**

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter/period ended 30 June 2010.

**6. Changes in Estimates**

There were no significant changes in estimates arising from prior financial quarter/period that have a material effect on the financial results and position of the Group for the financial quarter/period ended 30 June 2010.

**7. Issuance and Repayments**

There were no cancellation, repurchase, resale or repayment of debt and equity securities during the financial quarter/period ended 30 June 2010.

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

There were no interim dividends paid or declared in respect of the financial year ending 31 December 2010 during the financial quarter/period ended 30 June 2010.

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

**EXPLANATORY NOTES**

**9. Segment Reporting**

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

**Group**  
**2nd Quarter Ended**  
**30 June 2010**

	<b>Business and Investment Banking RM'000</b>	<b>Consumer Banking RM'000</b>	<b>Islamic Banking RM'000</b>	<b>Treasury RM'000</b>	<b>Others RM'000</b>	<b>Inter- segment Elimination RM'000</b>	<b>Total RM'000</b>
Net interest income and Islamic banking income	84,240	175,758	58,499	26,485	(23,328)	85	321,739
Non-interest income	37,426	45,247	2,856	21,142	415	(1,821)	105,265
<b>Net income</b>	<b>121,666</b>	<b>221,005</b>	<b>61,355</b>	<b>47,627</b>	<b>(22,913)</b>	<b>(1,736)</b>	<b>427,004</b>
Other operating expenses	(18,673)	(124,171)	(7,512)	(2,653)	(53,645)	1,736	(204,918)
<b>Operating profit</b>	<b>102,993</b>	<b>96,834</b>	<b>53,843</b>	<b>44,974</b>	<b>(76,558)</b>	<b>-</b>	<b>222,086</b>
Impairment losses on loans, advances and financing	5,486	(30,097)	(3,408)	-	(12,559)	-	(40,578)
Impairment losses on securities	-	-	-	-	(31,969)	-	(31,969)
<b>Profit before taxation and zakat</b>	<b>108,479</b>	<b>66,737</b>	<b>50,435</b>	<b>44,974</b>	<b>(121,086)</b>	<b>-</b>	<b>149,539</b>
Taxation and zakat							(36,222)
<b>Profit for the financial quarter</b>							<b>113,317</b>

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

**EXPLANATORY NOTES**

**9. Segment Reporting (continued)**

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

**Group**  
**2nd Quarter Ended**  
**30 June 2009**

	<b>Business and Investment Banking RM'000</b>	<b>Consumer Banking RM'000</b>	<b>Islamic Banking RM'000</b>	<b>Treasury RM'000</b>	<b>Others RM'000</b>	<b>Inter- segment Elimination RM'000</b>	<b>Total RM'000</b>
Net interest income and Islamic banking income	53,463	150,985	50,047	32,650	(6,617)	-	280,528
Non-interest income	27,700	40,764	2,589	9,748	(9,235)	(499)	71,067
<b>Net income</b>	<b>81,163</b>	<b>191,749</b>	<b>52,636</b>	<b>42,398</b>	<b>(15,852)</b>	<b>(499)</b>	<b>351,595</b>
Other operating expenses	(15,283)	(121,949)	(6,600)	(2,178)	(46,339)	499	(191,850)
<b>Operating profit</b>	<b>65,880</b>	<b>69,800</b>	<b>46,036</b>	<b>40,220</b>	<b>(62,191)</b>	<b>-</b>	<b>159,745</b>
Impairment losses on loans, advances and financing	(8,966)	(32,957)	(10,695)	-	7,340	-	(45,278)
Impairment losses on securities	-	-	-	-	(2,029)	-	(2,029)
<b>Profit before taxation and zakat</b>	<b>56,914</b>	<b>36,843</b>	<b>35,341</b>	<b>40,220</b>	<b>(56,880)</b>	<b>-</b>	<b>112,438</b>
Taxation and zakat							12,165
<b>Profit for the financial quarter</b>							<b>124,603</b>

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

**EXPLANATORY NOTES**

**9. Segment Reporting (continued)**

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

**Group**  
**Six Months Ended**  
**30 June 2010**

	<b>Business and Investment Banking RM'000</b>	<b>Consumer Banking RM'000</b>	<b>Islamic Banking RM'000</b>	<b>Treasury RM'000</b>	<b>Others RM'000</b>	<b>Inter- segment Elimination RM'000</b>	<b>Total RM'000</b>
Net interest income and Islamic banking income	163,572	337,975	115,140	42,942	(35,988)	169	623,810
Non-interest income	62,084	90,082	5,960	33,971	(1,931)	(2,781)	187,385
<b>Net income</b>	<b>225,656</b>	<b>428,057</b>	<b>121,100</b>	<b>76,913</b>	<b>(37,919)</b>	<b>(2,612)</b>	<b>811,195</b>
Other operating expenses	(35,548)	(243,582)	(13,796)	(3,949)	(111,945)	2,612	(406,208)
<b>Operating profit</b>	<b>190,108</b>	<b>184,475</b>	<b>107,304</b>	<b>72,964</b>	<b>(149,864)</b>	<b>-</b>	<b>404,987</b>
Impairment losses on loans, advances and financing	12,878	(76,843)	(8,082)	-	(15,347)	-	(87,394)
Impairment losses on securities	-	-	-	-	(36,169)	-	(36,169)
<b>Profit before taxation and zakat</b>	<b>202,986</b>	<b>107,632</b>	<b>99,222</b>	<b>72,964</b>	<b>(201,380)</b>	<b>-</b>	<b>281,424</b>
Taxation and zakat							(70,291)
<b>Profit for the financial period</b>							<b>211,133</b>

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

**EXPLANATORY NOTES**

**9. Segment Reporting (continued)**

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

**Group**  
**Six Months Ended**  
**30 June 2009**

	<b>Business and Investment Banking RM'000</b>	<b>Consumer Banking RM'000</b>	<b>Islamic Banking RM'000</b>	<b>Treasury RM'000</b>	<b>Others RM'000</b>	<b>Inter- segment Elimination RM'000</b>	<b>Total RM'000</b>
Net interest income and Islamic banking income	113,490	299,672	91,682	64,291	(18,509)	-	550,626
Non-interest income	48,239	83,247	4,360	14,549	(8,024)	(1,208)	141,163
<b>Net income</b>	<b>161,729</b>	<b>382,919</b>	<b>96,042</b>	<b>78,840</b>	<b>(26,533)</b>	<b>(1,208)</b>	<b>691,789</b>
Other operating expenses	(35,570)	(252,870)	(10,998)	(3,994)	(75,183)	1,208	(377,407)
<b>Operating profit</b>	<b>126,159</b>	<b>130,049</b>	<b>85,044</b>	<b>74,846</b>	<b>(101,716)</b>	<b>-</b>	<b>314,382</b>
Impairment losses on loans, advances and financing	(10,208)	(56,301)	(16,781)	-	(1,601)	-	(84,891)
Impairment losses on securities	-	-	-	-	(10,029)	-	(10,029)
<b>Profit before taxation and zakat</b>	<b>115,951</b>	<b>73,748</b>	<b>68,263</b>	<b>74,846</b>	<b>(113,346)</b>	<b>-</b>	<b>219,462</b>
Taxation and zakat							(15,297)
<b>Profit for the financial period</b>							<b>204,165</b>

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

**EXPLANATORY NOTES**

**9. Segment Reporting (continued)**

(b) Segment assets and liabilities are as follows:

<b>Group</b>	<b>Business and</b>	<b>Consumer</b>	<b>Islamic</b>			<b>Inter-</b>	
<b>30 June 2010</b>	<b>Investment</b>	<b>Banking</b>	<b>Banking</b>	<b>Treasury</b>	<b>Others</b>	<b>segment</b>	<b>Total</b>
	<b>Banking</b>	<b>Banking</b>	<b>Banking</b>	<b>Treasury</b>	<b>Others</b>	<b>Elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Segment assets	11,428,633	14,089,045	3,027,344	13,541,019	8,529,574	(1,909,782)	48,705,833
Segment liabilities	9,678,387	12,787,358	2,751,836	17,439,091	3,616,228	(1,298,142)	44,974,758
<b>Group</b>							
<b>31 December 2009</b>							
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.

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

**EXPLANATORY NOTES**

**10. Held for Trading Securities**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value:</b>		
Malaysian Government securities	35,514	55,744
Private and Islamic debt securities in Malaysia	39,900	-
	75,414	55,744
	75,414	55,744

**11. Derivative Financial Instruments**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Derivatives at fair value through profit and loss:		
Interest rate swaps	5,349	-
Foreign currency forwards	29,385	9,825
Derivatives designated as fair value hedge:		
Interest rate swaps	6,265	3,080
Cross currency interest rate swaps	800	-
<b>Total derivative financial instruments - assets</b>	41,799	12,905
	41,799	12,905
Derivatives at fair value through profit and loss:		
Interest rate swaps	36,781	2,012
Foreign currency forwards	28,122	14,639
Cross currency interest rate swap	-	125
Derivatives designated as fair value hedge:		
Interest rate swaps	-	41,936
<b>Total derivative financial instruments - liabilities</b>	64,903	58,712
	64,903	58,712



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

**EXPLANATORY NOTES**

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

	<b>Unaudited 30 June 2010 RM'000</b>	<b>Audited 31 December 2009 RM'000</b>
<b>At fair value:</b>		
Bank Negara Malaysia monetary notes	520,613	94,698
Bank Negara Malaysia negotiable notes	353,340	-
Malaysian Government investment issues	86,210	250,970
Malaysian Government Islamic treasury bills	67,833	-
Malaysian Government securities	151,234	499,224
Cagamas bonds	15,171	15,081
Khazanah bonds	-	9,982
Quoted equity securities in Malaysia	9,799	13,449
Quoted private debt securities	22,404	22,404
Private and Islamic debt securities	1,003,488	1,096,738
Negotiable instruments of deposit	353,051	1,500,017
Islamic negotiable instrument debt securities	314,237	278,798
Commercial papers	19,915	12,944
Islamic commercial papers	34,011	34,011
	<u>2,951,306</u>	<u>3,828,316</u>
Allowance for impairment	(98,510)	(62,381)
	<u>2,852,796</u>	<u>3,765,935</u>
<b>At cost:</b>		
Unquoted equity securities in Malaysia	24,727	6,215
Unquoted equity securities outside Malaysia	3,534	3,739
	<u>28,261</u>	<u>9,954</u>
Allowance for impairment	(3,192)	(2,763)
	<u>25,069</u>	<u>7,191</u>
	<u><u>2,877,865</u></u>	<u><u>3,773,126</u></u>

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

	<b>Unaudited 30 June 2010 RM'000</b>	<b>Audited 31 December 2009 RM'000</b>
<b>At amortised cost:</b>		
Private and Islamic debt securities	357,037	385,695
Allowance for impairment	(178,006)	(192,598)
	<u>179,031</u>	<u>193,097</u>
<b>At cost:</b>		
Unquoted equity securities in Malaysia	-	18,082
	<u>179,031</u>	<u>211,179</u>

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

**EXPLANATORY NOTES**

**14. Loans, Advances and Financing**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts/cash line	2,309,729	2,209,784
Term loans/financing:		
Housing loans/financing	9,100,581	7,809,069
Syndicated term loans/financing	1,439,070	1,349,287
Hire purchase receivables	12,912,504	12,692,576
Personal loans/financing	723,409	494,096
Other term loans/financing	6,854,546	6,176,446
Bills receivable	8,607	9,412
Trust receipts	130,444	120,976
Claims on customers under acceptance credit/financing	2,672,629	2,563,348
Staff loans/financing	241,369	237,014
Credit cards	1,510,263	1,445,975
Revolving credit/financing	1,456,329	1,530,220
Other loans/financing	97,742	94,464
	<u>39,457,222</u>	<u>36,732,667</u>
Unearned interest/income	(4,118,575)	(3,620,035)
Gross loans, advances and financing	<u>35,338,647</u>	<u>33,112,632</u>
Adjustment for effective interest rate	114,097	-
Gross loans, advances and financing at amortised cost	<u>35,452,744</u>	<u>33,112,632</u>
Fair value changes arising from fair value hedge	-	15,567
Unamortised fair value changes arising from the unwinded fair value hedge	14,011	-
Allowances for impaired loans, advances and financing		
- Collective assessment impairment allowance	(775,574)	-
- Individual assessment impairment allowance	(391,100)	-
- General allowance	-	(487,810)
- Specific allowance	-	(592,063)
Net loans, advances and financing	<u><u>34,300,081</u></u>	<u><u>32,048,326</u></u>

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

**EXPLANATORY NOTES**

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Gross loans, advances and financing disbursed by type of customers are as follows:</b>		
Domestic non-bank financial institutions	528,467	457,040
Domestic business enterprises	13,180,292	12,289,280
(of which: Small and medium enterprises)	7,403,367	6,749,056
Government and statutory bodies	31,592	35,989
Individuals	21,054,187	19,815,564
Other domestic entities	23,377	23,899
Foreign entities	520,732	490,860
	35,338,647	33,112,632
<b>(ii) Gross loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:</b>		
Fixed rate	14,511,790	14,091,455
(of which: (i) Housing loans/financing	1,663,918	1,542,556
(ii) Hire purchase receivables	11,012,129	10,803,102
(iii) Others)	1,835,743	1,745,797
Variable rate	20,811,327	19,007,235
(of which: (i) Base lending rate plus	12,498,306	11,379,517
(ii) Cost plus	6,123,267	5,772,714
(iii) Others)	2,189,754	1,855,004
Non-interest bearing	15,530	13,942
	35,338,647	33,112,632

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

**EXPLANATORY NOTES**

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(iii) Gross loans, advances and financing analysed by residual contractual maturity are as follows:</b>		
Maturing within one year	9,290,263	9,034,343
One year to three years	2,184,662	2,192,005
Three years to five years	4,711,226	4,481,200
Over five years	19,152,496	17,405,084
	<b>35,338,647</b>	<b>33,112,632</b>
<b>(iv) Gross loans, advances and financing analysed by sector are as follows:</b>		
Agriculture, hunting, forestry and fishing	573,782	545,283
Mining and quarrying	172,474	205,241
Manufacturing	2,983,868	2,959,430
Electricity, gas and water	339,330	337,658
Construction	2,528,636	2,227,894
Wholesale and retail trade, restaurants and hotels	2,782,172	2,589,827
Transport, storage and communication	885,989	781,559
Finance, insurance and business services	1,303,921	1,203,770
Real estate	1,891,222	1,627,020
Community, social and personal services	220,381	215,692
Household	21,195,110	19,912,220
(of which: (i) Purchase of transport vehicles	9,599,159	9,466,288
(ii) Purchase of residential properties	7,564,730	6,683,505
(iii) Purchase of non-residential properties	959,140	855,459
(iv) Consumption credit	2,252,974	2,723,187
(vi) Others)	819,107	183,781
Others	461,762	507,038
	<b>35,338,647</b>	<b>33,112,632</b>

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

**EXPLANATORY NOTES**

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

	Unaudited		Audited		Loans Growth (Annualised)
	30 June 2010 RM'000	%	31 December 2009 RM'000	%	
<b>(v) Gross loans, advances and financing analysed by economic purpose are as follows:</b>					
Purchase of securities	518,412	1.5	503,823	1.5	
Purchase of transport vehicles	10,947,574	31.0	10,733,667	32.4	
Purchase of landed properties	10,764,185	30.5	9,377,958	28.3	
(of which: (i) Residential	7,635,561	21.6	6,769,876	20.4	
(ii) Non-residential)	3,128,624	8.9	2,608,082	7.9	
Purchase of fixed assets (excluding landed properties)	490,847	1.4	396,150	1.2	
Personal use	1,305,532	3.7	1,109,207	3.3	
Credit cards	1,510,263	4.3	1,445,976	4.4	
Purchase of consumer durables	248	0.0	363	0.0	
Construction	830,731	2.4	781,530	2.4	
Mergers and acquisitions	27,593	0.1	12,271	-	
Working capital	7,850,178	22.1	7,682,346	23.2	
Others	1,093,084	3.0	1,069,341	3.3	
	<u>35,338,647</u>	<u>100.0</u>	<u>33,112,632</u>	<u>100.0</u>	<u>13.4%</u>

	Unaudited 30 June 2010 RM'000	Audited 31 December 2009 RM'000
--	--	--

**(vi) Gross loans, advances and financing analysed by geographical distribution are as follows:**

Malaysia	35,106,109	32,873,722
Other countries	232,538	238,910
	<u>35,338,647</u>	<u>33,112,632</u>

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

**EXPLANATORY NOTES**

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

	<b>Unaudited 30 June 2010 RM'000</b>	<b>Audited 31 December 2009 RM'000</b>
<b>(vii) Movements in impaired loans, advances and financing are as follows:</b>		
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 period/year	928,663	2,062,892
Reclassified as non-impaired during the financial period/year	(521,222)	(1,372,136)
Amount recovered	(336,221)	(515,583)
Amount written off	(187,630)	(449,071)
Loans/financing converted to securities	-	(17,922)
Balance as at 30 June/31 December	1,314,104	1,253,834
Less: Impaired loans, advances and financing, which have no adverse financial impact on the Group	(10,319)	(9,170)
	<u>1,303,785</u>	<u>1,244,664</u>
<b>(viii) Impaired loans, advances and financing analysed by sector are as follows:</b>		
Agriculture, hunting, forestry and fishing	15,429	8,699
Mining and quarrying	4,048	626
Manufacturing	292,118	255,076
Electricity, gas and water	66	49
Construction	88,487	97,210
Wholesale and retail trade, restaurants and hotels	147,263	128,465
Transport, storage and communication	22,014	12,177
Finance, insurance and business services	22,557	12,034
Real estate	35,276	33,492
Community, social and personal services	2,253	1,640
Household	522,219	605,563
(of which: (i) Purchase of transport vehicles	131,286	166,773
(ii) Purchase of residential properties	292,891	331,066
(iii) Purchase of non-residential properties	23,565	26,470
(iv) Consumption credit	53,330	67,440
(vi) Others)	21,147	13,814
Others	162,374	98,803
	<u>1,314,104</u>	<u>1,253,834</u>

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

**EXPLANATORY NOTES**

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

	<b>Unaudited</b>		<b>Audited</b>	
	<b>30 June</b>		<b>31 December</b>	
	<b>2010</b>		<b>2009</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b>(ix) Impaired loans, advances and financing analysed by economic purpose are as follows:</b>				
Purchase of securities	13,728	1.0	16,027	1.3
Purchase of transport vehicles	158,803	12.1	202,764	16.2
Purchase of landed properties	366,841	28.0	400,217	31.9
(of which: (i) Residential	293,812	22.4	331,992	26.5
(ii) Non-residential)	73,029	5.6	68,225	5.4
Purchase of fixed assets (excluding landed properties)	18,628	1.4	15,272	1.2
Personal use	31,927	2.4	36,799	2.9
Credit cards	33,743	2.6	30,641	2.4
Purchase of consumer durables	20	0.0	12	0.0
Construction	26,181	2.0	26,603	2.1
Working capital				
(Analysed by geographical distribution:	634,311	48.3	505,902	40.4
Malaysia	476,718	36.3	413,472	33.0
Other countries)	157,593	12.0	92,430	7.4
Others	29,922	2.2	19,597	1.6
	1,314,104	100.0	1,253,834	100.0

<b>Unaudited</b>	<b>Audited</b>
<b>30 June</b>	<b>31 December</b>
<b>2010</b>	<b>2009</b>
<b>RM'000</b>	<b>RM'000</b>

**(x) Impaired loans, advances and financing analysed by geographical distribution are as follows:**

Malaysia	1,156,432	1,159,643
Other countries	157,672	94,191
	1,314,104	1,253,834

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

**EXPLANATORY NOTES**

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(xi) Movements in allowances for impaired loans, advances and financing are as follows:</b>		
<b>Collective assessment impairment allowance</b>		
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 period/year	196,673	-
Allowance written-back in respect of recoveries/reclassification	(60,055)	-
Amount written off	(145,778)	-
Balance as at 30 June/31 December	<u>775,574</u>	<u>-</u>
<b>Individual assessment impairment allowance</b>		
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 period/year	87,145	-
Allowance charged to deferred asset/other assets during the financial period/year	75	-
Allowance written-back in respect of recoveries/reclassification	(40,492)	-
Reversal of allowance set-off against deferred asset	(362)	-
Amount written off	(41,851)	-
Balance as at 30 June/31 December	<u>391,100</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.



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

**EXPLANATORY NOTES**

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(xi) Movements in allowances for impaired loans, advances and financing are as follows: (continued)</b>		
<b>General allowance</b>		
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 period/year	-	36,882
Balance as at 30 June/31 December	<u>-</u>	<u>487,810</u>
As % of gross loans, advances and financing less specific allowance	<u>-</u>	<u>1.5%</u>
<b>Specific allowance</b>		
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 period/year	-	462,405
Allowance charged to deferred asset/other assets during the financial period/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	-	(449,071)
Amount transferred to allowance for impairment on securities	-	(10,622)
Balance as at 30 June/31 December	<u>-</u>	<u>592,063</u>

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

**EXPLANATORY NOTES**

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

**(xii) Key indicators for loans, advances and financing**

	<b>30 June 2010 RM'000</b>	<b>1 January 2010 RM'000</b>	<b>31 December 2009 RM'000</b>
(a) Gross loans, advances and financing	35,452,744 *	33,236,500	33,112,632
(b) Total allowances for impaired loans, advances and financing			
- Collective assessment impairment allowance	(775,574)	(784,734)	-
- Individual assessment impairment allowance	(391,100)	(386,585)	-
- General allowance	-	-	(487,810)
- Specific allowance	-	-	(592,063)
	<u>(1,166,674)</u>	<u>(1,171,319)</u>	<u>(1,079,873)</u>
(c) Net loans, advances and financing	34,300,081	32,080,748	32,048,326
(d) Gross impaired loans, advances and financing analysed by geographical distribution:			
Malaysia	1,156,432	1,271,100	-
Other countries	157,672	159,414	-
(e) Gross non-performing loans, advances and financing analysed by geographical distribution:			
Malaysia	-	-	1,159,643
Other countries	-	-	94,191
(f) Gross impaired loan/financing ratio	3.7%	4.3%	-
(g) Gross non-performing loan/financing ratio	-	-	3.8%
(h) Impaired loan/financing loss coverage	88.8%	81.9%	-
(i) Non-performing loan/financing loss coverage	-	-	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".

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

**EXPLANATORY NOTES**

**15. Other Assets**

	<b>Unaudited 30 June 2010 RM'000</b>	<b>Audited 31 December 2009 RM'000</b>
Unamortised handling fees	-	77,691
Trade receivables, net of allowances for bad and doubtful debts and interest-in-suspense of RM134,000 (31.12.2009: RM135,000)	25,188	12,707
Interest/income receivable	28,624	35,730
Other debtors, deposits and prepayments, net of impairment allowances for doubtful debts of RM721,014 (31.12.2009: RM708,040)	484,945	379,246
Deferred asset account	78,547	138,844
Tax recoverable	12,374	12,025
Prepaid lease payments	720	726
	<u>630,398</u>	<u>656,969</u>

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

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

**17. Deposits from Customers**

	<b>Unaudited 30 June 2010 RM'000</b>	<b>Audited 31 December 2009 RM'000</b>
Demand deposits	5,060,879	4,594,199
Savings deposits	3,149,483	3,095,661
Fixed/investment deposits	26,114,376	23,538,826
Money market deposits	2,984,529	2,637,235
	<u>37,309,267</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	23,358,245	20,675,187
Six months to one year	5,398,400	4,808,241
One year to three years	328,769	678,719
Three years to five years	13,491	13,914
	<u>29,098,905</u>	<u>26,176,061</u>

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

**EXPLANATORY NOTES**

**17. Deposits from Customers (continued)**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(ii) The deposits are sourced from the following type of customers:</b>		
Government and statutory bodies	4,168,053	3,500,571
Business enterprises	14,131,232	12,673,397
Individuals	12,806,897	12,504,900
Others	6,203,085	5,187,053
	<b>37,309,267</b>	<b>33,865,921</b>
	<b>37,309,267</b>	<b>33,865,921</b>

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	1,094,717	1,621,353
Licensed Islamic banks	270,798	317,890
Licensed investment banks	75,164	286,265
Bank Negara Malaysia	1,666,133	1,475,415
Other financial institutions	811,848	1,247,081
	<b>3,918,660</b>	<b>4,948,004</b>
	<b>3,918,660</b>	<b>4,948,004</b>

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

One year or less	2,413,485	3,360,765
More than one year	1,505,175	1,587,239
	<b>3,918,660</b>	<b>4,948,004</b>
	<b>3,918,660</b>	<b>4,948,004</b>

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

	<b>689,672</b>	<b>1,429,714</b>
	<b>689,672</b>	<b>1,429,714</b>

**19. Other Liabilities**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade payable	45,111	35,647
Other accruals and payables	283,782	327,645
Interest/dividend payable	179,241	181,169
Clearing account	327,525	327,246
Loans sold to Cagamas Berhad with recourse	194,509	198,144
Profit equalisation reserve	7	7
	<b>1,030,175</b>	<b>1,069,858</b>
	<b>1,030,175</b>	<b>1,069,858</b>

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

**EXPLANATORY NOTES**

**20. Interest Income**

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>
Loans, advances and financing	413,488	359,399	789,994	731,753
Money at call and deposit placements with financial institutions	40,040	26,003	78,775	67,082
Held for trading securities	1,544	6,164	2,659	14,361
Available-for-sale securities	21,343	32,476	45,357	61,446
Held-to-maturity securities	1,434	1,994	2,855	4,273
	<b>477,849</b>	<b>426,036</b>	<b>919,640</b>	<b>878,915</b>
Of which:				
Interest income earned on impaired loans, advances and financing	13,579	-	22,311	-

**21. Interest Expense**

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>
Deposits and placements of banks and other financial institutions	29,244	35,433	61,603	66,963
Deposits from customers	161,746	155,768	306,035	344,676
Subordinated medium term notes	11,034	7,450	21,941	10,015
Innovative Tier 1 Capital Securities	10,577	-	21,036	-
Subordinated obligations	-	-	-	2,481
Long term borrowings	-	2,732	-	5,578
Short term borrowings	566	396	1,086	396
Others	2,942	1,541	4,229	2,141
	<b>216,109</b>	<b>203,320</b>	<b>415,930</b>	<b>432,250</b>

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

**EXPLANATORY NOTES**

**22. Non-interest Income**

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June</u> <u>2010</u> <u>RM'000</u>	<u>30 June</u> <u>2009</u> <u>RM'000</u>	<u>30 June</u> <u>2010</u> <u>RM'000</u>	<u>30 June</u> <u>2009</u> <u>RM'000</u>
Fee and commission income:				
Commissions	11,079	9,314	20,701	18,457
Service charges and fees	54,461	44,157	102,544	88,964
Guarantee fees	3,101	4,911	6,285	8,942
Advisory and arrangement fees	6,373	1,606	9,941	3,640
Underwriting commissions	552	101	1,244	376
Brokerage	1,963	3,585	4,232	4,456
	<u>77,529</u>	<u>63,674</u>	<u>144,947</u>	<u>124,835</u>
Net gains/(losses) on securities arising from:				
Sales of held for trading securities	948	711	1,380	(69)
Sales of available-for-sale securities	10,800	2,592	10,849	2,365
Redemption of held-to-maturity securities	1,408	163	1,647	691
Net unrealised gains/(losses) on fair value changes on held for trading securities	102	(432)	92	(162)
Dividend income from held for trading securities	87	13	87	13
Dividend income from available-for-sale securities	-	13	220	133
	<u>13,345</u>	<u>3,060</u>	<u>14,275</u>	<u>2,971</u>
Net unrealised gains/(losses) on fair value changes on derivatives held at fair value through profit and loss	<u>(1,895)</u>	<u>(2,588)</u>	<u>10,991</u>	<u>3,245</u>
Net unrealised losses on fair value changes between hedged items and interest rate swaps designated as fair value hedges	<u>(969)</u>	<u>(1,484)</u>	<u>(937)</u>	<u>(1,404)</u>
Other income/(expenditure):				
Net foreign exchange gains	12,473	9,240	12,769	9,031
Rental income from premises	538	635	1,042	1,032
Gains on disposal of property, plant and equipment	124	19	141	180
Other operating income	3,706	2,070	5,590	4,458
Other non-operating income	980	528	1,822	1,079
Amortisation of fair value changes arising from the unwinded fair value hedges	(611)	-	(611)	-
Reversal of net unrealised losses on fair value changes of hedged available-for-sale securities upon their maturity	-	(4,172)	(2,613)	(4,172)
Net allowances made in respect of other bad and doubtful debts	45	85	(31)	(92)
	<u>17,255</u>	<u>8,405</u>	<u>18,109</u>	<u>11,516</u>
	<u>105,265</u>	<u>71,067</u>	<u>187,385</u>	<u>141,163</u>

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

**EXPLANATORY NOTES**

**23. Other Operating Expenses**

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	124,891	108,402	246,300	221,064
Promotion and marketing related expenses	7,184	5,205	12,475	11,314
Establishment related expenses	35,243	33,580	68,398	63,198
General administrative expenses	37,600	44,663	79,035	81,831
	<u>204,918</u>	<u>191,850</u>	<u>406,208</u>	<u>377,407</u>

**(i) Personnel expenses comprise the following:**

Salaries, bonuses and allowances	99,045	88,067	197,396	177,247
Defined contribution plan	16,604	14,649	33,059	29,372
Other employee benefits	9,242	5,686	15,845	14,445
	<u>124,891</u>	<u>108,402</u>	<u>246,300</u>	<u>221,064</u>

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

Advertisement and publicity expenses	6,160	4,429	10,550	9,639
Travelling expenses	527	595	1,001	1,112
Others	497	181	924	563
	<u>7,184</u>	<u>5,205</u>	<u>12,475</u>	<u>11,314</u>

**(iii) Establishment related expenses comprise the following:**

Depreciation of property, plant and equipment	12,508	10,711	24,464	20,932
Repair and maintenance	6,981	6,791	13,646	11,248
Rental of premises	6,631	6,265	13,085	12,681
Hire of equipment	511	346	909	708
Dataline rental	1,492	1,275	2,840	2,677
Security services	2,890	2,678	5,040	5,149
Electricity, water and sewerage	3,432	3,125	6,075	5,967
Others	798	2,389	2,339	3,836
	<u>35,243</u>	<u>33,580</u>	<u>68,398</u>	<u>63,198</u>

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

**EXPLANATORY NOTES**

**23. Other Operating Expenses (continued)**

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(iv) General administrative expenses comprise the following:</b>				
Communication costs	4,963	5,109	9,097	10,013
Auditors' remuneration	284	152	421	294
Printing and stationeries	3,027	2,842	5,847	6,102
Property, plant and equipment written off	35	86	35	86
Loss on disposal of property, plant and equipment	229	120	243	138
Legal and other professional charges	6,643	3,757	17,560	10,337
Cards expenses	16,391	15,170	31,243	30,321
Others	6,028	17,427	14,589	24,540
	<u>37,600</u>	<u>44,663</u>	<u>79,035</u>	<u>81,831</u>

**24. Impairment Losses on Loans, Advances and Financing**

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impairment losses on loans, advances and financing:				
Collective assessment impairment allowance				
- Made	96,584	-	196,673	-
- Written back	(31,354)	-	(60,055)	-
Individual assessment impairment allowance				
- Made	66,111	-	87,145	-
- Written back	(30,154)	-	(40,492)	-
General allowance				
- Made	-	6,179	-	8,577
Specific allowance				
- Made	-	107,629	-	224,199
- Written back	-	(49,279)	-	(102,483)
Impaired loans, advances and financing:				
- Recovered	(60,622)	(19,357)	(95,896)	(45,508)
- Written off	13	106	19	106
	<u>40,578</u>	<u>45,278</u>	<u>87,394</u>	<u>84,891</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.



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

**EXPLANATORY NOTES**

**25. Capital Adequacy**

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

	<b>Unaudited 30 June 2010</b>	<b>Audited 31 December 2009</b>
Before deducting proposed dividends:		
Core capital ratio	10.89%	11.15%
Risk-weighted capital ratio	<u>14.07%</u>	<u>14.41%</u>
After deducting proposed dividends:		
Core capital ratio	10.67%	10.92%
Risk-weighted capital ratio	<u>13.84%</u>	<u>14.18%</u>

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

	<b>Unaudited 30 June 2010 RM'000</b>	<b>Audited 31 December 2009 RM'000</b>
<b>Tier I Capital:</b>		
Paid-up share capital	1,329,807	1,329,807
Share premium	39,337	39,337
Retained profits	1,314,544	1,201,415
Other reserves	1,310,387	1,245,501
Innovative Tier 1 capital securities	489,101	488,520
	<u>4,483,176</u>	<u>4,304,580</u>
Less: Goodwill	(333,861)	(333,861)
Deferred tax assets	(167,640)	(137,193)
Total Tier I Capital	<u>3,981,675</u>	<u>3,833,526</u>
<b>Tier II Capital:</b>		
Subordinated financing facilities	636,065	632,944
Collective assessment impairment allowance	525,928	-
General allowance	-	487,810
Total Tier II Capital	<u>1,161,993</u>	<u>1,120,754</u>
Total Capital	5,143,668	4,954,280
Less: Investment in subsidiaries	(690)	(690)
<b>Capital Base</b>	<u>5,142,978</u>	<u>4,953,590</u>

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

**EXPLANATORY NOTES**

**25. 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

The capital adequacy ratios of the Banking Units of the Group are computed in accordance with Bank Negara Malaysia's ("BNM") 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:

	<b>EON Bank Berhad <sup>1</sup></b>	<b>MIMB Investment Bank Berhad <sup>1</sup></b>	<b>EONCAP Islamic Bank Berhad <sup>2</sup></b>
<b>Unaudited</b>			
<b>30 June 2010</b>			
Before deducting proposed dividends:			
Core capital ratio	12.62%	80.03%	12.09%
Risk-weighted capital ratio	13.28%	80.75%	15.85%
After deducting proposed dividends:			
Core capital ratio	12.37%	80.03%	12.09%
Risk-weighted capital ratio	13.03%	80.75%	15.85%

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

**EXPLANATORY NOTES**

**25. Capital Adequacy (continued)**

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

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

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.

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

**EXPLANATORY NOTES**

**25. Capital Adequacy (continued)**

(c) The breakdown of risk-weighted assets ("RWA") by exposure of Banking Units of the Group is as follows:

**Unaudited**  
**30 June 2010**

<b>Exposure Class</b>	<b>Gross exposures</b>	<b>Net exposures</b>	<b>Risk weighted assets</b>	<b>Capital requirements</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Credit Risk</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	9,936,801	9,936,801	-	-
Public Sector Entities	246	246	49	4
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Bank ("MDBs")	1,997,472	1,997,472	399,494	31,960
Corporates	10,720,361	10,385,820	9,303,654	744,292
Regulatory Retail	22,019,881	21,807,996	16,355,488	1,308,439
Residential Mortgages	1,672,163	1,667,760	653,375	52,270
Higher Risk Assets	5,969	5,964	8,946	716
Other Assets	758,382	758,382	550,610	44,049
Equity Exposures	38,588	38,588	28,924	2,314
Defaulted Exposures	1,471,928	1,395,072	1,848,384	147,871
<b>Total On-Balance Sheet Exposures</b>	<b>48,621,791</b>	<b>47,994,101</b>	<b>29,148,924</b>	<b>2,331,915</b>
<b>Off-Balance Sheet Exposures</b>				
Over-the-counter ("OTC") Derivatives	210,452	210,452	44,966	3,597
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	4,184,132	4,184,132	3,704,738	296,379
<b>Total Off-Balance Sheet Exposures</b>	<b>4,394,584</b>	<b>4,394,584</b>	<b>3,749,704</b>	<b>299,976</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>53,016,375</b>	<b>52,388,685</b>	<b>32,898,628</b>	<b>2,631,891</b>
Large Exposures Risk Requirement	-	-	-	-
<b>Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	8,182,588	8,020,749	161,839	851,203
Foreign Currency Risk	12,463	250	12,463	12,463
Equity Risk	-	-	-	-
<b>Total</b>	<b>8,195,051</b>	<b>8,020,999</b>	<b>174,302</b>	<b>863,666</b>
<b>Operational Risk</b>			<b>2,799,651</b>	<b>223,972</b>
<b>Total RWA and Capital Requirements</b>			<b>36,561,945</b>	<b>2,924,956</b>

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

**EXPLANATORY NOTES**

**25. Capital Adequacy (continued)**

(c) The breakdown of risk-weighted assets ("RWA") by exposure of Banking Units of the Group is as follows:

**Audited**

**31 December 2009**

<b>Exposure Class</b>	<b>Gross exposures RM'000</b>	<b>Net exposures RM'000</b>	<b>Risk weighted assets RM'000</b>	<b>Capital requirements RM'000</b>
<b>Credit Risk</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	8,809,865	8,809,865	-	-
Public Sector Entities	314	314	63	5
Banks, DFIs and MDBs	2,897,929	2,897,929	579,586	46,368
Corporates	9,345,238	9,037,112	8,285,149	662,812
Regulatory Retail	20,512,884	20,310,781	15,233,086	1,218,647
Residential Mortgages	1,457,706	1,452,502	557,716	44,617
Higher Risk Assets	5,891	5,891	8,837	707
Other Assets	708,802	708,802	521,429	41,714
Equity Exposures	42,442	42,442	32,778	2,622
Defaulted Exposures	1,927,658	1,844,990	2,555,855	204,468
<b>Total On-Balance Sheet Exposures</b>	<b>45,708,729</b>	<b>45,110,628</b>	<b>27,774,499</b>	<b>2,221,960</b>
<b>Off-Balance Sheet Exposures</b>				
Over-the-counter ("OTC") Derivatives	94,831	94,831	21,664	1,733
Off-Balance Sheet Exposures Other Than OTC Derivatives or Credit Derivatives	3,694,752	3,694,752	3,298,900	263,912
<b>Total Off-Balance Sheet Exposures</b>	<b>3,789,583</b>	<b>3,789,583</b>	<b>3,320,564</b>	<b>265,645</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>49,498,312</b>	<b>48,900,211</b>	<b>31,095,063</b>	<b>2,487,605</b>
Large Exposures Risk Requirement	-	-	-	-
<b>Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	3,333,214	2,640,121	693,093	519,497
Foreign Currency Risk	13,331	3,881	13,331	13,331
Equity Risk	30,200	-	30,200	41,525
<b>Total</b>	<b>3,376,745</b>	<b>2,644,002</b>	<b>736,624</b>	<b>574,353</b>
<b>Operational Risk</b>			<b>2,704,993</b>	<b>216,399</b>
<b>Total RWA and Capital Requirements</b>			<b>34,374,409</b>	<b>2,749,953</b>

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

**EXPLANATORY NOTES**

**25. Capital Adequacy (continued)**

(d) The breakdown of credit risk exposures by risk weight of the Banking Units of the Group is as follows:

**Unaudited**  
**30 June 2010**

**Exposures after Netting and Credit Risk Mitigation (RM'000)**

<b>Risk Weight</b>	<b>Sovereigns/ Central Banks RM'000</b>	<b>Public Sector Entities RM'000</b>	<b>Banks, DFIs &amp; MDBs RM'000</b>	<b>Corporates RM'000</b>	<b>Regulatory Retail RM'000</b>	<b>Residential Mortgages RM'000</b>	<b>Higher Risk Assets RM'000</b>	<b>Other Assets RM'000</b>	<b>Equity RM'000</b>	<b>Total Exposures after Netting &amp; Credit Risk Mitigation RM'000</b>	<b>Total Risk Weighted Assets RM'000</b>
0%	9,936,801	-	-	-	-	-	-	207,771	-	10,144,572	-
20%	-	246	2,209,337	928,390	924	-	-	-	12,080	3,150,977	630,194
35%	-	-	-	-	-	1,203,366	-	-	-	1,203,366	421,178
50%	-	-	-	765,327	33,131	468,434	-	-	-	1,266,892	633,446
75%	-	-	-	-	23,708,624	-	-	-	-	23,708,624	17,781,468
100%	-	-	-	11,139,663	89,029	72,269	-	550,610	26,508	11,878,079	11,878,079
150%	-	-	-	407,083	620,669	-	8,423	-	-	1,036,175	1,554,263
<b>Total</b>	<b>9,936,801</b>	<b>246</b>	<b>2,209,337</b>	<b>13,240,463</b>	<b>24,452,377</b>	<b>1,744,069</b>	<b>8,423</b>	<b>758,381</b>	<b>38,588</b>	<b>52,388,685</b>	<b>32,898,628</b>
<b>Risk Weighted Assets by Exposure</b>	<b>-</b>	<b>49</b>	<b>441,866</b>	<b>12,318,629</b>	<b>18,818,251</b>	<b>727,664</b>	<b>12,635</b>	<b>550,610</b>	<b>28,924</b>	<b>32,898,628</b>	
<b>Average Risk Weight</b>	<b>-</b>	<b>20.00%</b>	<b>20.00%</b>	<b>93.04%</b>	<b>76.96%</b>	<b>41.72%</b>	<b>150.01%</b>	<b>72.60%</b>	<b>74.96%</b>	<b>62.80%</b>	
<b>Deduction from Capital Base</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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

**EXPLANATORY NOTES**

**25. Capital Adequacy (continued)**

(d) The breakdown of credit risk exposures by risk weight is as follows: (continued)

<b>Exposures after Netting and Credit Risk Mitigation (RM'000)</b>											
<b>Risk Weight</b>	<b>Sovereigns/ Central Banks RM'000</b>	<b>Public Sector Entities RM'000</b>	<b>Banks, DFIs &amp; MDBs RM'000</b>	<b>Corporates RM'000</b>	<b>Regulatory Retail RM'000</b>	<b>Residential Mortgages RM'000</b>	<b>Higher Risk Assets RM'000</b>	<b>Other Assets RM'000</b>	<b>Equity RM'000</b>	<b>Total Exposures after Netting &amp; Credit Risk Mitigation RM'000</b>	<b>Total Risk Weighted Assets RM'000</b>
0%	8,809,865	-	-	-	-	-	-	187,373	-	8,997,238	-
20%	-	314	2,989,387	627,627	-	-	-	-	12,080	3,629,408	725,881
35%	-	-	-	-	-	1,123,561	-	-	-	1,123,561	393,246
50%	-	-	-	611,037	29,517	333,108	223	-	-	973,885	486,943
75%	-	-	-	-	21,894,189	-	-	-	-	21,894,189	16,420,642
100%	-	-	-	9,952,361	88,843	115,509	585	521,429	30,362	10,709,089	10,709,089
150%	-	-	-	663,023	902,168	-	7,650	-	-	1,572,841	2,359,262
<b>Total</b>	<b>8,809,865</b>	<b>314</b>	<b>2,989,387</b>	<b>11,854,048</b>	<b>22,914,717</b>	<b>1,572,178</b>	<b>8,458</b>	<b>708,802</b>	<b>42,442</b>	<b>48,900,211</b>	<b>31,095,063</b>
<b>Risk Weighted Assets by Exposure</b>	<b>-</b>	<b>63</b>	<b>597,878</b>	<b>11,377,939</b>	<b>17,877,495</b>	<b>675,309</b>	<b>12,172</b>	<b>521,429</b>	<b>32,778</b>	<b>31,095,063</b>	
<b>Average Risk Weight</b>	<b>-</b>	<b>20.00%</b>	<b>20.00%</b>	<b>95.98%</b>	<b>78.02%</b>	<b>42.95%</b>	<b>143.91%</b>	<b>73.56%</b>	<b>77.23%</b>	<b>63.59%</b>	
<b>Deduction from Capital Base</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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

**EXPLANATORY NOTES**

**25. Capital Adequacy (continued)**

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

<b>Unaudited 30 June 2010</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount * RM'000</b>	<b>Risk Weighted Amount * RM'000</b>
<u>Commitments and Contingent Liabilities</u>				
Direct credit substitutes	350,444	-	350,444	350,444
Transaction related contingent items	1,318,445	-	659,228	659,228
Short term self liquidating trade related contingencies	140,786	-	28,157	28,157
Forward asset purchases	65,736	-	5,007	1,001
Obligations under on-going underwriting agreements	34,000	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
Over one year	4,851,329	-	2,425,665	2,129,185
Up to one year	7,348,560	-	-	-
Unutilised credit card lines	3,578,156	-	715,631	536,723
	<u>17,687,456</u>	<u>-</u>	<u>4,184,132</u>	<u>3,704,738</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
One year or less	3,632,391	29,385	72,914	17,458
Interest/profit rate related contracts:				
One year or less	275,000	-	275	55
Over one year to three years	2,505,000	655	38,505	7,701
Over three years	2,570,000	10,959	98,758	19,752
	<u>8,982,391</u>	<u>40,999</u>	<u>210,452</u>	<u>44,966</u>
	<u>26,669,847</u>	<u>40,999</u>	<u>4,394,584</u>	<u>3,749,704</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.



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

**EXPLANATORY NOTES**

**25. Capital Adequacy (continued)**

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

<b>Audited</b>	<b>Positive Fair</b>		<b>Credit</b>	<b>Risk</b>
<b>31 December 2009</b>	<b>Principal</b>	<b>Value of</b>	<b>Equivalent</b>	<b>Weighted</b>
	<b>Amount</b>	<b>Derivative</b>	<b>Amount *</b>	<b>Amount *</b>
	<b>RM'000</b>	<b>Contracts</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<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 on-going underwriting agreements	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.

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

**EXPLANATORY NOTES**

**26. Credit Transaction And Exposures With Connected Parties**

	<b>Group</b>	
	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	653,501	786,190
Total credit exposure which is non performing or in default	202	126
Total credit exposures	53,016,375	49,498,312
Percentage of outstanding credit exposures with connected parties		
as a proportion of total credit exposures	1.23%	1.59%
as a proportion of capital base	12.71%	15.87%
which is non performing or in default	0.03%	0.02%

The above disclosure on Credit Transactions and Exposures with Connected Parties is presented in accordance with paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which became effective on 1 January 2008.

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

**EXPLANATORY NOTES**

**27. Operations of Islamic Banking**

**(i) Unaudited Statement of Financial Position as at 30 June 2010**

	<b>Note</b>	<b>Unaudited 30 June 2010 RM'000</b>	<b>Audited 31 December 2009 RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds		2,081,514	1,794,815
Deposits and placements with banks and other financial institutions		10,000	45,000
Derivative financial instruments		290	-
Available-for-sale securities		926,036	475,637
Financing and advances	27(iv)	4,893,444	4,568,751
Other assets		43,253	81,605
Statutory deposits with Bank Negara Malaysia		45,732	40,131
Deferred tax assets		15,848	11,474
Property, plant and equipment		2,761	2,623
<b>TOTAL ASSETS</b>		<u>8,018,878</u>	<u>7,020,036</u>
<b>LIABILITIES</b>			
Deposits from customers	27(v)	5,649,488	4,833,735
Deposits and placements of banks and other financial institutions		1,506,320	1,554,130
Derivative financial instruments		644	-
Bills and acceptances payable		65,154	32,392
Provision for zakat		25,557	1,011
Other liabilities		102,039	92,437
Borrowings		100,000	-
<b>TOTAL LIABILITIES</b>		<u>7,449,202</u>	<u>6,513,705</u>
SHARE CAPITAL		397,755	397,755
RESERVES		171,921	108,576
<b>SHAREHOLDER'S FUNDS</b>		<u>569,676</u>	<u>506,331</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<u>8,018,878</u>	<u>7,020,036</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		<u>1,312,150</u>	<u>1,152,466</u>

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

**EXPLANATORY NOTES**

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

**(ii) Unaudited Income Statement for the financial quarter/period ended 30 June 2010**

	2nd Quarter Ended		Six Months Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Income derived from investment of depositors' funds	87,749	74,682	164,722	151,311
Income derived from investment of shareholder's funds	10,095	10,507	20,079	16,824
	97,844	85,189	184,801	168,135
Impairment losses on financing and advances	(3,984)	(4,408)	(8,995)	(21,450)
Total distributable income	93,860	80,781	175,806	146,685
Income attributable to depositors	(37,845)	(27,377)	(64,701)	(64,174)
Total net income	56,015	53,404	111,105	82,511
Other operating expenses	(25,475)	(22,285)	(49,453)	(43,135)
Profit before taxation and zakat	30,540	31,119	61,652	39,376
Taxation	(7,024)	(7,779)	(14,785)	(9,844)
Zakat	(8)	(9)	(14)	(16)
Profit for the financial quarter/period	23,508	23,331	46,853	29,516

**(iii) Unaudited Statement of Comprehensive Income for the financial quarter/period ended 30 June 2010**

	2nd Quarter Ended		Six Months Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
<b>Profit for the financial quarter/period</b>	23,508	23,331	46,853	29,516
<b>Other comprehensive income:</b>				
<b>Gains/(losses) recognised directly in equity</b>				
Changes in fair value of available -for-sale securities	71	(658)	(409)	1
Taxation relating to other components of comprehensive income	(18)	165	102	-
<b>Other comprehensive income for the financial quarter/period, net of tax</b>	53	(493)	(307)	1
<b>Total comprehensive income for the financial quarter/period</b>	23,561	22,838	46,546	29,517

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

**EXPLANATORY NOTES**

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

**(iv) Financing and Advances**

	<b>Unaudited 30 June 2010 RM'000</b>	<b>Audited 31 December 2009 RM'000</b>
Cash line	313,318	300,862
Term financing:		
Housing financing	3,003,159	2,544,109
Hire purchase receivables	1,917,156	1,946,768
Syndicated financing	85,445	89,756
Personal financing	539,131	374,733
Other term financing	1,189,871	1,040,099
Bills receivable	1,742	1,555
Trust receipts	2,275	3,013
Claims on customers under acceptance financing	217,122	247,661
Staff financing	33,621	28,848
Revolving financing	143,011	126,510
Other financing	72,706	75,008
	<u>7,518,557</u>	<u>6,778,922</u>
Unearned income	(2,457,997)	(2,000,976)
Gross financing and advances	<u>5,060,560</u>	<u>4,777,946</u>
Adjustment for effective interest rate	41,127	-
Gross financing and advances at amortised cost	<u>5,101,687</u>	<u>4,777,946</u>
Allowances for impaired financing and advances		
- Collective assessment impairment allowance	(112,471)	-
- Individual assessment impairment allowance	(95,772)	-
- General allowance	-	(69,575)
- Specific allowance	-	(139,620)
Net financing and advances	<u><u>4,893,444</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 period/year	151,284	559,553
Reclassified as non-impaired during the financial period/year	(106,696)	(384,091)
Amount recovered	(51,506)	(95,164)
Amount written off	(20,574)	(26,933)
Financing converted to securities	-	(12,106)
Balance as at 30 June/31 December	<u><u>318,165</u></u>	<u><u>265,721</u></u>

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

**EXPLANATORY NOTES**

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

**(iv) Financing and Advances (continued)**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(b) Movements in allowances for impaired financing and advances are as follows:</b>		
<b>Collective assessment impairment allowance</b>		
Balance as at 1 January		
- As previously reported	-	-
- Effects of adopting FRS 139	112,826	-
- As restated	112,826	-
Allowance made during the financial period/year	25,081	-
Allowance written back in respect of recoveries/reclassification	(11,295)	-
Amount written off	(14,141)	-
Balance as at 30 June/31 December	112,471	-
<b>Individual assessment impairment allowance</b>		
Balance as at 1 January		
- As previously reported	-	-
- Effects of adopting FRS 139	103,427	-
- As restated	103,427	-
Allowance made during the financial period/year	5,206	-
Allowance written back in respect of recoveries/reclassification	(6,429)	-
Amount written-off	(6,432)	-
Balance as at 30 June/31 December	95,772	-

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.

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

**EXPLANATORY NOTES**

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

**(iv) Financing and Advances (continued)**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(b) Movements in allowances for impaired financing and advances are as follows: (continued)</b>		
<b>General allowance</b>		
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 period/year	-	(2,036)
Balance as at 30 June/31 December	-	69,575
As % of gross financing and advances, less specific allowance	-	1.5%
<b>Specific allowance</b>		
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 period/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 30 June/31 December	-	139,620

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

**EXPLANATORY NOTES**

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

**(v) Deposits from Customers**

	<b>Unaudited 30 June 2010 RM'000</b>	<b>Audited 31 December 2009 RM'000</b>
<u>Non-Mudharabah:</u>		
Al-Wadiah demand deposits	1,265,910	1,149,555
Al-Wadiah savings deposits	193,008	187,109
<u>Mudharabah:</u>		
Al-Fareed demand deposits	127,697	122,927
Al-Mudharabah savings deposits	99,528	94,731
<b>Total demand and savings deposits</b>	<b>1,686,143</b>	<b>1,554,322</b>
<u>Non-Mudharabah:</u>		
Bai Al-Inah HARI	216	1,294
<u>Mudharabah:</u>		
General investment deposits	3,963,129	3,278,119
<b>Total investment deposits</b>	<b>3,963,345</b>	<b>3,279,413</b>
	<b>5,649,488</b>	<b>4,833,735</b>

**28. Significant Events During the Financial Quarter/Period Ended 30 June 2010**

Other than those disclosed in Note 25(a) and Notes 38(c), there were no significant events during the financial quarter/period ended 30 June 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/period ended 30 June 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(c) and 38(d), there were no significant events subsequent to the balance sheet date that have not been disclosed in these condensed financial statements.



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

**EXPLANATORY NOTES**

**31. Other Commitments**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Authorised and contracted for	39,577	31,565
Authorised but not contracted for	27,841	3,741
	<u>67,418</u>	<u>35,306</u>
Analysed as follows:		
- Property, plant and equipment	<u>67,418</u>	<u>35,306</u>

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

**EXPLANATORY NOTES**

**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/period are as follows:

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax:				
- Charge for the financial quarter/period	43,910	31,155	81,690	59,566
- Over provision in respect of prior years	(1,235)	(18,868)	(1,235)	(18,868)
	42,675	12,287	80,455	40,698
Transfer to deferred taxation	(6,461)	(24,461)	(10,178)	(25,417)
	36,214	(12,174)	70,277	15,281

**33. Subordinated Medium Term Notes**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Subordinated medium term notes, at par	660,000	660,000
Fair value changes arising from fair value hedge	3,951	(1,314)
	663,951	658,686
Less: Unamortised discounts	(23,935)	(27,056)
	640,016	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.

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

**EXPLANATORY NOTES**

**33. Subordinated Medium Term Notes (continued)**

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.

**34. Hybrid Capital**

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Innovative Tier 1 Capital Securities, at par	500,000	500,000
Fair value changes arising from fair value hedge	2,153	(1,297)
	502,153	498,703
Less: Unamortised discounts	(10,899)	(11,480)
Unamortised fair value changes arising from the unwinded fair value hedge	(1,160)	-
	490,094	487,223

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 ("BNM") 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 BNM. 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 rights, and/or junior to the rights, of payment with 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**

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 June</b>	<b>31 December</b>
	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>Short-term borrowings:</b>			
Revolving credit facilities	(i)	65,000	65,000
Total borrowings		65,000	65,000

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

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

**EXPLANATORY NOTES**

**36. Unquoted Investments and Properties**

There were no sale of unquoted investments and properties for the financial quarter/period ended 30 June 2010, other than in the ordinary course of banking business.

**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.

On 1 June 2010, the Company announced that the effective date for the ESS has been fixed on 1 June 2010 upon submission of the final By-laws governing the ESS to Bursa Malaysia Securities Berhad. To-date, the Company has not issued any ordinary shares nor granted any options under the ESS.

- (b) On 26 May 2009, the Company announced that it proposed to undertake an issuance of up to 58,174,500 new warrants to Primus Pacific Partners LPI ("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 Bank Negara Malaysia ("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.

- (c) 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.

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 2 April 2010, the Board had announced that it has resolved to table the HLBB Offer to the shareholders of the Company for consideration.

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.

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

**EXPLANATORY NOTES**

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

(c) (continued)

On 21 June 2010, the Company announced that it had received letters dated 18 June 2010 and 19 June 2010 from HLBB which stipulates the modified and clarification of the terms of the HLBB Offer. On the same date, the Company announced that it received a petition containing several complaints brought by Primus (Malaysia) Sdn Bhd under Section 181 of the Company's Act, 1965 against the Company and Directors (save for Mr Ng Wing Fai), seeking relief of the High Court of Malaya, on the grounds, among other matters, that the affairs of the Company are being conducted or the powers of the Directors of the Company are being exercised in a manner oppressive to one or more shareholders of the Company (including Primus) or in disregard of their interests as shareholders.

On 6 July 2010, the Company announced that the Petition (in which the Company has been named as a nominal respondent) and the Petitioner's Summons for Directions were fixed for hearing on 6 July 2010. At the hearing held on 6 July 2010, the Learned Judge of the High Court of Malaya ("Learned Judge") has directed for the parties to file their respective affidavits on the stated dates mentioned by the Learned Judge.

The Learned Judge has also fixed the Petition for case management on 17 August 2010. The Learned Judge further fixed the matter for trial on 20 September 2010 to 23 September 2010, 27 September 2010 and 28 September 2010.

On 7 July 2010, the Company announced that after deliberation by its Board and consultation with the Company's legal advisers, the Board (with the exception of Mr Ng Wing Fai) has affirmed its decision to table the HLBB Offer to the Company's shareholders at a general meeting for their consideration and approval and to empower the Board to make the decision whether or not to accept the HLBB Offer subject to the following being obtained:

- (i) The approval of the shareholders for the HLBB Offer at such general meeting
- (ii) The approval of the Minister of Finance for the HLBB Offer; and
- (iii) A final decision of the court on the petition filed with the High Court of Malaya at Kuala Lumpur (Commercial Division) by Primus.

On 27 July 2010, the Company announced that an extraordinary general meeting will be held on 19 August 2010 for the purpose of considering the HLBB Offer.

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

**EXPLANATORY NOTES**

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

(d) On 3 August 2010, the Company announced that it received a letter of approval dated the same, wherein it has informed that the Minister of Finance had on 26 July 2010 granted the following approvals under the Banking and Financial Institutions Act, 1989 (BAFIA) and Islamic Banking Act, 1983 (IBA):

- (i) Approval under Section 45(1)(b) of the BAFIA for the disposal of more than 5% interests in shares of EON Bank Bhd and MIMB Investment Bank Berhad;
- (ii) Approval under Section 49(7) of the BAFIA for Company to enter into an agreement or arrangement with HLBB, which will result in the change in the control of EON Bank Berhad and MIMB Investment Bank Berhad to HLBB, as provided for under Section 49(1)(a) of the BAFIA; and
- (iii) Approval under Section 22(2) of the IBA for the Company to enter into an agreement or arrangement with HLBB, which will result in the disposal of shares in EONCap Islamic Bank Berhad to HLBB, as provided for under Section 22(1)(a)(i) of the IBA.

**39. Derivative Financial Instruments**

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

<b>Unaudited</b> <b>30 June 2010</b>	<b>Contract/ Notional Amount RM'000</b>	<b>Fair Value</b>	
		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
Foreign exchange related contracts:			
One year or less	3,632,391	29,385	28,122
Interest/profit rate related contracts:			
One year or less	275,000	-	783
Over one year to three years	2,505,000	655	18,137
Over three years	2,570,000	10,959	17,861
	8,982,391	40,999	64,903
 <b>Audited</b> <b>31 December 2009</b>			
Foreign exchange related contracts:			
One year or less	1,687,536	9,825	14,639
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	58,587

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

**EXPLANATORY NOTES**

**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 30 June 2010, the amount of contracts of the Group, which were not hedged and, hence, exposed to market risk was RM10,589,825 (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 30 June 2010, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM29,095,275.26 (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.

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

**EXPLANATORY NOTES**

**40. Material Litigation**

As at 30 June 2010, other than those disclosed in Notes 38(c), 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 recorded a profit before taxation and zakat of RM149.5 million, an increase of RM17.6 million or 13.4% from the RM131.9 million achieved in the immediate preceding quarter ended 31 March 2010. The higher pre-tax profit was attributed mainly to higher interest income achieved of RM36.1 million or 8.2% following the two consecutive rise in the Overnight Policy Rate ("OPR") in March 2010 and May 2010, and the growth in the consumer and SME loans portfolio. However, this was partly offset by the rise in interest expense by RM16.3 million or 8.2% due to the RM1.9 billion growth in fixed deposits; i.e. from RM24.2 billion as at end-March 2010 to RM26.1 billion as at end-June 2010. Accordingly, the net interest income was higher by RM19.8 million or 8.2%.

Growth in non-interest income of RM23.1 million or 28.2% was due to higher net gains on securities of RM12.6 million, higher service charges and fees of RM6.4 million and increase in advisory and arrangement fees of RM2.8 million as well as commissions income of RM1.5 million.

Other operating expenses was marginally higher by RM3.6 million or 1.8%, however, the Group continued to implement initiatives to review processes to improve efficiency.

Impairment losses on securities increased by RM27.8 million due to additional impairment provisions in the current financial quarter for the Collateralized Loan Obligation ("CLO"), called CapOne, which matures in September 2010. Impairment losses on loans, advances and financing amounted to RM40.6 million during the quarter, or a decrease of RM6.2 million, as the Group's asset quality continued to register further improvement.

The gross impaired loans ratio has reduced further to 3.7%, from 4.2% in the immediate preceding financial quarter, whilst the impaired loan loss coverage ratio has improved to 88.8%.

For the current financial quarter ended 30 June 2010, the Group reported a net profit after tax of RM113.3 million. This represented an increase of RM15.5 million or 15.8% over the immediate preceding financial quarter ended 31 March 2010.



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

**EXPLANATORY NOTES**

**43. Review of performance for the financial quarter/period ended 30 June 2010 against the corresponding financial quarter/period of preceding year**

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

The Group recorded a profit before taxation and zakat of RM149.5 million for the financial quarter ended 30 June 2010, an increase of RM37.1 million or 33.0% compared to RM112.4 million achieved during the corresponding quarter of preceding year. The higher pre-tax profit was attributed mainly to higher interest income of RM51.8 million or 12.2% following the two consecutive rise in OPR in March 2010 and May 2010, and the acceleration of Y-o-Y loans and financing growth of 13.6%. Interest expense increased by RM12.8 million or 6.3% due to additional interest expense relating to the RM500 million Innovative Tier 1 Capital Securities which were issued on 10 September 2009 and the additional RM250 million subordinated medium term notes which were issued on 2 December 2009. The rise in the OPR had also benefitted the Group's Islamic loans portfolio, with net income from Islamic banking business expanding by RM2.2 million or 3.8% as the bulk of its financing portfolio is fixed rate in nature. Accordingly, the net interest income, including income derived from Islamic banking business also increased by RM41.2 million or 14.7%.

Non-interest income increased by RM34.2 million or 48.1% due to higher net gains on securities of RM10.3 million, higher service charges and fees of RM10.3 million, higher advisory and arrangement fees of RM4.8 million and higher commissions of RM1.8 million.

Other operating expenses which had moderated to RM204.9 million for the quarter increased by RM13.1 million or 6.8%. The increase in expenses was due mainly to the rise in personnel expenses which was attributed to the annual increments and implementation of a performance based remuneration system. Arising from acquisition of new fixed assets, depreciation charges have also increased in the current quarter vis-a-vis the corresponding quarter of last year.

Impairment losses on securities increased by RM29.9 million due to additional impairment provisions in the current financial quarter for the CLO, called CapOne. Impairment losses on loans, advances and financing had decreased by RM4.7 million or 10.4%. The gross impaired loans ratio has improved to 3.7% compared with the gross non-performing loans ratio of 4.5% previously. Similarly, the impaired loan loss coverage too had risen to 88.8% from 81.2% as at 30 June 2009.

After setting aside taxation expenses of RM36.2 million, the net profit after tax for the current financial quarter ended 30 June 2010 amounted to RM113.3 million.

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

**EXPLANATORY NOTES**

**43. Review of performance for the financial quarter/period ended 30 June 2010 against the corresponding financial quarter/period of preceding year (continued)**

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

For the financial period ended 30 June 2010, the Group recorded a profit before taxation and zakat of RM281.4 million as compared to RM219.5 million achieved for the six-month period ended 30 June 2009. The RM62.0 million or 28.2% increase in pre-tax profit was mainly due to higher net interest income by RM57.0 million or 12.8%. Interest income was higher by RM40.7 million or 4.6% following the two consecutive rise in the OPR in March 2010 and May 2010, and the Y-o-Y loans growth of 13.6%. Interest expense, however, decreased by RM16.3 million or 3.8% as fixed deposits constitute 70% of the Group's total funding, and not all of the deposits have repriced, following the three consecutive cuts in the OPR at the beginning of 2009. The rise in the OPR had also benefitted the Group's Islamic loans portfolio, with net income from Islamic banking business expanding by RM16.1 million (+15.5%), as the bulk of its financing portfolio is fixed rate in nature.

Non-interest income had increased by RM46.2 million or 32.7% arising mainly from transactional banking services, trade finance activities, the corporate advisory services and higher net gains on sale of securities.

Growth in other operating expenses had moderated to RM406.2 million. The increase in operating expenses by RM28.8 million or 7.6% was due mainly to the rise in personnel expenses arising from annual increments and implementation of a performance based remuneration system, as well as depreciation expenses arising from the new acquisition of fixed assets. The Group is now in the final stage of completing its investments in technology and upgrading its delivery channels.

Impairment losses on loans, advances and financing were RM2.5 million higher due to the rise in collective assessment impairment allowance in line with the strong loans growth. Impaired loan loss coverage improved from 81.9% as at 1 January 2010 (after incorporating the effects of adopting FRS 139) to 88.8% as at 30 June 2010.

Impairment losses on securities increased by RM26.1 million due to additional impairment provisions in the first half year for the CLO, called CapOne. This CLO was originated 5 years ago and is due to mature in September 2010. Accordingly, the total provisions for the CapOne have been raised to RM64.8 million, which accounted for 86.4% of the total holdings of the senior bonds.

For the financial period ended 30 June 2010, the Group's tax rate had normalized at 25% (tax charge of RM70.3 million), whilst in the corresponding period, the tax charge was RM15.3 million, translating to a tax rate of 7.0% due to one-off non-recurring prior years' tax adjustments. The Group reported a net profit after tax of RM211.1 million for the half year ended 30 June 2010 compared with RM204.2 million for the six month period ended 30 June 2009.

In conclusion, the results for the first half year ended 30 June 2010 were satisfactory. Based on the momentum that has been built up, the Group should be able to achieve its overall targets for FY2010, and report a satisfactory performance for the whole year.

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

**EXPLANATORY NOTES**

**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 Programme, 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.

**45. Earnings Per Share**

The calculation of the earnings per share of the Group, which is based on the profit for the financial quarter/period ended 30 June 2010 and 30 June 2009 respectively and the weighted average number of ordinary shares in issue during the respective financial quarter/period, are set out as follows:

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>30 June 2010</b>	<b>30 June 2009</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit for the financial quarter/period	113,317	124,603	211,133	204,165
Weighted average number of ordinary shares in issue during the financial quarter/period	693,209	693,209	693,209	693,209
Earnings per share (sen)				
- Basic/diluted	16.35	17.97	30.46	29.45

There were no dilutive potential ordinary shares outstanding as at 30 June 2010 and 30 June 2009.