EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	31 December 2010 RM'000	31 December 2009 RM'000
ASSETS			
Cash and short-term funds		9,825,426	8,279,675
Deposits and placements with banks and other financial institutions		1,189,094	550,968
Held-for-trading securities	10	380,926	55,744
Derivative financial instruments	11	28,473	12,905
Available-for-sale securities	12	3,458,714	3,773,126
Held-to-maturity securities	13	152,841	211,179
Loans, advances and financing	14	36,650,026	32,048,326
Other assets	15	448,778	656,243
Statutory deposits with Bank Negara Malaysia		359,893	270,091
Deferred tax assets		163,872	129,684
Property, plant and equipment		318,986	313,295
Goodwill		86,610	86,610
TOTAL ASSETS		53,063,639	46,387,846
LIABILITIES AND SHAREHOLDERS' FUNDS			
Deposits from customers	17	41,386,506	33,865,921
Deposits and placements of banks and other financial institutions	18	4,110,031	4,948,004
Derivative financial instruments	11	36,154	58,712
Bills and acceptances payable		841,040	1,675,163
Provision for taxation and zakat		84,400	32,795
Other liabilities	19	932,464	1,069,858
Subordinated medium term notes	35	1,147,517	631,630
Hybrid capital	36	502,058	487,223
Borrowings	37	65,321	65,000
TOTAL LIABILITIES		49,105,491	42,834,306
SHARE CAPITAL		693,209	693,209
RESERVES		3,264,939	2,860,331
SHAREHOLDERS' FUNDS		3,958,148	3,553,540
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		53,063,639	46,387,846
COMMITMENTS AND CONTINGENCIES	25	25,619,983	21,541,403
Net assets per ordinary share (RM)		5.71	5.13

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER/YEAR ENDED 31 DECEMBER 2010

		4th Quarter Ended		Twelve Months Ended	
	Note	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Interest income	20	551,617	447,844	1,989,427	1,763,362
Interest expense	21	(265,642)	(209,221)	(929,213)	(845,068)
Net interest income		285,975	238,623	1,060,214	918,294
Net income from Islamic Banking business	28(ii)	61,750	57,776	240,759	221,234
		347,725	296,399	1,300,973	1,139,528
Non-interest income	22	97,187	77,549	386,142	295,597
Net income		444,912	373,948	1,687,115	1,435,125
Other operating expenses	23	(205,632)	(237,385)	(831,669)	(820,527)
Operating profit		239,280	136,563	855,446	614,598
Impairment losses on securities and loans, advances and financing	24	(95,669)	(34,644)	(265,164)	(192,668)
Loss on deconsolidation of subsidiaries	33	(675)	-	(675)	-
Profit before taxation and zakat		142,936	101,919	589,607	421,930
Taxation	34	(42,055)	(40,322)	(149,485)	(80,794)
Zakat		(12)	(6)	(34)	(32)
Profit for the financial quarter/year		100,869	61,591	440,088	341,104
Earnings per share (sen)					
- Basic	48	14.55	8.88	63.49	49.21
- Diluted	48	14.55	8.88	63.49	49.21

EON CAPITAL BERHAD
(454644-K)

CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER/YEAR ENDED 31 DECEMBER 2010

	4th Quarter Ended		Twelve Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Profit for the financial quarter/year	100,869	61,591	440,088	341,104
Other comprehensive income:				
(Losses)/gains recognised directly in equity				
Changes in fair value of available -for-sale securities	(6,968)	8,324	(389)	63,793
Taxation relating to components of other comprehensive income	1,742	(2,081)	97	(15,948)
Other comprehensive income for the financial quarter/year, net of tax	(5,226)	6,243	(292)	47,845
Total comprehensive income for the financial quarter/year	95,643	67,834	439,796	388,949

EON CAPITAL BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for-sale securities reserve RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2010						
- As previously reported	693,209	1,066,296	754,339	22,535	1,017,161	3,553,540
- Effects of adopting FRS 139	-	-	-	-	(35,188)	(35,188)
- As restated	693,209	1,066,296	754,339	22,535	981,973	3,518,352
Profit for the financial year	-	-	-	-	440,088	440,088
Other comprehensive income	-	-	-	(292)	-	(292)
Total comprehensive income for the financial year	-	-	-	(292)	440,088	439,796
Transfer to statutory reserve	-	-	133,869	-	(133,869)	-
Balance as at 31 December 2010	693,209	1,066,296	888,208	22,243	1,288,192	3,958,148
Balance as at 1 January 2009	693,209	1,066,296	657,198	(25,310)	813,196	3,204,589
Profit for the financial year	-	-	-	-	341,104	341,104
Other comprehensive income	-	-	-	47,845	-	47,845
Total comprehensive income for the financial year	-	-	-	47,845	341,104	388,949
Transfer to statutory reserve	-	-	97,141	-	(97,141)	-
Dividends in respect of financial year ended 31 December 2008	-	-	-	-	(39,998)	(39,998)
Balance as at 31 December 2009	693,209	1,066,296	754,339	22,535	1,017,161	3,553,540

EON CAPITAL BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	31 December 2010 RM'000	31 December 2009 RM'000
Cash Flows From Operating Activities		
Profit for the financial year	440,088	341,104
Adjustments for investing and financing items not involving movement of cash and cash equivalents	595,046	342,090
Operating profit before working capital changes	1,035,134	683,194
Increase in operating assets	(5,884,894)	(2,165,138)
Increase in operating liabilities	5,703,859	2,251,180
Cash generated from operations	854,099	769,236
Income tax paid	(122,368)	(61,273)
Income tax refunded	7,525	-
Zakat paid	(63)	(6)
Net cash generated from operating activities	739,193	707,957
Cash Flows From Investing Activities		
Net proceeds from disposal/maturity of/ (purchase of) available-for-sale securities	350,361	(511,667)
Purchase of property, plant and equipment	(58,129)	(69,901)
Proceeds from disposal of property, plant and equipment	1,648	992
Interest/dividend received from available-for-sale and held-to-maturity securities	127,784	109,201
Net dividends received	2,578	4,770
Net cash generated from/(used in) investing activities	424,242	(466,605)
Cash Flows From Financing Activities		
Net proceeds from issuance of subordinated medium term notes	497,260	627,782
Net proceeds from short-term borrowings	-	65,000
Redemption of subordinated obligations	-	(744,073)
Redemption of long term borrowings		(150,000)
Interest paid on subordinated obligations	-	(18,947)
Interest paid on subordinated medium term notes	(37,950)	(11,691)
Net proceeds from issuance of Innovative Tier-1 Capital Securities	-	488,161
Interest paid on Innovative Tier-1 Capital Securities	(41,589)	-
Interest paid on borrowings	(2,245)	(11,207)
Net interest paid for interest rate related derivatives	(33,160)	(15,885)
Net dividends paid	-	(39,998)
Net cash generated from financing activities	382,316	189,142
Net increase in cash and cash equivalents	1,545,751	430,494
Cash and cash equivalents:		
- as at beginning of the financial year	8,279,675	7,849,181
- as at end of the financial year	9,825,426	8,279,675

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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

The new accounting standards, amendments and improvements to published standards and interpretations that are applicable and effective for the Group for the financial year ended 31 December 2010 are as follows:

- FRS 7 Financial Instruments: Disclosures and the related Amendments
- FRS 8 Operating Segments
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement and the related Amendments
- FRS 3 (revised) Business Combinations
- FRS 101 (revised) Presentation of Financial Statements
- FRS 101 (revised) Presentation of Financial Statements - Puttable financial instruments and obligations arising on liquidation
- FRS 127 (revised) Consolidated and Separate Financial Statements
- Amendment to FRS 1 First-time Adoption of Financial Reporting Standards
- Amendments to FRS 132 Financial Instruments: Presentation
- IC Interpretation 9 Reassessment of embedded derivative
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

Improvement to existing MASB's standards that are applicable and effective for the Group for the financial year ended 31 December 2010 are as follows:

- FRS 5 Non-current Assets Held for Sale and Discontinued Operations
- FRS 107 Statement of Cash Flows
- FRS 110 Events after the Balance Sheet Date
- FRS 116 Property, Plant and Equipment
- FRS 117 Leases
- FRS 118 Revenue
- FRS 127 Consolidated and Separate Financial Statements
- FRS 134 Interim Financial Reporting
- FRS 136 Impairment of Assets

2. Changes in Accounting Policies (continued)

The adoption of the new standards, amendments and improvements to published standards and interpretation to existing standards does not have any significant financial impact on the Group except for the following:

FRS 8: "Operating Segments"

FRS 8 "Operating Segments" (effective from 1 July 2009) replaces FRS 114_{2004}. 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.

FRS 101: Presentation of financial statements

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 have opted to present two statements (the income statement and statement of comprehensive income) and the comparative figures for the prior year have been restated accordingly.

Amendments to FRS 117: Leases

Prior to the adoption of the Amendments to FRS 117 "Leases", leasehold land that had an indefinite economic life and with title that was not expected to pass to the lessee at the end of the lease term was classified as operating lease. Upfront payments for the rights to use the leasehold land over a predetermined period were accounted for as prepaid lease payments and amortised on a straight-line basis over the remaining period of the lease, which are included under "Other assets".

Upon adoption of the Amendment to FRS 117 (effective from 1 January 2010) in relation to classification of leasehold land, the Group reassessed the classification of leasehold land as a finance lease or an operating lease based on the extent of risks and rewards associated with the land. The Group has determined that all leasehold land of the Group are in substance finance leases and has reclassified its leasehold land from prepaid lease payments to property, plant and equipment.

The change in accounting policy has been applied retrospectively and an analysis of the impact to the financial position of the Group is summarised as follows:

As at 31 December 2009	**As previously reported RM'000**	**Effects from changes in accounting policies RM'000**	**As restated RM'000**
Property, plant and equipment	312,569	726	313,295
Other assets	656,969	(726)	656,243
(of which Prepaid lease payments)	726	(726)	-

2. Changes in Accounting Policies (continued)

The adoption of the new standards, amendments and improvements to published standards and interpretation to existing standards does not have any significant financial impact on the Group except for the following: (continued)

<u>FRS 139: Financial Instruments: Recognition and Measurement</u>

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 each balance sheet date whether there is any objective evidence that a loan/financing or group of loans/financing is impaired. The loan/financing or group of loans/financing is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan/financing (an incurred 'loss event') and that loss event (or events) has an impact on future estimated cash flows of the loan/financing or group of loans/financing that can be reliably estimated.

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

Where a loan/financing that is individually assessed for impairment does not result in impairment provisions, the loan/financing is included in a group of loans/financing using similar credit characteristics for collective assessment of 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/financing's carrying amount and the present value of estimated future cash flows (excluding credit losses that have not been incurred) discounted at the loan's/financing's original effective interest/profit rate. The carrying amount of the loan/financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If the loan/financing has a variable interest/profit rate, the discount rate for measuring any impairment loss is the current effective interest/profit rate determined under the contract.

In the Amendments to FRS 139, 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 and 17 December 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.

The Group has applied the abovementioned transitional arrangement in determining the collective assessment impairment allowances for loans/financing at each reporting date.

2. Changes in Accounting Policies (continued)

The adoption of the new standards, amendments and improvements to published standards and interpretation to existing standards does not have any significant financial impact on the Group except for the following: (continued)

<u>FRS 139: Financial Instruments: Recognition and Measurement (continued)</u>

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

The change in accounting policy above has 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 has 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/Islamic financing 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 is it realised on a cash basis. Finance income recognised prior to non-performing classification is not clawed back to the first day of default, in conformity with BNM Guidelines. Upon the adoption of FRS 139, once a loan/financing has been written down as a result of an impairment loss, interest/finance income is thereafter recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring impairment loss.

2. Changes in Accounting Policies (continued)

The adoption of the new standards, amendments and improvements to published standards and interpretation to existing standards does not have any significant financial impact on the Group except for the following: (continued)

(c) Recognition of Embedded Derivatives

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

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

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

Notwithstanding the restatement or adjustments to the opening retained 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.

3. Audit Report

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

4. Seasonality or Cyclicality of Operations

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

5. Items Affecting Net Income and Cash Flow

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

6. Changes in Estimates

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

7. Issuance and Repayments

On 30 December 2010, EON Bank Berhad ("EBB"), a wholly owned subsidiary of the Company, issued a third tranche of RM500.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes ("MTN"), callable on 30 December 2015 (and at each anniversary date thereafter), and due on 30 December 2020 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this third tranche of the Subordinated MTN is 4.75% 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 third tranche will be remain at 4.75% per annum, from the beginning of the sixth (6) year to the final maturity date.

The above Subordinated MTN constitutes 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 MTN. The Subordinated MTN 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.

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

8. Dividends Paid During the Current Financial Quarter/Year

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

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EXPLANATORY NOTES

9. Segment Reporting

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

Group
4th Quarter Ended
31 December 2010

	Business and Investment Banking RM'000	Consumer Banking RM'000	Islamic Banking RM'000	Treasury RM'000	Others RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income and Islamic banking income	91,471	196,653	53,815	90,994	(85,294)	86	347,725
Non-interest income	32,017	47,146	2,635	23,764	(5,118)	(3,257)	97,187
Net income	123,488	243,799	56,450	114,758	(90,412)	(3,171)	444,912
Other operating expenses	(19,178)	(134,673)	(7,195)	(3,508)	(44,249)	3,171	(205,632)
Operating profit	104,310	109,126	49,255	111,250	(134,661)	-	239,280
Impairment losses on securities and loans, advances and financing	(37,146)	(35,167)	(23,356)	-	-	-	(95,669)
Loss on deconsolidation of subsidiaries	-	-	-	-	(675)	-	(675)
Profit before taxation and zakat	67,164	73,959	25,899	111,250	(135,336)	-	142,936
Taxation and zakat							(42,067)
Profit for the financial quarter							100,869

EXPLANATORY NOTES

9. Segment Reporting (continued)

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

Group
4th Quarter Ended
31 December 2009

	Business and Investment Banking RM'000	Consumer Banking RM'000	Islamic Banking RM'000	Treasury RM'000	Others RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income and Islamic banking income	61,565	166,493	50,056	28,686	(10,505)	104	296,399
Non-interest income	25,593	42,272	2,298	8,231	(213)	(632)	77,549
Net income	87,158	208,765	52,354	36,917	(10,718)	(528)	373,948
Other operating expenses	(18,180)	(143,041)	(7,102)	(6,080)	(63,510)	528	(237,385)
Operating profit	68,978	65,724	45,252	30,837	(74,228)	-	136,563
Impairment losses on securities and loans, advances and financing	18,262	(24,783)	(28,123)	-	-	-	(34,644)
Profit before taxation and zakat	87,240	40,941	17,129	30,837	(74,228)	-	101,919
Taxation and zakat							(40,328)
Profit for the financial quarter							61,591

9. Segment Reporting (continued)

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

Group
Twelve Months Ended
31 December 2010

	Business and Investment Banking RM'000	Consumer Banking RM'000	Islamic Banking RM'000	Treasury RM'000	Others RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income and Islamic banking income	347,733	714,859	221,771	191,381	(175,112)	341	1,300,973
Non-interest income	120,153	186,860	11,935	68,892	4,861	(6,559)	386,142
Net income	467,886	901,719	233,706	260,273	(170,251)	(6,218)	1,687,115
Other operating expenses	(73,183)	(509,020)	(24,229)	(10,305)	(221,150)	6,218	(831,669)
Operating profit	394,703	392,699	209,477	249,968	(391,401)	-	855,446
Impairment losses on securities and loans, advances and financing	(94,414)	(142,352)	(28,398)	-	-	-	(265,164)
Loss on deconsolidation of subsidiaries	-	-	-	-	(675)	-	(675)
Profit before taxation and zakat	300,289	250,347	181,079	249,968	(392,076)	-	589,607
Taxation and zakat							(149,519)
Profit for the financial year							440,088

9. Segment Reporting (continued)

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

Group
Twelve Months Ended
31 December 2009

	Business and Investment Banking RM'000	Consumer Banking RM'000	Islamic Banking RM'000	Treasury RM'000	Others RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income and Islamic banking income	233,282	628,442	195,890	119,331	(37,521)	104	1,139,528
Non-interest income	96,156	166,747	8,952	29,992	(3,801)	(2,449)	295,597
Net income	329,438	795,189	204,842	149,323	(41,322)	(2,345)	1,435,125
Other operating expenses	(70,645)	(516,208)	(23,234)	(12,090)	(200,695)	2,345	(820,527)
Operating profit	258,793	278,981	181,608	137,233	(242,017)	-	614,598
Impairment losses on securities and loans, advances and financing	(7,973)	(111,408)	(73,287)	-	-	-	(192,668)
Profit before taxation and zakat	250,820	167,573	108,321	137,233	(242,017)	-	421,930
Taxation and zakat							(80,826)
Profit for the financial year							341,104

9. Segment Reporting (continued)

(b) Segment assets and liabilities are as follows:

Group 31 December 2010	**Business and Investment Banking RM'000**	**Consumer Banking RM'000**	**Islamic Banking RM'000**	**Treasury RM'000**	**Others RM'000**	**Inter-segment Elimination RM'000**	**Total RM'000**
Segment assets	12,063,862	14,696,888	3,352,287	15,397,872	9,225,281	(1,672,551)	53,063,639
Segment liabilities	9,689,507	13,215,314	2,858,571	20,328,800	4,072,861	(1,059,562)	49,105,491
Group 31 December 2009							
Segment assets	10,692,210	13,770,068	2,686,844	12,668,732	7,607,920	(1,037,928)	46,387,846
Segment liabilities	8,678,954	12,512,511	2,426,191	16,382,532	3,260,714	(426,596)	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.

10. Held for Trading Securities

	31 December 2010 RM'000	31 December 2009 RM'000
At fair value:		
Malaysian Government securities	-	55,744
Bank Negara Malaysia bills	149,058	-
Bank Negara Malaysia monetary notes	171,010	-
Private and Islamic debt securities	60,858	-
	380,926	55,744

11. Derivative Financial Instruments

	31 December 2010			31 December 2009		
	Contractual/ notional amounts RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000	Contractual/ notional amounts RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000
Trading derivatives:						
Interest rate swaps	1,670,000	2,352	16,801	300,000	-	2,012
Foreign currency forwards	1,963,261	12,546	12,762	1,687,536	9,825	14,639
Cross currency						-
interest rate swaps	16,294	1,537	-	21,182	-	125
	3,649,555	16,435	29,563	2,008,718	9,825	16,776
Hedging derivatives:						
Interest rate swaps	3,915,000	12,038	6,591	2,545,000	3,080	41,936
	7,564,555	28,473	36,154	4,553,718	12,905	58,712

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12. Available-for-sale Securities

	31 December 2010 RM'000	31 December 2009 RM'000
At fair value:		
Bank Negara Malaysia monetary notes	902,259	94,698
Bank Negara Malaysia negotiable notes	149,731	-
Bank Negara Malaysia bills	530,155	-
Malaysian Government investment issues	116,572	250,970
Malaysian Government treasury bills	19,909	-
Malaysian Government securities	181,592	499,224
Cagamas bonds	-	15,081
Khazanah bonds	-	9,982
Quoted equity securities in Malaysia	-	13,449
Quoted private debt securities	22,404	22,404
Private and Islamic debt securities	757,604	1,096,738
Negotiable instruments of deposit	401,123	1,500,017
Islamic negotiable instrument debt securities	179,636	278,798
Commercial papers	18,937	12,944
Islamic commercial papers	-	34,011
Bankers' acceptances	154,483	-
	3,434,405	3,828,316
Allowance for impairment	-	(62,381)
	3,434,405	3,765,935
At cost:		
Unquoted equity securities in Malaysia	26,185	6,215
Unquoted equity securities outside Malaysia	3,366	3,739
	29,551	9,954
Allowance for impairment	(5,242)	(2,763)
	24,309	7,191
	3,458,714	3,773,126

13. Held-to-maturity Securities

	31 December 2010 RM'000	31 December 2009 RM'000
At amortised cost:		
Private and Islamic debt securities	325,344	385,695
Allowance for impairment	(172,503)	(192,598)
	152,841	193,097
At cost:		
Unquoted equity securities in Malaysia	-	18,082
	152,841	211,179

14. Loans, Advances and Financing

	31 December 2010 RM'000	31 December 2009 RM'000
Overdrafts/cash line	2,251,833	2,209,784
Term loans/financing:		
Housing loans/financing	10,375,904	7,809,069
Syndicated term loans/financing	1,399,500	1,349,287
Hire purchase receivables	13,552,099	12,692,576
Personal loans/financing	1,124,819	494,096
Other term loans/financing	7,258,742	6,176,446
Bills receivable	9,854	9,412
Trust receipts	166,713	120,976
Claims on customers under acceptance credit/financing	2,597,862	2,563,348
Staff loans/financing	241,024	237,014
Credit cards	1,677,862	1,445,975
Revolving credit/financing	1,716,939	1,530,220
Other loans/financing	89,609	94,464
	42,462,760	36,732,667
Unearned interest/income	(4,579,096)	(3,620,035)
Gross loans, advances and financing at amortised cost	37,883,664	33,112,632
Fair value changes arising from fair value hedge	(11,390)	15,567
Unamortised fair value changes arising from the unwinded fair value hedge	10,780	-
Allowances for impaired loans, advances and financing		
- Collective assessment impairment allowance	(746,544)	-
- Individual assessment impairment allowance	(486,484)	-
- General allowance	-	(487,810)
- Specific allowance	-	(592,063)
Net loans, advances and financing	36,650,026	32,048,326

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EXPLANATORY NOTES

14. Loans, Advances and Financing (continued)

	31 December 2010 RM'000	31 December 2009 RM'000
(i) Gross loans, advances and financing disbursed by type of customers are as follows:		
Domestic non-bank financial institutions	580,061	457,040
Domestic business enterprises	13,821,879	12,289,280
(of which: Small and medium enterprises)	7,864,430	6,749,056
Government and statutory bodies	30,827	35,989
Individuals	22,869,466	19,815,564
Other domestic entities	21,063	23,899
Foreign entities	560,368	490,860
	37,883,664	33,112,632
(ii) Gross loans, advances and financing analysed by interest rate/profit rate sensitivity are as follows:		
Fixed rate	15,692,221	14,091,455
(of which: (i) Housing loans/financing	2,191,315	1,542,556
(ii) Hire purchase receivables	11,569,313	10,803,102
(iii) Others)	1,931,593	1,745,797
Variable rate	22,173,596	19,007,235
(of which: (i) Base lending rate plus	13,809,309	11,379,517
(ii) Cost plus	6,283,219	5,769,429
(iii) Others)	2,081,068	1,858,289
Non-interest bearing	17,847	13,942
	37,883,664	33,112,632

14. Loans, Advances and Financing (continued)

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

	31 December 2010 RM'000	31 December 2009 RM'000
Maturing within one year	9,507,559	9,034,343
One year to three years	2,283,942	2,192,005
Three years to five years	5,455,359	4,481,200
Over five years	20,636,804	17,405,084
	37,883,664	33,112,632

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

	31 December 2010 RM'000	31 December 2009 RM'000
Agriculture, hunting, forestry and fishing	654,731	545,283
Mining and quarrying	66,318	205,241
Manufacturing	3,070,880	2,959,430
Electricity, gas and water	305,656	337,658
Construction	2,189,358	2,227,894
Wholesale and retail trade, restaurants and hotels	2,833,835	2,589,827
Transport, storage and communication	1,102,979	781,559
Finance, insurance and business services	1,641,066	1,203,770
Real estate	2,307,333	1,627,020
Community, social and personal services	207,298	215,692
Household	23,056,471	19,912,220
(of which: (i) Purchase of transport vehicles	9,982,601	9,466,288
(ii) Purchase of residential properties	8,586,888	6,683,505
(iii) Purchase of non-residential properties	1,007,886	855,459
(iv) Consumption credit	3,235,577	2,723,187
(vi) Others)	243,519	183,781
Others	447,739	507,038
	37,883,664	33,112,632

EXPLANATORY NOTES

14. Loans, Advances and Financing (continued)

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

	31 December 2010 RM'000	%	31 December 2009 RM'000	%	Loans Growth
Purchase of securities	458,279	1.2	503,823	1.5	
Purchase of transport vehicles	11,461,022	30.3	10,733,667	32.4	
Purchase of landed properties	12,083,290	31.9	9,377,958	28.3	
(of which: (i) Residential	8,670,398	22.9	6,769,876	20.4	
(ii) Non-residential)	3,412,892	9.0	2,608,082	7.9	
Purchase of fixed assets (excluding landed properties)	598,390	1.6	396,150	1.2	
Personal use	1,556,940	4.1	1,109,207	3.3	
Credit cards	1,677,783	4.4	1,445,976	4.4	
Purchase of consumer durables	160	-	363	-	
Construction	483,616	1.3	781,530	2.4	
Mergers and acquisitions	23,676	0.1	12,271	-	
Working capital	7,980,648	21.1	7,682,346	23.2	
Others	1,559,860	4.0	1,069,341	3.3	
	37,883,664	100.0	33,112,632	100.0	14.4%

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

	31 December 2010 RM'000	31 December 2009 RM'000
Malaysia	37,654,316	32,873,722
Other countries	229,348	238,910
	37,883,664	33,112,632

14. Loans, Advances and Financing (continued)

	31 December 2010 RM'000	31 December 2009 RM'000
(vii) Movements in impaired loans, advances and financing are as follows:		
Balance as at 1 January		
- As previously reported	1,253,834	1,545,654
- Effects of adopting FRS 139	176,680	-
- As restated	1,430,514	1,545,654
Classified as impaired during the financial year	1,929,985	2,062,892
Reclassified as non-impaired during the financial year	(1,013,860)	(1,372,136)
Amount recovered	(594,431)	(515,583)
Amount written off	(358,858)	(449,071)
Loans/financing converted to securities	-	(17,922)
Exchange differences	(16,953)	-
Balance as at 31 December	1,376,397	1,253,834
Less: Impaired loans, advances and financing which have no adverse financial impact on the Group	(9,949)	(9,170)
	1,366,448	1,244,664
Less:		
Individual assessment impairment allowance/specific allowance	(486,484)	(489,517)
Additional collective assessment impairment allowance for loans/financing classified as impaired but not individually assessed for impairment	(149,585)	-
Net impaired loans, advances and financing	730,379	755,147

	31 December 2010 RM'000	31 December 2009 RM'000
(viii) Impaired loans, advances and financing analysed by sector are as follows:		
Agriculture, hunting, forestry and fishing	35,337	8,699
Mining and quarrying	3,735	626
Manufacturing	302,727	255,076
Electricity, gas and water	135	49
Construction	94,931	97,210
Wholesale and retail trade, restaurants and hotels	142,764	128,465
Transport, storage and communication	72,540	12,177
Finance, insurance and business services	21,114	12,034
Real estate	23,850	33,492
Community, social and personal services	818	1,640
Household	534,311	605,563
(of which: (i) Purchase of transport vehicles	142,847	166,773
(ii) Purchase of residential properties	296,519	331,066
(iii) Purchase of non-residential properties	20,903	26,470
(iv) Consumption credit	70,097	67,440
(vi) Others)	3,945	13,814
Others	144,135	98,803
	1,376,397	1,253,834

14. Loans, Advances and Financing (continued)

	31 December 2010 RM'000	%	31 December 2009 RM'000	%
(ix) Impaired loans, advances and financing analysed by economic purpose are as follows:				
Purchase of securities	9,511	0.7	16,027	1.3
Purchase of transport vehicles	165,249	12.0	202,764	16.2
Purchase of landed properties	363,374	26.4	400,217	31.9
(of which: (i) Residential	297,086	21.6	331,992	26.5
(ii) Non-residential)	66,288	4.8	68,225	5.4
Purchase of fixed assets (excluding landed properties)	19,025	1.4	15,272	1.2
Personal use	33,969	2.5	36,799	2.9
Credit cards	36,128	2.6	30,641	2.4
Purchase of consumer durables	7	-	12	-
Construction	25,162	1.8	26,603	2.1
Working capital (Analysed by geographical distribution:	693,369	50.4	505,902	40.4
Malaysia	554,710	40.3	413,472	33.0
Other countries)	138,659	10.1	92,430	7.4
Others	30,603	2.2	19,597	1.6
	1,376,397	100.0	1,253,834	100.0

	31 December 2010 RM'000	31 December 2009 RM'000
(x) Impaired loans, advances and financing analysed by geographical distribution are as follows:		
Malaysia	1,237,629	1,159,643
Other countries	138,768	94,191
	1,376,397	1,253,834

14. Loans, Advances and Financing (continued)

(xi) Movements in allowances for impaired loans, advances and financing are as follows:

	31 December 2010 RM'000	31 December 2009 RM'000
Collective assessment impairment allowance		
Balance as at 1 January		
- As previously reported	-	-
- Effects of adopting FRS 139	784,734	-
- As restated	784,734	-
Allowance made during the financial year	347,923	-
Allowance written-back in respect of recoveries/reclassification	(100,619)	-
Amount written off	(285,494)	-
Balance as at 31 December	746,544	-

Collective assessment impairment allowance comprised the following:

(a) Based on 1.5% of total outstanding loans/financing, net of individual assessment impairment allowance	560,959	-
(b) Additional collective assessment impairment allowance above the minimum 1.5% requirement	36,000	-
Adjusted collective assessment impairment allowance	596,959	-
(c) Additional collective assessment impairment allowance for loans/financing classified as impaired but not individually assessed for impairment (determined in accordance with BNM/GP3)	149,585	-
	746,544	-
Adjusted collective assessment impairment allowance [(a) + (b)] as a % of gross loans, advances and financing, net of individual assessment impairment allowance and additional collective assessment impairment allowance calculated under (c) above	1.6%	-

Individual assessment impairment allowance		
Balance as at 1 January		
- As previously reported	-	-
- Effects of adopting FRS 139	386,585	-
- As restated	386,585	-
Allowance made during the financial year	291,177	-
Allowance charged to deferred asset/other assets during the financial year	130	-
Allowance written-back in respect of recoveries/reclassification	(116,353)	-
Reversal of allowance set-off against deferred asset	(631)	-
Amount written off	(73,364)	-
Exchange differences	(1,060)	
Balance as at 31 December	486,484	-

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 and 17 December 2010.

14. Loans, Advances and Financing (continued)

(xi) Movements in allowances for impaired loans, advances and financing are as follows: (continued)

	31 December 2010 RM'000	31 December 2009 RM'000
General allowance		
Balance as at 1 January		
- As previously reported	487,810	450,928
- Effects of adopting FRS 139	(487,810)	-
- As restated	-	450,928
Allowance made during the financial year	-	36,882
Balance as at 31 December	-	487,810
As % of gross loans, advances and financing less specific allowance	-	1.5%
Specific allowance		
Balance as at 1 January		
- As previously reported	592,063	792,530
- Effects of adopting FRS 139	(592,063)	-
- As restated	-	792,530
Allowance made during the financial year	-	462,405
Allowance charged to deferred asset/other assets during the financial 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 31 December	-	592,063

EXPLANATORY NOTES

14. Loans, Advances and Financing (continued)

(xii) Key indicators for loans, advances and financing

		31 December 2010 RM'000	1 January 2010 RM'000	31 December 2009 RM'000
(a)	Gross loans, advances and financing	37,883,664	33,236,500	33,112,632
(b)	Total allowances for impaired loans, advances and financing			
	- Collective assessment impairment allowance	(746,544)	(784,734)	-
	- Individual assessment impairment allowance	(486,484)	(386,585)	-
	- General allowance	-	-	(487,810)
	- Specific allowance	-	-	(592,063)
		(1,233,028)	(1,171,319)	(1,079,873)
(c)	Net loans, advances and financing	36,650,026	32,080,748	32,048,326
(d)	Gross impaired loans, advances and financing	1,376,397	1,430,514	-
	analysed by geographical distribution:			
	Malaysia	1,237,629	1,271,100	-
	Other countries	138,768	159,414	-
(e)	Gross non-performing loans, advances and financing	-	-	1,253,834
	analysed by geographical distribution:			
	Malaysia	-	-	1,159,643
	Other countries	-	-	94,191
(f)	Net impaired loans, advances and financing	730,379	845,321	-
(g)	Net non-performing loans, advances and financing	-	-	755,147
(h)	Gross impaired loan/financing ratio	3.6%	4.3%	-
(i)	Gross non-performing loan/financing ratio	-	-	3.8%
(j)	Net impaired loan/financing ratio	2.0%	2.6%	-
(k)	Net non-performing loan/financing ratio	-	-	2.3%
(l)	Impaired loan/financing loss coverage	89.6%	81.9%	-
(m)	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".

15. Other Assets

	31 December 2010 RM'000	31 December 2009 RM'000
Unamortised handling fees	-	77,691
Trade receivables, net of allowances for bad and doubtful debts and interest-in-suspense of RM133,000 (31.12.2009: RM135,000)	*34,121	12,707
Interest/income receivable *	-	35,730
Other debtors, deposits and prepayments, net of impairment allowances for doubtful debts of RM10,405,722 (31.12.2009: RM708,040)	385,445	379,246
Deferred asset account	24,184	138,844
Tax recoverable	5,028	12,025
	448,778	656,243

* Upon adoption of FRS 139, interest/income receivables previously classified under Other Assets are now reclassified into the respective category of financial assets.

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

	31 December 2010 RM'000	31 December 2009 RM'000
Demand deposits	5,424,627	4,594,199
Savings deposits	3,291,312	3,095,661
Fixed/investment deposits	26,580,685	23,538,826
Money market deposits	6,089,882	2,637,235
	41,386,506	33,865,921

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

Due within six months	28,074,696	20,675,187
Six months to one year	4,269,754	4,808,241
One year to three years	301,862	678,719
Three years to five years	24,255	13,914
	32,670,567	26,176,061

17. Deposits from Customers (continued)

	31 December 2010 RM'000	31 December 2009 RM'000
(ii) The deposits are sourced from the following type of customers:		
Government and statutory bodies	3,996,440	3,500,571
Business enterprises	16,610,667	12,673,397
Individuals	13,267,201	12,504,900
Others	7,512,198	5,187,053
	41,386,506	33,865,921

18. Deposits and Placements of Banks and Other Financial Institutions

	31 December 2010 RM'000	31 December 2009 RM'000
Licensed banks	817,743	1,621,353
Licensed Islamic banks	-	317,890
Licensed investment banks	58,116	286,265
Bank Negara Malaysia	1,718,649	1,475,415
Other financial institutions	1,515,523	1,247,081
	4,110,031	4,948,004
(i) The maturity structure of deposits and placements of banks and other financial institutions is as follows:		
One year or less	2,700,484	3,360,765
More than one year	1,409,547	1,587,239
	4,110,031	4,948,004
Included in the above are negotiable certificates of deposit issued by the Group	200,000	1,429,714

19. Other Liabilities

	31 December 2010 RM'000	31 December 2009 RM'000
Trade payable	52,185	35,647
Other accruals and payables	412,388	327,645
Interest/dividend payable *	-	181,169
Clearing account	276,970	327,246
Loans sold to Cagamas Berhad with recourse	190,914	198,144
Profit equalisation reserve	7	7
	932,464	1,069,858

* Upon adoption of FRS 139, interest/dividend payables previously classified under Other Liabilities are now reclassified into the respective category of financial liabilities.

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20. Interest Income

	4th Quarter Ended		Twelve Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Loans, advances and financing	470,580	381,271	1,697,602	1,498,770
Money at call and deposit placements with financial institutions	54,218	35,217	188,044	136,082
Held for trading securities	7,265	428	12,097	1,827
Available-for-sale securities	19,715	29,942	87,548	121,123
Held-to-maturity securities	(161)	986	4,136	5,560
	551,617	447,844	1,989,427	1,763,362

21. Interest Expense

	4th Quarter Ended		Twelve Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Deposits and placements of banks and other financial institutions	24,507	36,929	114,234	140,119
Deposits from customers	215,682	147,816	715,791	645,069
Subordinated medium term notes	11,234	8,619	44,338	26,132
Innovative Tier 1 Capital Securities	10,693	8,207	42,421	13,016
Subordinated obligations	-	2,481	-	2,481
Long term borrowings	-	1,161	-	9,570
Short term borrowings	631	1,645	2,353	2,429
Others	2,895	2,363	10,076	6,252
	265,642	209,221	929,213	845,068

22. Non-interest Income

	4th Quarter Ended		Twelve Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Fee and commission income:				
Commissions	10,438	10,126	41,271	38,791
Service charges and fees	49,568	43,979	206,207	175,641
Guarantee fees	3,674	2,663	14,320	15,773
Advisory and arrangement fees	4,068	1,839	17,654	6,789
Underwriting commissions	1,172	310	2,538	789
Brokerage	3,080	1,918	9,489	8,914
	72,000	60,835	291,479	246,697
Net gains/(losses) on securities arising from:				
Sales of held for trading securities	659	272	3,302	455
Sales of available-for-sale securities	2,832	(5)	23,314	3,074
Redemption of held-to-maturity securities	5,346	874	7,432	2,257
Net unrealised gains/(losses) on fair value changes on held for trading securities	(225)	128	426	(126)
Dividend income from held for trading securities	(87)	-	-	-
Dividend income from available-for-sale securities	94	7	2,599	149
Dividend income from held-to-maturity securities	-	2,475	-	5,432
	8,619	3,751	37,073	11,241
Net unrealised (losses)/gains on fair value changes on derivatives held at fair value through profit and loss	(1,269)	(3,095)	13,340	(4,618)
Net unrealised gains/(losses) on fair value changes between hedged items and interest rate swaps designated as fair value hedges	6,108	925	5,227	(523)
Other income/(expenditure):				
Net foreign exchange gains	11,561	9,587	32,941	30,397
Rental income from premises	386	505	1,533	2,054
Gains on disposal of property, plant and equipment	221	250	366	598
Other operating income	1,188	2,364	8,652	10,024
Other non-operating income	919	1,191	2,924	2,795
Amortisation of fair value changes arising from the unwinded fair value hedges	(2,892)	-	(5,091)	-
Reversal of net unrealised losses on fair value changes of hedged available-for-sale securities upon their maturity	-	620	(2,613)	(3,536)
Net allowances recovered in respect of other bad and doubtful debts	346	616	311	468
	11,729	15,133	39,023	42,800
	97,187	77,549	386,142	295,597

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23. Other Operating Expenses

	4th Quarter Ended		Twelve Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Personnel expenses	122,612	140,353	507,608	478,546
Promotion and marketing related expenses	7,965	9,485	25,104	25,470
Establishment related expenses	38,037	34,553	141,661	130,384
General administrative expenses	37,018	52,994	157,296	186,127
	205,632	237,385	831,669	820,527

(i) Personnel expenses comprise the following:

Salaries, bonuses and allowances	92,993	112,376	402,143	383,751
Defined contribution plan	14,484	18,371	65,980	63,788
Other employee benefits	15,135	9,606	39,485	31,007
	122,612	140,353	507,608	478,546

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

Advertisement and publicity expenses	6,750	8,368	20,752	21,543
Travelling expenses	642	558	2,178	2,266
Others	573	559	2,174	1,661
	7,965	9,485	25,104	25,470

(iii) Establishment related expenses comprise the following:

Depreciation of property, plant and equipment	12,821	11,618	49,996	43,726
Repair and maintenance	8,665	5,973	29,710	22,580
Rental of premises	6,328	6,540	25,409	25,379
Hire of equipment	665	580	2,079	1,638
Dataline rental	1,443	1,369	5,719	5,346
Security services	3,850	3,191	11,747	10,942
Electricity, water and sewerage	3,915	3,567	13,204	12,762
Others	350	1,715	3,797	8,011
	38,037	34,553	141,661	130,384

23. Other Operating Expenses (continued)

	4th Quarter Ended		Twelve Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
(iv) General administrative expenses comprise the following:				
Communication costs	6,221	6,579	21,525	21,920
Auditors' remuneration	1,189	946	1,878	1,377
Printing and stationeries	3,060	2,533	11,931	11,618
Property, plant and equipment written off	586	556	628	671
Loss on disposal of property, plant and equipment	131	13	532	167
Legal and other professional charges	2,380	8,091	22,665	23,065
Cards expenses	13,924	15,975	64,852	65,547
Transport and travelling	3,360	3,619	3,360	3,619
Information service subscription	5,074	7,761	5,074	7,761
Others	1,093	6,921	24,851	50,382
	37,018	52,994	157,296	186,127

24. Impairment Losses on Securities And Loans, Advances and Financing

	4th Quarter Ended		Twelve Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Impairment losses on loans, advances and financing:				
Collective assessment impairment allowance				
- Made	71,487	-	347,923	-
- Written back	(18,622)	-	(100,619)	-
Individual assessment impairment allowance				
- Made	152,350	-	291,177	-
- Written back	(54,418)	-	(116,353)	-
General allowance				
- Made	-	16,413	-	36,882
Specific allowance				
- Made	-	119,699	-	462,405
- Written back	-	(53,727)	-	(199,181)
Impaired loans, advances and financing:				
- Recovered	(31,930)	(46,244)	(189,744)	(119,751)
- Written off	(1)	354	49	460
	118,866	36,495	232,433	180,815
Impairment losses on securities - (Written-back)/Made	(23,197)	(1,851)	32,731	11,853
	95,669	34,644	265,164	192,668

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.

25. Commitments and Contingencies

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

The notional amounts of the commitments and contingencies of the Banking Units of the Group are as follows:

	As At 31 December 2010 RM'000	As At 31 December 2009 RM'000
Commitments and Contingent Liabilities		
Direct credit substitutes	352,142	468,115
Transaction related contingent items	1,156,688	1,384,930
Short term self liquidating trade related contingencies	143,317	131,466
Forward asset purchases	24,300	-
Obligations under on-going underwriting agreements	125,940	64,200
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
Over one year	5,535,686	3,531,747
Up to one year	7,338,907	7,718,382
Unutilised credit card lines	3,394,742	3,710,027
	18,071,722	17,008,867
Derivative financial contracts		
Foreign exchange related contracts:		
One year or less	1,931,736	1,687,536
Over one year to five years	31,525	-
Interest/profit rate related contracts:		
One year or less	900,000	275,000
Over one year to three years	2,165,000	1,300,000
Over three years	2,520,000	1,270,000
	7,548,261	4,532,536
	25,619,983	21,541,403

* Disclosure of the credit equivalent amount and risk-weighted asset amount of the commitments and contingencies above, as required under Bank Negara Malaysia's ("BNM") revised Risk-Weighted Capital Adequacy Framework ("RWCAF") and Capital Adequacy Framework for Islamic Banks ("CAFIB"), will be presented in the Pillar 3 Disclosures Section of the 2010 Anuual Report .

26. Credit Transaction And Exposures With Connected Parties

	31 December 2010 RM'000	31 December 2009 RM'000
Outstanding credit exposures with connected parties	699,843	786,190
Total credit exposure which is non performing or in default	110	126
Total credit exposures	57,318,012	49,498,312
Percentage of outstanding credit exposures with connected parties		
as a proportion of total credit exposures	1.22%	1.59%
as a proportion of capital base	11.99%	15.87%
which is non performing or in default	0.02%	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.

27. Capital Adequacy

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

	31 December 2010	**31 December 2009**
Tier I capital ratio	10.92%	10.92%*
Risk-weighted capital ratio	15.41%	14.18%*

* After deducting first and final dividends.

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

	31 December 2010 RM'000	**31 December 2009 RM'000**
Tier I Capital:		
Paid-up share capital	1,329,807	1,329,807
Share premium	39,337	39,337
Retained profits	1,402,948	1,201,415
Other reserves	1,379,370	1,245,501
Innovative Tier 1 capital securities	489,691	488,520
	4,641,153	4,304,580
Less: Goodwill	(333,861)	(333,861)
Deferred tax assets	(171,284)	(137,193)
Total Tier I Capital	4,136,008	3,833,526
Tier II Capital:		
Subordinated medium term notes	1,136,526	632,944
Collective assessment impairment allowance #	562,939	-
General allowance	-	487,810
Total Tier II Capital	1,699,465	1,120,754
Total Capital	5,835,473	4,954,280
Less: Investment in subsidiaries	(690)	(690)
Capital Base	5,834,783	4,953,590

Excludes collective assessment impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing" issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

27. Capital Adequacy (continued)

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

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

The capital adequacy ratios of the Banking Units of the Group are computed in accordance with BNM's revised 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. The final tranche of RM170 million under the Financing Facility has been drawn down by EIBB on 31 January 2011.

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

	EON Bank Berhad [1]	MIMB Investment Bank Berhad [1]	EONCAP Islamic Bank Berhad [2]
Audited			
31 December 2010			
Tier 1 capital ratio	12.56%	73.30%	11.84%*
Risk-weighted capital ratio	14.83%	73.83%	15.41%*

* After deducting first and final dividends.

27. Capital Adequacy (continued)

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

	EON Bank Berhad [1]	MIMB Investment Bank Berhad [1]	EONCAP Islamic Bank Berhad [2]
31 December 2009			
Tier 1 capital ratio	12.97%*	71.88%	11.14%
Risk-weighted capital ratio	13.89%*	72.52%	12.69%

* After deducting first and final dividends.

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 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 II capital funds for the purposes of computation of EIBB's capital adequacy ratios.

28. Operations of Islamic Banking

(i) Audited Statement of Financial Position as at 31 December 2010

	Note	31 December 2010 RM'000	31 December 2009 RM'000
ASSETS			
Cash and short-term funds		1,271,591	1,794,815
Deposits and placements with banks and other financial institutions		100,265	45,000
Derivative financial instruments		643	-
Available-for-sale securities		1,203,524	475,637
Financing and advances	28(iv)	5,228,208	4,568,751
Other assets		78,347	81,605
Statutory deposits with Bank Negara Malaysia		53,552	40,131
Deferred tax assets		17,525	11,474
Property, plant and equipment		3,801	2,623
TOTAL ASSETS		7,957,456	7,020,036
LIABILITIES			
Deposits from customers	28(v)	6,025,709	4,833,735
Deposits and placements of banks and other financial institutions		1,084,048	1,554,130
Bills and acceptances payable		16,989	32,392
Provision for zakat		22,356	1,011
Other liabilities		91,581	92,437
Borrowings		104,411	-
TOTAL LIABILITIES		7,345,094	6,513,705
SHARE CAPITAL		397,755	397,755
RESERVES		214,607	108,576
SHAREHOLDER'S FUNDS		612,362	506,331
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		7,957,456	7,020,036
COMMITMENTS AND CONTINGENCIES		1,237,092	1,152,466

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EXPLANATORY NOTES

28. Operations of Islamic Banking (continued)

(ii) Audited Income Statement for the financial quarter/year ended 31 December 2010

	4th Quarter Ended		Twelve Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Income derived from investment of depositors' funds	94,033	73,276	346,745	300,160
Income derived from investment of shareholder's funds	10,619	9,036	42,031	34,196
	104,652	82,312	388,776	334,356
Impairment losses on financing and advances	(24,432)	(28,496)	(30,790)	(78,754)
Total distributable income	80,220	53,816	357,986	255,602
Income attributable to depositors	(42,902)	(24,536)	(148,017)	(113,122)
Total net income	37,318	29,280	209,969	142,480
Other operating expenses	(20,538)	(24,396)	(92,459)	(89,870)
Profit before taxation and zakat	16,780	4,884	117,510	52,610
Taxation	(6,848)	(2,424)	(27,581)	(14,355)
Zakat	(12)	(6)	(34)	(32)
Profit for the financial quarter/year	9,920	2,454	89,895	38,223

(iii) Audited Statement of Comprehensive Income for the financial quarter/year ended 31 December 2010

	4th Quarter Ended		Twelve Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Profit for the financial quarter/year	9,920	2,454	89,895	38,223
Other comprehensive income:				
Gains/(losses) recognised directly in equity				
Changes in fair value of available -for-sale securities	(111)	2,973	(884)	8,653
Taxation relating to other components of comprehensive income	28	(743)	221	(2,163)
Other comprehensive income for the financial quarter/year, net of tax	(83)	2,230	(663)	6,490
Total comprehensive income for the financial quarter/year	9,837	4,684	89,232	44,713

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EXPLANATORY NOTES

28. Operations of Islamic Banking (continued)

(iv) Financing and Advances

	31 December 2010 RM'000	31 December 2009 RM'000
Cash line	268,690	300,862
Term financing:		
Housing financing	3,319,794	2,544,109
Hire purchase receivables	2,166,903	1,946,768
Syndicated financing	82,679	89,756
Personal financing	725,811	374,733
Other term financing	1,082,874	1,040,099
Bills receivable	1,997	1,555
Trust receipts	1,052	3,013
Claims on customers under acceptance financing	293,622	247,661
Staff financing	35,375	28,848
Revolving financing	166,563	126,510
Other financing	70,013	75,008
	8,215,373	6,778,922
Unearned income	(2,770,958)	(2,000,976)
Gross financing and advances	5,444,415	4,777,946
Allowances for impaired financing and advances		
- Collective assessment impairment allowance	(105,977)	-
- Individual assessment impairment allowance	(110,230)	-
- General allowance	-	(69,575)
- Specific allowance	-	(139,620)
Net financing and advances	5,228,208	4,568,751

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

	31 December 2010 RM'000	31 December 2009 RM'000
Balance as at 1 January		
- As previously reported	265,721	224,462
- Effects of adopting FRS 139	79,936	-
- As restated	345,657	224,462
Classified as impaired during the financial year	308,264	559,553
Reclassified as non-impaired during the financial year	(216,425)	(384,091)
Amount recovered	(87,793)	(95,164)
Amount written off	(36,135)	(26,933)
Financing converted to securities	-	(12,106)
Exchange differences	(16,953)	-
Balance as at 31 December	296,615	265,721
Less:		
(a) Individual assessment impairment allowance/Specific allowance	(110,230)	(130,495)
(b) Additional collective assessment impairment allowance for financing classified as impaired but not individually assessed for impairment	(24,964)	-
Net impaired financing and advances	161,421	135,226

28. Operations of Islamic Banking (continued)

(iv) Financing and Advances (continued)

	31 December 2010 RM'000	31 December 2009 RM'000
(b) Movements in allowances for impaired financing and advances are as follows:		
Collective assessment impairment allowance		
Balance as at 1 January		
- As previously reported	-	-
- Effects of adopting FRS 139	112,826	-
- As restated	112,826	-
Allowance made during the financial year	41,023	-
Allowance written back in respect of recoveries/reclassification	(18,584)	
Amount written-off	(29,288)	
Balance as at 31 December	105,977	-
Collective assessment impairment allowance comprised the following:		
(a) Based on 1.5% of total outstanding loans/financing net of individual assessment impairment allowance	80,013	-
(b) Additional collective assessment impairment allowance above the minimum 1.5% requirement	1,000	-
Adjusted collective assessment impairment allowance	81,013	-
(c) Additional collective assessment impairment allowance for financing classified as impaired but not individually assessed for impairment (determined in accordance with BNM/GP3)	24,964	-
	105,977	-
Adjusted collective assessment impairment allowance [(a) + (b)] as a % of gross financing and advances, net of individual assessment impairment allowance and additional collective assessment impairment allowance calculated under (c) above	1.5%	-

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 and 17 December 2010.

28. Operations of Islamic Banking (continued)

(iv) Financing and Advances (continued)

	Audited 31 December 2010 RM'000	Audited 31 December 2009 RM'000
(b) Movements in allowances for impaired financing and advances are as follows: (continued)		
Individual assessment impairment allowance		
Balance as at 1 January		
- As previously reported	-	-
- Effects of adopting FRS 139	103,427	-
- As restated	103,427	-
Allowance made during the financial year	41,464	-
Allowance written back in respect of recoveries/reclassification	(26,754)	
Amount written-off	(6,847)	-
Exchange differences	(1,060)	-
Balance as at 31 December	110,230	-
General allowance		
Balance as at 1 January		
- As previously reported	69,575	71,611
- Effects of adopting FRS 139	(69,575)	-
- As restated	-	71,611
Allowance written back during the financial year	-	(2,036)
Balance as at 31 December	-	69,575
As % of gross financing and advances, less specific allowance	-	1.5%
Specific allowance		
Balance as at 1 January		
- As previously reported	139,620	86,242
- Effects of adopting FRS 139	(139,620)	-
- As restated	-	86,242
Allowance made during the financial year	-	125,020
Allowance written back in respect of recoveries/reclassification	-	(39,001)
Amount written-off	-	(26,934)
Amount transferred to allowance for impairment of securities	-	(5,707)
Balance as at 31 December	-	139,620

28. Operations of Islamic Banking (continued)

(v) Deposits from Customers

	31 December 2010 RM'000	31 December 2009 RM'000
Non-Mudharabah:		
Al-Wadiah demand deposits	1,372,161	1,149,555
Al-Wadiah savings deposits	200,945	187,109
Mudharabah:		
Al-Fareed demand deposits	150,154	122,927
Al-Mudharabah savings deposits	106,984	94,731
Total demand and savings deposits	1,830,244	1,554,322
Non-Mudharabah:		
Bai Al-Inah HARI	-	1,294
Mudharabah:		
General investment deposits	4,195,465	3,278,119
Total investment deposits	4,195,465	3,279,413
	6,025,709	4,833,735

29. Significant Events During the Financial Quarter/Year Ended 31 December 2010

Other than those disclosed in Note 2, Note 27(a) and Note 40(b), there were no significant events during the financial quarter/year ended 31 December 2010 that have not been disclosed in these condensed financial statements.

30. Changes in the Composition of the Group

There were no significant changes in the composition of the Group during the financial quarter/year ended 31 December 2010 that have not been disclosed in these condensed financial statements.

31. Significant Events Subsequent to the Balance Sheet Date

Other than those disclosed in Note 40(b), there were no significant events subsequent to the balance sheet date that have not been disclosed in these condensed financial statements.

32. Other Commitments

	31 December 2010 RM'000	31 December 2009 RM'000
Authorised and contracted for	35,484	31,565
Authorised but not contracted for	39,765	3,741
	75,249	35,306
Analysed as follows:		
- Property, plant and equipment	75,249	35,306

33. Loss on deconsolidation of subsidiaries

	31 December 2010 RM'000	31 December 2009 RM'000
Loss on deconsolidation of subsidiaries	675	-

MIMB Investment Bank Berhad ("MIMB"), a subsidiary of the Company, had originally acquired a stockbroking company, Leong and Co., and renamed it as EON Capital Securities Sdn Bhd (‘ECS’). Under the requirements of the Securities Commission that a broking firm must merge with another broking firm, ECS had then acquired Sime Securities Sdn Bhd (‘Sime Securities’) and its subsidiaries (SSSB Nominees (Tempatan) Sdn Bhd and SSSB Nominees (Asing) Sdn Bhd) on 22 February 2006 as its subsidiaries. ECS subsequently acquired the undisputed liabilities of Sime Securities via an inter-company loan from ECS. There was no vesting of the assets and liabilities of Sime Securities into ECS.

Subsequently, Sime Securities surrendered its stockbroking licence, and the legal entity was renamed as SSSB Jaya (1987) Sdn Bhd ("SSSB Jaya"). In 2006, as part of the requirement for an investment banking license, the merchant banks were required to acquire the stockbroking firms.

MIMB, which used to have a merchant banking licence, had in December 2006 completed the merger with ECS, and renamed itself as MIMB Investment Bank Berhad, as part of the transformation of MIMB into an investment bank. The assets and liabilities of ECS were vested into MIMB, and accordingly with this vesting, SSSB Jaya became a subsidiary of MIMB.

In view of the impending winding up petition on SSSB Jaya by one of the plaintiffs, the Board of MIMB agreed to a creditors’ voluntary winding-up. An Extraordinary General Meeting approved the appointment of the liquidators on 5 January 2010.

The appointment of the liquidators under the creditors’ voluntary winding up represents a loss of control as described in paragraph 32 of FRS 127 Consolidated and Separate Financial Statements (2010). Hence the Group has derecognised the assets and liabilities of SSSB Jaya and its subsidiaries at their carrying amount and recognised the resulting difference of RM0.7 million as a loss in the Group accounts.

The goodwill arising on the acquisition of SSSB Jaya at the Group of RM20.1 million is not derecognised, as it has been allocated to cash generating units of the Group, and is subject to an annual impairment review.

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

34. Taxation

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

	4th Quarter Ended		Twelve Months Ended	
	31 December 2010 RM'000	31 December 2009 RM'000	31 December 2010 RM'000	31 December 2009 RM'000
Malaysian income tax:				
- Charge for the financial quarter/year	52,636	28,288	175,758	116,387
- Over provision in respect of prior years	(613)	6,040	(12,838)	(12,828)
	52,023	34,328	162,920	103,559
Transfer to deferred taxation	(9,968)	5,994	(13,435)	(22,765)
	42,055	40,322	149,485	80,794

35. Subordinated Medium Term Notes

	31 December 2010 RM'000	31 December 2009 RM'000
Subordinated medium term notes, at par	1,160,000	660,000
Interest payable	9,346	
Fair value changes arising from fair value hedge	1,645	(1,314)
	1,170,991	658,686
Less: Unamortised discounts	(23,474)	(27,056)
	1,147,517	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.

35. Subordinated Medium Term Notes (continued)

Subsequently, on 30 December 2010, EBB issued a third tranche of RM500.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 30 December 2015 (and at each anniversary date thereafter) and due on 30 December 2020 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this third tranche of the Subordinated MTN is 4.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should the EBB decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate of this third tranche will be remain at 4.75% per annum, from the beginning of the sixth (6) year to the final maturity date.

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 ratios of EBB, and are rated A2 by RAM Rating Services Berhad.

36. Hybrid Capital

	Audited 31 December 2010 RM'000	Audited 31 December 2009 RM'000
Innovative Tier 1 Capital Securities, at par	500,000	500,000
Interest payable	12,318	0
Fair value changes arising from fair value hedge	1,073	(1,297)
	513,391	498,703
Less: Unamortised discounts	(10,309)	(11,480)
Unamortised fair value changes arising from the unwinded fair value hedge	(1,024)	-
	502,058	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 ratios of EBB.

37. Borrowings

	Note	31 December 2010 RM'000	31 December 2009 RM'000
Short-term borrowings:			
Revolving credit facilities	(i)	65,000	65,000
Interest payable		321	-
Total borrowings		65,321	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.

38. Unquoted Investments and Properties

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

39. Quoted securities

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

40. Status of Corporate Proposals Announced But Not Completed

(a) 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 Company has not received any update on the outcome of the appeal by Primus.

(b) 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" or "Proposed Disposal").

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

(b) (continued)

On 21 May 2010, the Company had announced a proposal to distribute all the proceeds arising from the Proposed Disposal back to the entitled shareholder via a proposed special dividend, proposed increase in authorised share capital, proposed capital reduction and proposed issue of 2 new shares ("Proposed Distribution").

On 21 June 2010, the Company announced that it had received a petition containing several complaints brought by Primus (Malaysia) Sdn Bhd under Section 181 of the Company's Act, 1965 against the Company (as nominal respondent) 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. The hearing of the petition commenced on 20 September 2010 and the trial is presently on-going.

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 who dissented) 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 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 (Malaysia) Sdn Bhd on 21 July 2010 against the Company (as nominal respondent) and 12 others ("Petition").

The approval of the Minister of Finance for the Proposed Disposal dated 26 July 2010 was obtained vide Bank Negara Malaysia's letter dated 3 August 2010. At the Company's Extraordinary General Meeting ("EGM") held on 27 September 2010, all the resolutions in relation to the Proposed Disposal and the Proposed Distribution have been passed by the shareholders.

On 4 October 2010, Primus (Malaysia) Sdn Bhd via its solicitors had informed the Company that it has filed an originating summons at the High Court of Malaya at Kuala Lumpur seeking the Court reliefs for, inter-alia, the declaration that all the resolutions passed at the EGM of the Company held on 27 September 2010 to be null and void and an order to restrain the Company, its servants, agents or whomsoever from implementing, or giving effect to, any such resolution passed at the EGM. The originating summons had been served on 15 October 2010 and on 19 October 2010, at the case management hearing, the originating summons was held on 2 December 2010.

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

(b) (continued)

On 31 January 2011, the Company announced that the Learned Judge had on 31 January 2010 held that:

Based on the proper construction of Article 63 of the Articles of Association of ECB, the Chairman of the EGM held on 27 September 2010; (a) ought to have put the motion for adjournment which was properly seconded to the vote; (b) the Chairman's refusal to put the motion to replace him as Chairman was justified; and (c) he would decline to make any other declaratory orders sought by Primus (Malaysia) Sdn Bhd. The Learned Judge also held that the contravention of Article 63 does not render the EGM a nullity and the resolutions passed thereat void. As a result of the above, the shareholders resolutions passed at the EGM on 27 September 2010 are valid.

On 16 February 2011, the Company announced that Primus (Malaysia) Sdn Bhd has filed a notice of appeal to the Court of Appeal appealing against the decision of the Learned High Court Judge given on 31 January 2011 in relation to the validation of the EGM. On the same date, Primus (Malaysia) Sdn Bhd has also filed a notice of change of solicitors, changing its solicitors from Messrs. Rangit Singh & Yeoh to Messrs. Rangit Ooi & Robert Low.

41. Derivative Financial Instruments

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

31 December 2010	**Contract/ Notional Amount RM'000**	**Fair Value Assets RM'000**	**Fair Value Liabilities RM'000**
Foreign exchange related contracts:			
One year or less	1,931,736	12,327	12,762
Over one year to three years	31,525	219	-
Interest rate related contracts:			
One year or less	900,000	2,057	8,456
Over one year to three years	2,165,000	3,712	13,396
Over three years	2,520,000	8,621	1,540
	7,548,261	26,936	36,154

31 December 2009	**Contract/ Notional Amount RM'000**	**Fair Value Assets RM'000**	**Fair Value Liabilities RM'000**
Foreign exchange related contracts:			
One year or less	1,687,536	9,825	14,639
Interest 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

41. Derivative Financial Instruments (continued)

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

(i) Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2010, the amount of contracts of the Group, which were not hedged and, hence, exposed to market risk was RM13,654,153 (31 December 2009: RM20,308,353).

(ii) Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group has a gain position. As at 31 December 2010, the amount of credit risk of the Group, measured in terms of the cost to replace the profitable contracts, was RM36,834,842 (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.

(iii) Liquidity risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

Cash requirement of the derivative

Cash requirements of the derivative may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the credit ratings of the banking subsidiaries of the Group. As as 31 December 2010, there is no requirement for the banking subsidiaries of the Group to post any additional cash collateral on their derivative contracts.

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.

42. Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated lossess as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group as at 31 December 2010, into realised and unrealised profits is as follows:

		31 December 2010 RM'000
Retained profits:		
- Realised		1,102,518
- Unrealised	- in respect of deferred tax recognised in the income statement	171,284
	- in respect of other items of income and expense	14,390
		1,288,192

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements , issued by the Malaysian Institute of Accountants on 20 December 2010.

Accordingly, the unrealised retained profits of the Group as disclosed above excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Group, and are hence deemed as realised.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

43. Material Litigation

As at 31 December 2010, other than those disclosed in Note 40(b), 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 other than the following:

On 27 September 2010, the Company announced that its wholly-owned subsidiary, EON Bank Berhad ("EBB"), had on 22 September 2010 received writ claiming among others, RM21 million in damages for alleged malicious prosecution of the Plaintiff by EBB together with an application for an order that EBB deposit into court the said RM21 million. The action arose in connection with a previous legal proceeding taken by EBB against the Plaintiff under a hire purchase transaction over which EBB secured Judgment in Default of Appearance for RM53,000. EBB made the Plaintiff bankrupt in 2004 but the judgment and bankruptcy was set aside in 2006. The application for the said order was withdrawn with costs awarded to EBB whereas the writ is pending hearing.

44. Profit Forecast

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

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

The Group recorded a profit before taxation and zakat of RM142.9 million compared to RM165.2 million achieved in the immediate preceding quarter ended 30 September 2010. The lower pre-tax profit was attributed mainly to higher impairment losses on securities and loans, advances and financing of RM49.7 million due to the expansion in securities portfolio and gross loans. The gross impaired loans ratio has increased to 3.6%, from 3.5% in the immediate preceding financial quarter, whilst the impaired loan loss coverage ratio has reduced from 90.1% to 89.6%.

Interest income was higher by RM33.4 million or 6.5% following the three consecutive rise in the Overnight Policy Rate ("OPR") in March 2010, May 2010 and July 2010, and the growth in the consumer and SME loans portfolio. However, this was partly offset by the rise in interest expense by RM18.0 million or 7.3%.

The overall cost to income ratio has improved significantly to 46.2% in the current financial quarter from 51.1% in the immediate preceding financial quarter ended 30 September 2010. This was mainly attributable to the reduction in other operating expenses by RM14.6 million or 6.6% as a result of the Group's concerted efforts in implementing initiatives and review processes to improve efficiency.

For the current financial quarter ended 31 December 2010, the Group reported a net profit after tax of RM100.9 million as compared to RM128.1 million in the immediate preceding financial quarter ended 30 September 2010.

46. Review of performance for the financial quarter/period ended 31 December 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 RM142.9 million for the financial quarter ended 31 December 2010, an increase of RM41.0 million or 40.2% compared to RM101.9 million achieved during the financial quarter ended 31 December 2009. The higher pre-tax profit was attributed mainly to higher interest income of RM103.8 million or 23.2% following the three consecutive rise in OPR in March 2010, May 2010 and July 2010, and the loans and financing growth of 14.4%. Interest expense increased by RM56.4 million or 27.0%, attributable partly to the interest expense relating to the capital instruments issued in 2009. This comprised the RM500 million Innovative Tier 1 Capital Securities which were issued on 10 September 2009 and the RM410 million, RM250 million and RM500 million subordinated medium term notes which were issued on 27 February 2009, 2 December 2009 and 30 December 2010 respectively. Accordingly, the net interest income, including net income derived from Islamic banking business, also increased by RM51.3 million or 17.3%.

Non-interest income increased by RM19.6 million or 25.3% due mainly to higher net gains on securities and higher fees and commission income, as the Group continued to focus on transactional banking services.

The overall cost to income ratio has improved significantly to 46.2% in the current financial quarter from 63.5% previously reported in 2009. This was mainly attributable to the reduction in other operating expenses by RM31.8 million or 13.4% as a result of the Group's concerted efforts in implementing initiatives and review processes to improve efficiency.

There was a higher write-back of impairment provision on securities for the quarter by RM21.3 million as compared to the corresponding quarter of preceding year due to the write back of the provision made for the MUNIF stock. Impairment losses on loans, advances and financing had increased by RM82.4 million during the quarter due to the expansion in gross loans. Reflecting the improvement in economic environment and asset quality, the gross impaired loans ratio has improved to 3.6% as at 31 December 2010 compared with the gross non-performing loans ratio of 3.8% as at 31 December 2009. Similarly, the impaired loan loss coverage had risen to 89.6% as at 31 December 2010 from 86.1% as at 31 December 2009.

After setting aside taxation expenses of RM42.1 million, the net profit after tax for the current financial quarter ended 31 December 2010 amounted to RM100.9 million, or an increase of 63.8%. This translated into earnings per share of 14.6 sen for the quarter, or an increase of 63.8%, from a year ago.

46. Review of performance for the financial quarter/period ended 31 December 2010 against the corresponding financial quarter/period of preceding year (continued)

<u>Current financial year against preceding financial year</u>

For the financial year ended 31 December 2010, the Group recorded a profit before taxation and zakat of RM589.6 million, an increase of RM167.7 million or 39.7% from the RM421.9 million achieved for the financial year ended 31 December 2009. The increase in pre-tax profit was mainly due to higher net interest income of RM141.9 million or 15.5% following the three consecutive rise in the OPR in March 2010, May 2010 and July 2010, and hence the consequential increase in Base Lending Rate ("BLR") by a total of 0.75% from end-December 2009 to end-December 2010, and the loans growth of 14.4%. The rise in the OPR had also benefitted the Group's Islamic loans portfolio, with net income from Islamic banking business expanding by RM19.5 million or 8.8%, as the bulk of its financing portfolio is fixed rate in nature.

Non-interest income rose by RM90.5 million or 30.6% arising mainly from transactional banking services, trade finance activities, the corporate advisory services and higher net gains on sale of securities.

The overall cost to income ratio has improved significantly to 49.3% in the current financial year from 57.2% previously reported in 2009. This was mainly attributable to the growth in net income by 17.6%, while other operating expenses have only increased moderately by 1.4% or RM11.1 million.

Impairment losses on securities and loans, advances and financing were RM72.5 million higher due to expansion in securities portfolio and gross loans during the year. Impaired loan loss coverage improved from 81.9% as at 1 January 2010 (after incorporating the effects of adopting FRS 139) to 89.6% as at 31 December 2010. There is also a reduction in gross impaired loan ratio from 4.3% as at 1 January 2010 to 3.6% as at 31 December 2010.

During the year, the Group had set aside impairment losses on securities totalling RM12.4 million, in relation to the Collateralized Loan Obligation ("CLO"), called CapOne which was originated 5 years ago, and matured in September 2010. The overall impairment provision for securities was RM20.9 million higher than the provision charge in the preceding financial year ended 31 December 2009.

For the financial year ended 31 December 2010, the Group's tax rate had normalised at approximately 25% (tax charge of RM149.5 million), whilst in the preceding financial year, the tax charge was RM80.8 million, translating to a tax rate of 19% due to one-off non-recurring prior years' tax adjustments. The Group reported a net profit after tax of RM440.1 million for the financial year ended 31 December 2010 compared with RM341.1 million for the preceding financial year ended 31 December 2009, an increase of RM99.0 million or 29.0%. This translated into earnings per share of 63.5 sen for the financial year ended 31 December 2010 , an increase of 14.3 sen or 29.0% as compared with the 49.2 sen for the preceding financial year ended 31 December 2009.

As at 31 December 2010, the Group recorded net assets per ordinary share of RM5.71, an increase of RM0.58 or 11.3% as compared to RM5.13 as at 31 December 2009.

In conclusion, the results for the financial year ended 31 December 2010 were satisfactory.

EXPLANATORY NOTES

47. Prospects for 2011

In line with the improving global economy and the implementation of the Government’s Economic Transformation Programme, the Group is expected to leverage on the infrastructure that has been built over the last two years, to further expand its banking operations. The Group is confident that it will be able to achieve its loans growth targets driven mainly by on-going expansion by the SME and the rising consumer spending on housing, car financing and other consumer durables. The Islamic banking business is also expected to register strong growth with the introduction of relevant and innovative Shariah-compliant products. However, interest margins compress further in FY2011 as Bank Negara Malaysia is expected to tighten monetary policy and to raise the overnight policy rate to address inflationary concerns.

Non-interest income is expected to register stronger growth from transactional banking, treasury trading and investment banking and brokerage services. The Group would also continue implement various initiatives to further enhance the efficiency of its process and productivity as well as to improve the overall asset quality of its lending portfolio.

In conclusion, the Group is confident that it will be able to sustain the growth momentum and achieve a satisfactory financial performance in FY2011.

48. Earnings Per Share

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

	4th Quarter Ended		Twelve Months Ended	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
	RM'000	RM'000	RM'000	RM'000
Profit for the financial quarter/year	100,869	61,591	440,088	341,104
Weighted average number of ordinary shares in issue during the financial quarter/year	693,209	693,209	693,209	693,209
Earnings per share (sen)				
- Basic/diluted	14.55	8.88	63.49	49.21

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