The Royal Bank of Scotland Berhad

Annual Report 2008

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RBS

The Royal Bank of Scotland

The Royal Bank of Scotland Berhad (301932-A)
www.rbs.my

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Board of Directors

General (Rtd) Tan Sri Dato' Mohd Ghazali Seth (Chairman, Independent Non-Executive) - seated right

Tan Sri Dato' Mohd Ghazali Seth was appointed as Independent Non-Executive Director of The Royal Bank of Scotland Berhad in 1994. He is also a member of the Audit and Examination, Risk Management, Remuneration and Nominating Committee, all of which are sub-committees of the Board.

He possesses numerous military qualifications from the United Kingdom, namely Military Officer from the Royal Military College, Sandhurst, Military Command & Staff from the Staff College Camberly, Military Intelligence from the Staff Intelligence Ashford and Joint Services from Staff College Latimar. Tan Sri Ghazali retired as the Chief of Armed Forces after 35 years of service with the Malaysian Armed Forces. He also served as a Senator in the Malaysian Parliament and as the Vice-President of Ex-Servicemen Association.

Currently, Tan Sri Ghazali also holds directorships in Pacific & Orient Insurance Co. Berhad, and holds positions in various organisations, namely: Distinguished Fellow with the Institute of Strategic and International Studies (ISIS), Chairman of the Board of Trustees of Yayasan Amanah Pembinaan Insan, Member of the Board of Trustees of the Neuro Surgical Foundation, Chairman of the Retired Armed Forces Officer Club, Member of the Board of Trustees of the Johore Malay Chamber of Commerce of Malaysia, Chairman to the Investment Panel, Armed Forces Provident Fund (LTAT) and Chairman of Malaysian International Tuna Port Sdn. Bhd.

Harold Douglas Naysmith (Executive Director until 6 April 2009) - seated center

Mr. Naysmith was appointed the Managing Director of The Royal Bank of Scotland Berhad in 2006 and was re-designated to Non-Independent Non-Executive Director on 6 April 2009.

He grew up in Kelantan and went to school in Penang before returning to Scotland to complete his secondary and tertiary education. After qualifying as a chartered accountant in Edinburgh, Scotland, he moved to Hong Kong in 1988 and joined HSBC. He held various positions in HSBC, largely within Investment Banking, including as head of their investment banking and stockbroking business in Indonesia. He then assumed the post of head of corporate finance and equity capital markets in South East Asia, based in Singapore. He left HSBC to join ABN AMRO in 2004 and came to Malaysia, to take up his present position at the end of 2005.

Robert Ralph Davis (Non-Independent Non-Executive Director) - standing right

Mr. Davis was appointed as Non-Independent Non-Executive Director of The Royal Bank of Scotland Berhad in 2001. He is also a member of Risk Management and Nominating Committee, all of which are sub-committees of the Board.

Mr. Davis is the Head of Manufacturing of ABN AMRO N.V. for Asia. Prior to this, he was the Head of Compliance, Asia and Chief Operating Officer, Asia Pacific Regional Office.

He joined ABN AMRO Bank in March 2000 from Bank of America, where he was Head of Asia Strategy and Planning. He has 20 years of consumer and corporate banking experience in South East Asia, including assignments in Hong Kong, Philippines, Thailand, Malaysia, Singapore and Indonesia.

He holds a BA (with distinction) from Stanford University in Economics and an MALD in International Finance from the Fletcher School of Law and Diplomacy (Tufts and Harvard Universities).

Dato' Jorgen Bornhoft (Independent Non-Executive Director) - standing left

Dato' Bornhoft was appointed as Independent Non-Executive Director of The Royal Bank of Scotland Berhad in 1999. He is also a member of the Audit and Examination, Risk Management, Remuneration and Nominating Committee, all of which are sub-committees of the Board.

Presently, Dato' Bornhoft is an Independent Non-Executive Chairman of Hap Seng Consolidated Berhad, Independent Non-Executive Director of Hap Seng Plantations Berhad and Director of Mega First Corporation Berhad.

He holds a degree in Accountancy and Financing (Bachelor of Commerce) from the Copenhagen Business School and has attended executive management courses at INSEAD.

He was the Chief Executive Officer of Carlsberg Brewery Malaysia Berhad from April 1991 and was its Managing Director from October 1995. In January 2003, he was appointed as Chief Executive Officer of Carlsberg Asia Pte Ltd in Singapore until 30 June 2004. Prior to his appointment to Carlsberg Brewery Malaysia Berhad, he was the Vice President in Carlsberg International A/S, Denmark, responsible for foreign subsidiaries and new projects.

Tan Sri Datuk Asmat bin Kamaludin (Independent Non-Executive Director) - standing center

Tan Sri Datuk Asmat Bin Kamaludin was appointed as Independent Non-Executive Director of The Royal Bank of Scotland Berhad in 2007. He is also a member of the Audit and Examination, Risk Management, Remuneration and Nominating Committee, all of which are sub-committees of the Board.

Tan Sri Asmat, a Malaysian, holds a Bachelor of Arts degree in Economics from the University of Malaya and he also holds a Diploma in European Economic Integration from the University of Amsterdam in 1970. He has vast experience in various capacities in the public service, his last position being the Secretary General of the Ministry of International Trade and Industry (MITI), a position held from 1992 to 2001. He has served as the Economic Counselor for Malaysia in Brussels and has worked with several international bodies such as the Association of South East Asian Nations (ASEAN), World Trade Organisation (WTO) and Asia-Pacific Economic Cooperation (APEC), representing Malaysia in relevant negotiations and agreements.

Tan Sri Asmat has also been actively involved in several national organisations such as Permodalan Nasional Berhad, Johor Corporation, Small and Medium Scale Industries Development Corporation (SMIDEC) and Malaysia External Trade Development Corporation (MATRADE) while in the Malaysian government service. Other Malaysian public companies which he is currently involved with are UMW Holdings Berhad (Chairman), YTL Cement Berhad (Vice-Chairman), Panasonic Manufacturing Malaysia Berhad (Chairman), Symphony House Berhad (Chairman), Scomi Group Berhad (Chairman), Compugates Holdings Berhad (Chairman) and Trans-Asia Shipping Corporation Berhad (Chairman) and he is a director of Carlsberg Brewery Malaysia Berhad, Lion Industries Corporation Berhad, Malaysian Pacific Industries Berhad and Permodalan Nasional Berhad. He also serves on the board of the Japan Chamber of Trade and Industry in Malaysia Foundation.

Muhammad Aurangzeb (Non-Independent Non-Executive Director) - seated left

Having earned his undergraduate and MBA degrees from The Wharton School (University of Pennsylvania), Muhammad Aurangzeb started his professional career with Citigroup in 1986 where he worked in its Lahore, Singapore, and New York offices in corporate banking, structured trade finance and Financial Institutions disciplines.

Muhammad Aurangzeb joined ABN AMRO bank in 1994 and held various positions including Country Manager Pakistan before moving to Amsterdam as CFO for Financial Markets business, Global Head of Portfolio Management (wholesale lending business) and in 2006 as Global Head, Commercial Client Segment for ABN AMRO Bank. Since August 2008, he has taken direct responsibility for the overall bank franchise in Singapore in addition to running Global Banking & Markets business for South East Asia and Pakistan.

Muhammad Aurangzeb has served on Boards of various business schools, Geneva based Aga Khan Foundation and ABN AMRO Foundation (which supports charity and development work). He is also the Chairman of the bank's subsidiaries in Philippines and Pakistan.

Andrew Mark Sill (Executive Director appointed on 6 April 2009) - not in picture

Andrew Mark Sill was appointed as Malaysia Country Executive in April 2009. Mr. Sill has been with the RBS Group for over 20 years.

Prior to moving to Malaysia, he had spent the last 10 years in RBS Singapore as the Senior Director and subsequently Co-Head Corporate Banking, South East Asia, responsible for the RBS Corporate Banking franchise in South East Asia.

Prior to Singapore, he worked for NatWest Markets in their Kuala Lumpur Representative Office, developing an MNC marketing platform and setting a branch in Labuan followed by two years in Mumbai, India as Representative for NatWest Markets.

Noteworthy transactions include the S$4bn Sentosa Integrated Resort Project Financing for Genting; GBP50m, 51 Yr Index linked bond for Wessex Water / YTL, acquisition bridge financing and long term refinance for Singapore Power's A$7bn acquisition of Alinta and PSA's US$3.4bn acquisition of a 20% stake in Hutchison Ports respectively.

He currently sits on the Board of The Royal Bank of Scotland Berhad and RBS Asia Advisers (Malaysia) Sdn Bhd.

Chairman & Managing Director's Statement

Right: *General (Rtd) Tan Sri Dato' Mohd Ghazali Seth (Chairman)*

Left: *Harold Douglas Naysmith (Managing Director)*

Year Under Review

During the financial year under review, The Royal Bank of Scotland Berhad (RBS Berhad) posted a record pre-tax profit of RM158.2m as compared to a pre-tax profit of RM25.5m in 2007.

The increase in profit was driven by a strong performance in the bank's Global Markets business. Despite a deteriorating global economic environment, the bank was well positioned as central banks across the globe loosened monetary policy via interest rate cuts. As the credit crunch gripped financial markets, the bank was able to provide tailored solutions to its clients to permit hedging against increasing market volatility. Furthermore, the trading book positions generated strong profits on the back of the expectation and execution of interest rate cuts within Malaysia.

Costs remained stable throughout 2008 within the bank as inflationary fears eased. The bank completed a re-branding exercise during 2008 from ABN AMRO Bank Berhad to The Royal Bank of Scotland Berhad which led to an increase in marketing and communication costs. Despite deteriorating conditions, the bank saw an improvement through the reduction of the size of its non-performing loan portfolio, which stands at a very low 0.14% of the net loan portfolio.

RBS Berhad continues to remain one of the key market makers for the local interbank derivatives market. It also expanded its product range further during 2008 through the offering of commodity derivatives.

Outlook For 2009

The bank remains committed to providing exceptional service and innovative financial solutions to its clients in Malaysia. As global economic conditions are anticipated to continue to remain challenging throughout 2009, the bank will continue to remain vigilant to the inherent risks and manage its portfolio conservatively. To that extent, the balance sheet is expected to reduce further as leverage and capital ratios continue to remain a key focus.

On the 26th of February 2009, the Retail & Commercial Markets operations, which provides financial solutions to consumer and small to medium enterprises, has been tendered for sale. This is part of the global strategy for The Royal Bank of Scotland whereby the entire Asian Retail & Commercial Markets portfolio will be sold to ensure balance sheet reduction. In Malaysia, the Retail & Commercial Markets operations represent only a small proportion of total revenue and as such the sale is not expected to create a material impact on 2009 projections.

We forecast a recovery in economic conditions towards the end of 2009 as Malaysia's export led economy is set to capitalise on a recovery within Asian economies. We anticipate that with the renewed focus on global banking services and providing clients optimal service and innovative financial solutions that RBS Berhad will continue to be one of the most respected institutions in the Malaysian market.

Acknowledgements

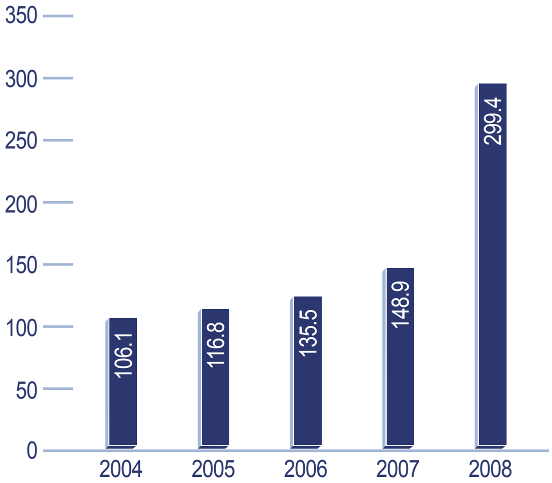
On behalf of the Board of Directors, we would like to record our appreciation to the management and staff of RBS Berhad for their continued dedication and commitment. To our customers, thank you for your support and confidence in the bank particulary during 2008 when there was significant media speculation relating to the injection of capital into RBS Group by the UK Government.

Our fellow Directors continue to guide and counsel us, for which we are grateful. We would like to express our sincere gratitude to Wong See Hong who resigned on 25th of June 2008 and during his tenure as Director provided good advice to the Board. We welcome Muhammad Aurangzeb who was appointed Director on 19th of August 2008, and look forward to working with him.

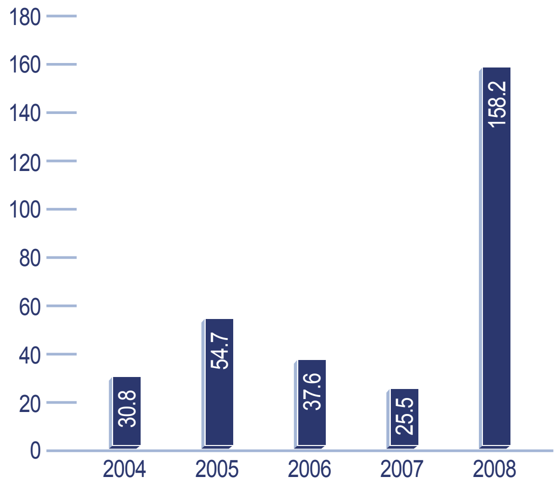
Our sincere appreciation goes out to Bank Negara Malaysia and other regulatory bodies in Malaysia for their support and guidance throughout 2008 - a year where central banks across the world have had to take careful and pro-active measures to manage the banking system.

FINANCIAL HIGHLIGHTS

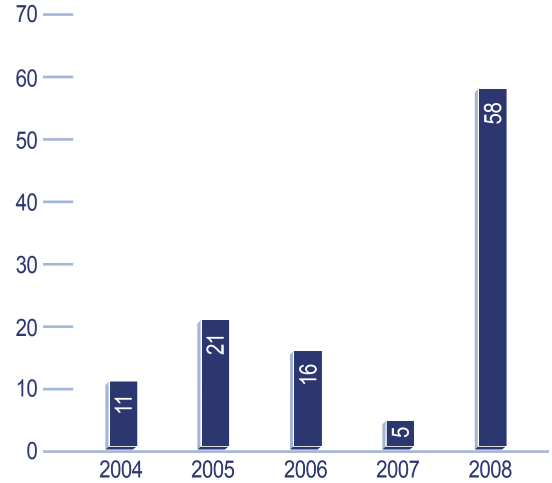
Net Revenue (RM Million)



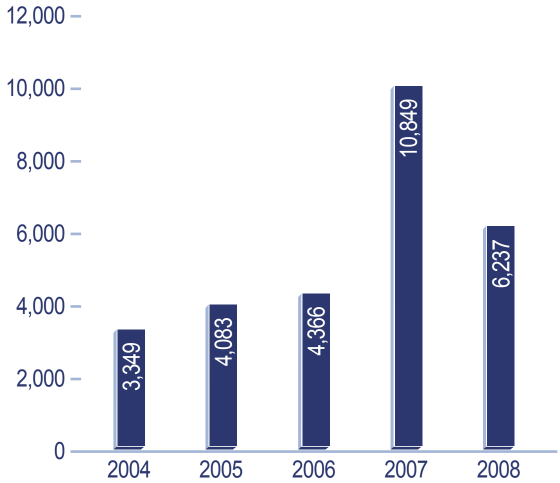
Pre-Tax Profit (RM Million)



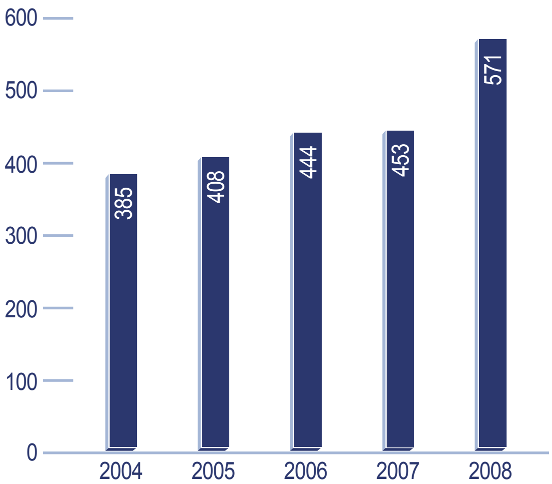
Earnings Per Share (Sen)



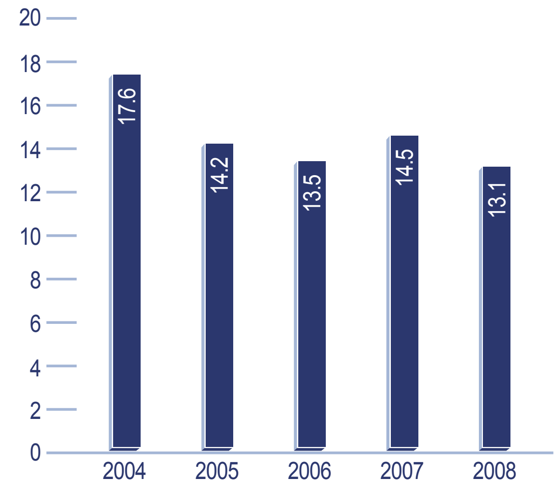
Total Assets (RM Million)



Shareholder's Funds (RM Million)



Capital Ratio (%)



* Graphs above represent bank results only.

REPORT OF THE DIRECTORS

Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of The Royal Bank of Scotland Berhad (the "Bank") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2008.

Principal Activities

The principal activities of the Bank are banking and related financial services. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

Financial Results

The results of operations of the Group and of the Bank for the financial year are as follows:

	Group RM'000	Bank RM'000
Profit before taxation	160,568	158,205
Taxation	(40,363)	(40,363)
Profit for the year	120,205	117,842

Dividends

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

No dividend has been paid or declared by the Bank since the end of the previous financial year.

The Directors also do not recommend the payment of any dividend in respect of the current financial year.

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Issue of Shares and Debentures

The Bank has not issued any new shares or debentures during the current financial year.

Share Options

No options have been granted by the Bank to any parties during the financial year to take up unissued shares of the Bank.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Bank. As at the end of the financial year, there were no unissued shares of the Bank under options.

Directors

The names of the Directors of the Bank in office since the date of the last report are:

General (Rtd) Tan Sri Dato' Mohd Ghazali Seth
Dato' Jorgen Bornhoft
Robert Ralph Davis
Harold Douglas Naysmith
Tan Sri Datuk Asmat bin Kamaludin
Muhammad Aurangzeb (appointed on 19 August 2008)
Wong See Hong (resigned on 25 June 2008)
Andrew Mark Sill (appointed on 6 April 2009)

In accordance with Article 90A of the Bank's Articles of Association, Mr. Andrew Mark Sill and Mr. Muhammad Aurangzeb retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

General (Rtd) Tan Sri Dato' Mohd Ghazali Seth, being over seventy years of age, retires in accordance with Section 129 (2) of the Companies Act, 1965. The Board recommends that he be re-appointed as a Director in accordance with Section 129 (6) of the Act until the conclusion of the following Annual General Meeting of the Bank.

Directors' Interests

None of the Directors in office as at the end of the financial year had, according to the Register required to be kept under Section 134 of the Companies Act, 1965, an interest in shares in the Bank or its related corporations during or at the beginning and end of the financial year.

Directors' Benefits

Since the end of the previous financial year, none of the Directors of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Note 25 of the financial statements, or the fixed salary of a full-time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Non-Performing Debts and Financing

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowances for non-performing debts and financing and satisfied themselves that all known bad debts and financing had been written off and adequate allowances had been made for non-performing debts and financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts and financing, or the amount of the allowance for non-performing debts and financing, in the financial statements of the Group and of the Bank inadequate to any substantial extent.

Current Assets

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised in the ordinary course of business, have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

Valuation Methods

At the date of this report, the Directors are not aware of any circumstances which have arisen and render adherence to the existing methods of valuation of assets or liabilities in the financial statements of the Group and of the Bank misleading or inappropriate.

Contingent and Other Liabilities

As at the date of this report there does not exist:

(i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year and secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group and of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

Change of Circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Bank, that would render any amount stated in the financial statements of the Group and of the Bank misleading.

Items of an Unusual Nature

In the opinion of the Directors:

(i) the results of the operations of the Group and of the Bank for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

Business Plan and Strategy for the Financial Year Ended 31 December 2008

Despite a deteriorating global economic environment and a loss of confidence in financial markets during 2008, the Bank had an exceptional year. Increased volatility and providing customised derivative solutions to meet client hedging requirements led to a large increase in Global Markets trading revenue. This was complemented by continued growth in the Bank's Global Transaction Services and Regional Markets businesses which continue to grow their client base by providing access to tailored financial solutions. The Bank has also remained conservative throughout 2008 and as such has not been impacted by any write-downs on trading assets or loan portfolio.

This year was also significant for the re-branding from ABN AMRO to The Royal Bank of Scotland. The re-branding signified the success in the integration of the two global banks and resulted in the Bank operating within an expanded global network with the ability to further extend its existing range of services and products.

Outlook for 2009

In 2009, the global financial crisis looks set to continue to impact financial institutions. It will be a difficult year in which the Bank will need to continue to remain conservative to avoid incurring write-downs.

Despite adverse market conditions, the Bank is continuing to capitalise on its infrastructure and its workforce to further build the business here in Malaysia. The Global Markets business will continue to widen its product range and leverage from the integration into the RBS network - in particular looking to capitalise on new commodity related product capabilities via a tie-up with RBS Sempra.

Rating by Agency

Ratings Agency Malaysia Berhad ("RAM") has reaffirmed the Bank's long term rating of AA2, with a negative outlook, and short-term rating at P1. The ratings with the watch statement reflect the Bank's underlying strong domestic business fundamentals but are impacted by developments in global financial markets which have resulted in the The Royal Bank of Scotland Group being majority owned by the UK Government through capital investments. Meanwhile, the Bank's issue of RM200 million Subordinated NIDs has been assigned a long term rating of AA3, with a stable outlook, reflecting its subordination to the Bank's deposits.

Holding Companies

The immediate holding company of the Bank is ABN AMRO Bank N.V., a body corporate incorporated in the Netherlands, and the ultimate holding company of ABN AMRO group of companies is ABN AMRO Holdings N.V. which is also a body corporate incorporated in the Netherlands.

On 17 October 2007, RFS Holdings B.V. ("RFS Holdings"), a special purpose vehicle, a body corporate incorporated in the Netherlands which at the time was owned by the Royal Bank of Scotland Group plc ("RBS"), Fortis NV and Fortis SA/NV ("Fortis"), and Banco Santander, SA ("Santander") (collectively known as the "Consortium") completed the acquisition of ABN AMRO Holdings N.V., the holding company of ABN AMRO Bank N.V..

On 3 October 2008, the State of the Netherlands ("Dutch State") acquired Fortis Bank Nederland (Holding) N.V. which was a shareholder of RFS Holdings at the time of acquisition.

On 24 December 2008, Fortis Bank Nederland (Holding) N.V. sold and transferred its 33.8% share of RFS Holdings to the Dutch State resulting in a direct holding of 33.8% interest in RFS Holdings by the Dutch State on that date. RFS Holdings is now jointly owned by RBS, the Dutch State and Santander.

Auditors

The auditors, Messrs. Deloitte & Touche, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 14 May 2009.

Muhammad Aurangzeb

Harold Douglas Naysmith

Kuala Lumpur

Statement by Directors

Pursuant to Section 169 (15) of the Companies Act, 1965

We, Muhammad Aurangzeb and Harold Douglas Naysmith, being two of the Directors of The Royal Bank of Scotland Berhad, do hereby state that in the opinion of the Directors, the accompanying financial statements set out on pages 14 to 41 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards in Malaysia modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2008 and of the financial performance and cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 14 May 2009.

Muhammad Aurangzeb	Harold Douglas Naysmith

Statutory Declaration

Pursuant to Section 169 (16) of the Companies Act, 1965

I, James Alexander Stewart, being the Officer primarily responsible for the financial management of The Royal Bank of Scotland Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 41 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

James Alexander Stewart

Subscribed and solemnly declared by the abovenamed
James Alexander Stewart
at Kuala Lumpur in the Federal Territory
on 14 May 2009.

Before me,

PESURUHJAYA SUMPAH
No. W 350
SHAFIE B. DAUD
MALAYSIA

38A, JALAN TUN MOHD FUAD 1
TAMAN TUN DR. ISMAIL
60000 KUALA LUMPUR

Commissioner for Oaths

Independent Auditors' Report

To the Member of The Royal Bank of Scotland Berhad (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of The Royal Bank of Scotland Berhad, which comprise the balance sheets of the Group and of the Bank as of 31 December 2008 and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 14 to 41.

Directors' Responsibility for the Financial Statements

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies Act, 1965 in Malaysia and the applicable Financial Reporting Standards in Malaysia modified by Bank Negara Malaysia guidelines. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the contents of this report. The financial statements of the Group and of the Bank for the preceding financial year ended 31 December 2007 were audited by another firm of auditors whose report thereon dated 28 April 2008 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965 in Malaysia and the applicable Financial Reporting Standards in Malaysia modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and by the subsidiary companies of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act;

(b) we are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for these purposes; and

(c) our auditors' report on the accounts of the subsidiary companies were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

Deloitte & Touche
AF 0834
Chartered Accountants

Hiew Kim Tiam
Partner - 1717/08/09 (J)
Chartered Accountant

14 May 2009

Balance Sheets as of 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Bank 2008 RM'000	Bank 2007 RM'000
ASSETS					
Cash and short-term funds	3	980,782	7,598,903	980,782	7,598,903
Deposits and placements with banks and other financial institutions	4	342,192	10,368	342,192	10,368
Securities held-for-trading	5	1,288,357	808,528	1,288,357	808,528
Securities available-for-sale	6	455,821	402,788	455,821	402,788
Loans, advances and financing	7	624,018	600,632	624,018	600,632
Other assets	8	2,478,104	1,148,919	2,478,104	1,148,919
Statutory deposits with Bank Negara Malaysia	9	1,350	200,663	1,350	200,663
Investments in subsidiary companies	10	-	-	20	20
Investment in associated company	11	13,141	10,778	8,503	8,503
Property, plant and equipment	12	32,788	34,008	32,788	34,008
Intangible asset	13	1,513	958	1,513	958
Deferred tax assets	14	24,050	34,508	24,050	34,508
TOTAL ASSETS		**6,242,116**	**10,851,053**	**6,237,498**	**10,848,798**
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	15	2,489,966	2,468,025	2,489,986	2,468,045
Deposits and placements of banks and other financial institutions	16	311,710	6,381,547	311,710	6,381,547
Other liabilities	17	2,638,818	1,341,111	2,638,818	1,341,111
Provision for taxation		25,540	5,522	25,540	5,522
Subordinated debt capital	18	200,000	200,000	200,000	200,000
TOTAL LIABILITIES		**5,666,034**	**10,396,205**	**5,666,054**	**10,396,225**
Share capital	19	203,000	203,000	203,000	203,000
Reserves	20	373,082	251,848	368,444	249,573
SHAREHOLDER'S FUNDS		**576,082**	**454,848**	**571,444**	**452,573**
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		**6,242,116**	**10,851,053**	**6,237,498**	**10,848,798**
COMMITMENTS AND CONTINGENCIES	**31**	**120,926,756**	**119,042,066**	**120,926,756**	**119,042,066**

The accompanying notes form an integral part of the financial statements.

Income Statements for the Year Ended 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Bank 2008 RM'000	Bank 2007 RM'000
Revenue	21	581,205	428,057	581,205	428,057
Interest income	22	340,206	341,569	340,206	341,569
Interest expense	23	(281,852)	(279,118)	(281,852)	(279,118)
Other operating income	24	240,999	86,488	240,999	86,488
Other operating expenses	25	(140,699)	(125,640)	(140,699)	(125,640)
(Allowance for) / Write back of losses on loans, advances and financing	26	(449)	477	(449)	477
Write back of provision for commitments and contingencies		-	1,702	-	1,702
Share of profit of associate		2,363	2,275	-	-
Profit before taxation		160,568	27,753	158,205	25,478
Taxation	27	(40,363)	(15,644)	(40,363)	(15,644)
Profit for the year attributable to equity holder of the Bank		120,205	12,109	117,842	9,834
Earnings per share (sen)	28	59.21	5.97		

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity for the Year Ended 31 December 2008

Group

		Non-distributable			Distributable	
	Share capital RM'000	**Share premium RM'000**	**Statutory reserves RM'000**	**Unrealised reserves RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2007	203,000	76,182	118,819	2,510	43,243	443,754
Profit for the year	-	-	-	-	12,109	12,109
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(1,015)	-	(1,015)
Transfer of reserves	-	-	2,459	-	(2,459)	-
At 31 December 2007	203,000	76,182	121,278	1,495	52,893	454,848
At 1 January 2008	203,000	76,182	121,278	1,495	52,893	454,848
Profit for the year	-	-	-	-	120,205	120,205
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	1,029	-	1,029
Transfer of reserves	-	-	29,461	-	(29,461)	-
At 31 December 2008	203,000	76,182	150,739	2,524	143,637	576,082

Bank

		Non-distributable			Distributable	
	Share capital RM'000	**Share premium RM'000**	**Statutory reserves RM'000**	**Unrealised reserves RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2007	203,000	76,182	118,819	2,510	43,243	443,754
Profit for the year	-	-	-	-	9,834	9,834
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(1,015)	-	(1,015)
Transfer of reserves	-	-	2,459	-	(2,459)	-
At 31 December 2007	203,000	76,182	121,278	1,495	50,618	452,573
At 1 January 2008	203,000	76,182	121,278	1,495	50,618	452,573
Profit for the year	-	-	-	-	117,842	117,842
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	1,029	-	1,029
Transfer of reserves	-	-	29,461	-	(29,461)	-
At 31 December 2008	203,000	76,182	150,739	2,524	138,999	571,444

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements for the Year Ended 31 December 2008

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash Flows from Operating Activities				
Profit before taxation	160,568	27,753	158,205	25,478
Adjustments for:				
Depreciation of property, plant and equipment	5,627	3,808	5,627	3,808
Amortisation of intangible asset	745	184	745	184
Property, plant and equipment written-off	1	406	1	406
Allowance for / (write back of) losses on loans and financing	449	(477)	449	(477)
Amortisation of premium less accretion of discount	(55)	(15,613)	(55)	(15,613)
(Gain) / loss from sale of securities held-for-trading	(31,589)	8,946	(31,589)	8,946
Unrealised gain on revaluation of securities held-for-trading	(16,927)	(2,363)	(16,927)	(2,363)
Unrealised foreign exchange (gain) / loss	(81,167)	40,565	(81,167)	40,565
Unrealised loss on derivatives trading	41,204	62,415	41,204	62,415
Write back of provision for diminution for value in shares	(1,138)	-	(1,138)	-
Write back of provision for commitments and contingencies	-	(1,702)	-	(1,702)
Share of profit of associate	(2,363)	(2,275)	-	-
Operating profit before working capital changes	75,355	121,647	75,355	121,647
(Increase) / Decrease in:				
Securities held-for-trading	(431,313)	(25,657)	(431,313)	(25,657)
Loans, advances and financing	(23,835)	(168,098)	(23,835)	(168,098)
Other assets	44,103	(83,985)	44,103	(83,985)
Statutory deposits with Bank Negara Malaysia	199,313	(171,612)	199,313	(171,612)
Increase / (Decrease) in:				
Deposits from customers	21,941	1,128,875	21,941	1,128,875
Deposits and placements of banks and other financial institutions	(6,069,837)	4,671,775	(6,069,837)	4,671,775
Other liabilities	(35,618)	(110,176)	(35,618)	(110,176)
Cash (used in) / generated from operations	(6,219,891)	5,362,769	(6,219,891)	5,362,769
Income taxes paid	(10,204)	(13,016)	(10,204)	(13,016)
Net cash (used in) / generated from operating activities	**(6,230,095)**	**5,349,753**	**(6,230,095)**	**5,349,753**
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(4,408)	(34,674)	(4,408)	(34,674)
Purchase of intangible asset	(1,300)	(1,142)	(1,300)	(1,142)
Proceeds from disposal of property, plant and equipment	-	6	-	6
(Purchase) / Proceeds from redemption of securities available-for-sale	(50,494)	251,390	(50,494)	251,390
Investment in associated company	-	(8,503)	-	(8,503)
Net cash (used in) / generated from investing activities	**(56,202)**	**207,077**	**(56,202)**	**207,077**
Cash Flows from Financing Activity				
Proceeds from issuance of subordinated debt capital, representing net cash generated from financing activity	-	200,000	-	200,000
Net (decrease) / increase in cash and cash equivalents	**(6,286,297)**	**5,756,830**	**(6,286,297)**	**5,756,830**
Cash and cash equivalents at 1 January	**7,609,271**	**1,852,441**	**7,609,271**	**1,852,441**
Cash and cash equivalents at 31 December	**1,322,974**	**7,609,271**	**1,322,974**	**7,609,271**
Cash and cash equivalents comprise the following:				
Cash and short-term funds	980,782	7,598,903	980,782	7,598,903
Deposits and placements with banks and other financial institutions	342,192	10,368	342,192	10,368
	1,322,974	7,609,271	1,322,974	7,609,271

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements

1. Corporate Information

The Bank is a limited liability company, incorporated and domiciled in Malaysia. The registered office and the principal place of business of the Bank is located at Level 1 & 9, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

The Directors regard ABN AMRO Bank N.V., a body corporate incorporated in the Netherlands, and ABN AMRO Holdings N.V. which is also a body corporate incorporated in the Netherlands as immediate and ultimate holding companies of the Bank respectively. On 17 October 2007, RFS Holdings B.V. ("RFS Holdings"), a special purpose vehicle, a body corporate incorporated in the Netherlands which at the time was owned by the Royal Bank of Scotland Group plc ("RBS"), Fortis NV and Fortis SA/NV ("Fortis"), and Banco Santander, SA ("Santander") (collectively known as the "Consortium") completed the acquisition of ABN AMRO Holdings N.V., the holding company of ABN AMRO Bank N.V.. On 3 October 2008, the State of the Netherlands ("Dutch State") acquired Fortis Bank Nederlands (Holding) N.V. which was a shareholder of RFS Holdings at the time of acquisition. On 24 December 2008, Fortis Bank Nederlands (Holding) N.V. sold and transferred its 33.8% share of RFS Holdings to the Dutch State resulting in a direct holding of 33.8% interest in RFS Holdings by the Dutch State on that date. RFS Holdings is now jointly owned by RBS, the Dutch State and Santander.

The principal activities of the Bank are banking and related financial services. The principal activities of the subsidiary companies are to act as nominee, trustees, custodian trustees and agents on behalf of the Bank. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements of the Group and of the Bank were authorised by the Board of Directors for issuance in accordance with a resolution of the Directors on 14 May 2009.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of Preparation of the Financial Statements

The financial statements of the Group and the Bank have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Financial Reporting Standards in Malaysia modified by Bank Negara Malaysia Guidelines.

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

2.2 Summary of Significant Group Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Investments in Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has such power over another entity.

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared up to the same reporting date as the Bank.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.2 Summary of Significant Group Accounting Policies

(b) Investment in Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available management financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

In the Bank's separate financial statements, investment in associate is stated at cost less impairment losses.

On disposal of such investment, the difference between net disposal proceeds and the carrying amounts is included in the income statement.

(c) Securities

The holdings of the securities portfolio of the Group and the Bank are segregated based on the following categories and valuation methods:

(i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired and held principally for the intention of resale in the near term. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of held-for-trading securities are recognised in the income statement.

(ii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

(d) Allowance for losses on loans, advances and financing

Specific allowances are made for doubtful debts which have been individually reviewed and specifically identified as substandard, bad or doubtful.

A general allowance based on a percentage of the loan portfolio of the Bank is also made to cover possible losses which are not specifically identified.

An uncollectible loan or portion of a loan classified as bad is written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

(e) Repurchase Agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at a future date. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at a future date. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the balance sheet.

(f) Intangible Assets

Computer software acquired is measured at cost on initial recognition. Following initial recognition, computer software is carried at cost less accumulated amortisation and accumulated impairment losses, if any. The cost are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and amortisation method are reviewed at least at each balance sheet date.

(g) Property, Plant and Equipment, and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.2 Summary of Significant Group Accounting Policies

(g) Property, Plant and Equipment, and Depreciation (Cont'd)

Subsequent to recognition, property, plant and equipment except for freehold land and building are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Motor vehicles	20%
Office equipment and machinery	20%
Furniture, fixtures and fittings	10% - 20%
Computer equipment and software	20% - 33 1/3%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement.

(h) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

(i) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2 (g).

2.2 Summary of Significant Group Accounting Policies

(h) Leases (Cont'd)

(ii) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(i) Impairment of Non-financial Assets

At each balance sheet date, the Group and the Bank review the carrying amounts of assets, other than deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(j) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Provision for restructuring costs is recognised in the period in which the Group becomes legally or constructively committed to payment.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.2 Summary of Significant Group Accounting Policies

(k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Interest Income

Interest income is recognised in the income statement for all interest bearing assets on an accrual basis. Interest income includes the amortisation of premium or accretion of discount. Interest income on securities is recognised on an effective yield basis.

Interest income on loans is accounted for on an accrual basis by reference to rest periods as stipulated in the loan agreements, which are either monthly or daily.

Customers' accounts are classified as non-performing where repayments are in arrears for three months, and one month after maturity date for trade bills, bankers acceptances and trust receipts.

Interest accrued and recognised as income prior to the date the accounts are classified as non-performing is reversed out of the income statement and the accrued interest out of the balance sheet. Subsequently, interest earned on non-performing accounts is recognised as income on a cash basis.

(ii) Fee and Commission Income

Loan arrangement, commissions and service charges / fees are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

Dividends from held-for-trading and available-for-sale securities are recognised when declared.

(l) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Bank's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(m) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

(n) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.2 Summary of Significant Group Accounting Policies (Cont'd)

(o) Financial Instruments

Financial instruments are recognised on the balance sheet when the Bank has become a party to the contractual provisions of the instrument. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement.

(i) Cash and cash equivalents

Cash and cash equivalents as stated in the cash flow statement comprise cash and short-term funds, deposits and placements with financial institutions that are readily convertible to cash with insignificant risk of changes in value.

(ii) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(iii) Subordinated debt capital

The interest-bearing instruments are recognised as liability and are recorded at face value. Interest expense is recognised on an accrual basis.

(iv) Other financial instruments

The accounting policies for financial instruments other than equity instruments are disclosed in the individual policies associated with each item.

(p) Forward Exchange Contracts

Unmatured forward exchange contracts are valued at forward rates as at the balance sheet date, applicable to their respective dates of maturity, and unrealised losses and gains are recognised in the income statement.

(q) Interest Rates Swap, Futures, Forward and Option Contracts

The Bank acts as an intermediary with counterparties who wish to swap their interest obligations. The Bank also uses interest rate swaps, futures, forward and option contracts in its trading account activities and in its overall interest rate risk management.

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rates futures, forward and option contracts that qualify as hedges are generally deferred and amortised over the life of the hedged assets or liabilities as adjustments to interest income or interest expense.

Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current year using the mark-to-market method, and are included in the income statements.

(r) Derivatives

Derivatives are financial instruments, the contracted or notional amounts of which are not included in the balance sheet either because rights and obligations arise out of one and the same contract, the performance of which is due after balance sheet date, or because the notional amounts serve merely as variables for calculation purposes. Examples of derivatives are forward exchange contracts, options, swaps, futures and forward rate agreements. The underlying value may involve interest rate, currency, commodity, bond or equity products or a combination of these.

All foreign currency contracts and interest rate swaps undertaken as a hedge against open positions created by customer transactions have been disclosed as contingent items.

These transactions are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from the change in the fair value of the derivative instrument is recognised in the income statement unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instruments is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on the hedging instruments, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

In the current financial year, the Group and the Bank have adopted all the revised Financial Reporting Standards ("FRS") issued by MASB that are relevant to its operations and effective for annual periods beginning on or after 1 January 2008 as follows:

FRS 107	: Cash Flow Statements
FRS 112	: Income Taxes
FRS 118	: Revenue
FRS 134	: Interim Financial Reporting
FRS 137	: Provisions, Contingent Liabilities and Contingent Assets

The adoption of these revised FRSs have no material effect on the financial statements of the Group and of the Bank.

At the date of authorisation of the financial statements, the following FRSs and Interpretations were issued but are not yet effective until future periods:

FRS 4	: Insurance Contracts*
FRS 7	: Financial Instruments: Disclosures*
FRS 8	: Operating Segments**
FRS 139	: Financial Instruments: Recognition and Measurement*
IC Interpretation 9	: Reassessment of Embedded Derivative*
IC Interpretation 10	: Interim Financial Reporting and Impairment*

* Effective for annual periods beginning 1 January 2010
** Effective for annual periods beginning 1 July 2009

The impact of applying the above FRSs and IC Interpretations on these financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors are not disclosed as the directors anticipate that adoption of FRS 8 and IC Interpretation 9 and 10 do not have any significant financial impact on the financial statements, and FRS 4 is not applicable to the Group and the Bank.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Cont'd)

The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

An entity shall not apply FRS 7 for annual periods beginning before 1 January 2008 unless it also applies FRS 139. The impact of applying FRS 7 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 is not required to be disclosed by virtue of exemptions provided under paragraph 44AB of FRS 7.

On 20 October 2008, Bank Negara Malaysia ("BNM") issued a circular setting out the limited circumstances in which banking institutions are allowed to reclassify financial instruments currently held in the securities held-for-trading portfolio into the securities available-for-sale and securities held-to-maturity portfolios. This concession is only effective for the period from 1 July 2008 to 31 December 2009. As at 31 December 2008, the Group and the Bank have not utilised this concession.

2.4 Significant Accounting Estimates and Judgements

Preparation of the financial statements involved making certain estimates, assumptions concerning the future judgements. They affect the accounting policies applied, amounts of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in these estimates and assumptions made by management may have an effect on the balances as reported in the financial statements.

(i) Fair value estimation for held-for-trading securities, available-for-sale securities and derivative financial instruments

The fair value of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flows method.

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include consideration of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

(ii) Deferred tax assets

Deferred tax assets are recognised on provisions for various costs and are measured and recognised based on the tax rates that are expected to apply in the period when the asset is realised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(iii) Allowances for losses on loans and financing

Whilst the assessment of allowance for losses required for loans, advances and financing is made in accordance with the requirements of BNM/GP3: Guidelines on the Classification of Non-Performing Loans and Provision for Substandards, Bad and Doubtful Debts, the Bank exercises judgement in the valuation of certain collateral when assessing the levels of loan loss allowance required.

(iv) Impairment of securities held-for-trading and securities available-for-sale

Assessment of impairment of securities available-for-sale and securities held-to-maturity is made in line with the guidance in the revised BNM/GP8: Guidelines on Financial Reporting for Licensed Insititutions to determine when the investment is other than temporarily impaired. Management judgement is required to evaluate the duration and extent by which the fair values of the financial instruments are below its carrying value and when there is indication of permanent impairment in the carrying value of the financial instruments.

(v) Classification of computer software

A specific software which forms an integral part of a related computer equipment is classified as property, plant and equipment. When the computer software is not an integral part of the related computer equipment, it is classified as an intangible asset.

3. Cash and Short-Term Funds

	Group / Bank	
	2008	**2007**
	RM'000	**RM'000**
Cash and balances with banks and other financial institutions	633,206	52,961
Money at call and deposit placements maturing within one month	347,576	7,545,942
	980,782	**7,598,903**

4. Deposits and Placements with Banks and Other Financial Institutions

	Group / Bank	
	2008	**2007**
	RM'000	**RM'000**
Licensed banks	-	10,368
Other financial institutions	342,192	-
	342,192	**10,368**

5. Securities - Held for Trading

	Group / Bank	
	2008	**2007**
	RM'000	**RM'000**
At Fair Value		
Money market instruments:		
Malaysian Government Securities	588,052	334,862
BNM Bills	271,321	-
Government Investment Issues	386,850	-
Private debt securities	42,134	473,666
Total securities held-for-trading	**1,288,357**	**808,528**

6. Securities - Available for Sale

	Group / Bank 2008 RM'000	Group / Bank 2007 RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	91,455	91,056
Government Investment Issues	263,007	159,750
Private debt securities	99,640	150,263
Shares	1,719	3,615
	455,821	404,684
Less: Provision for diminution in value of shares	-	(1,896)
Total securities available-for-sale	**455,821**	**402,788**

7. Loans, Advances and Financing

	Group / Bank 2008 RM'000	Group / Bank 2007 RM'000
(i) By type		
Overdrafts	25,600	5,465
Term loans/financing		
Housing loans / financing	40,329	46,429
Other term loans/financing	87,368	137,988
Bills receivable	127,099	48,793
Claims on customers under acceptance credits	91,739	24,119
Staff loans (of which RM Nil in 2008 and 2007 were to Directors)	13,545	11,690
Revolving credit	255,574	347,691
Less: Unearned interest and income	(182)	(1,550)
	641,072	620,625
Less: Allowance for bad and doubtful debts and financing:		
- General	(15,783)	(15,783)
- Specific	(1,271)	(4,210)
Total net loans, advances and financing	**624,018**	**600,632**
(ii) By type of customer		
Domestic business enterprises		
Small medium enterprises	28,012	5,584
Others	555,791	547,724
Individuals	57,269	67,317
	641,072	620,625
(iii) By interest/profit rate sensitivity		
Fixed rate		
Housing loans/financing	10,314	8,773
Other fixed rate loan/financing	7,131	8,017
Variable rate		
BLR plus	67,790	188,332
Cost plus	555,837	415,503
	641,072	620,625

7. Loans, Advances and Financing (Cont'd)

	Group / Bank 2008 RM'000	Group / Bank 2007 RM'000
(iv) By Sector		
Agriculture, hunting, forestry & fishing	1,883	832
Electricity, Gas & Water	894	-
Manufacturing	236,161	97,288
Construction	26,172	54,302
Real estate	82,642	126,215
Purchase of landed properties (Residential)	50,068	49,984
Transport, storage and communication	101,022	85,124
Finance, insurance and business services	25,000	-
Purchase of securities	1,500	6,480
Purchase of transport vehicles	271	2
Wholesale and retail	95,076	189,547
Consumption credit	20,383	10,851
	641,072	620,625
(v) Movements in the non-performing loans, advances and financing are as follows:		
Balance as at 1 January	5,362	17,879
Classified as non-performing during the year	353	115
Amount recovered	(132)	(757)
Amount written off	(3,388)	(11,875)
Balance as at 31 December	2,195	5,362
Specific allowance	(1,271)	(4,210)
Net non-performing loans, advances and financing	924	1,152
Ratio of net non-performing loans and financing to net loans and financing	0.14%	0.19%
(vi) Movements in allowance for bad and doubtful debts and financing are as follows:		
General allowance:		
Balance as at 1 January / 31 December	15,783	15,783
As % of gross loans, advances and financing less specific allowance	2.47%	2.56%
Specific allowance:		
Balance as at 1 January	4,210	15,637
Allowance made during the year	756	2,359
Amount written back	(307)	(2,836)
Amount written off	(3,388)	(10,950)
Balance as at 31 December	1,271	4,210
(vii) Non-performing loans by sector		
Purchase of landed properties (Residential)	2,118	5,292
Wholesale and retail	77	70
	2,195	5,362

8. Other Assets

	Group / Bank 2008 RM'000	Group / Bank 2007 RM'000
Other debtors, deposits and prepayments	88,969	133,072
Mark to market on derivative financial instruments	2,389,135	1,015,847
	2,478,104	1,148,919

9. Statutory Deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined at set percentages of total eligible liabilities.

10. Investments in Subsidiary Companies

	Bank 2008 RM'000	Bank 2007 RM'000
Unquoted shares, at cost	20	20

The subsidiary companies of the Bank, both of which are incorporated in Malaysia, are as follows:

Name of Subsidiaries	Principal Activities	Percentage of equity held 2008	Percentage of equity held 2007
RBS Nominees (Tempatan) Sdn. Bhd.	Nominee Company	100%	100%
RBS Nominees (Asing) Sdn. Bhd.	Nominee Company	100%	100%

All income and expenditure arising from the nominee activities of the subsidiary companies have been recognised in the Bank's results.

11. Investment in Associated Company

	Group 2008 RM'000	Group 2007 RM'000	Bank 2008 RM'000	Bank 2007 RM'000
Unquoted shares at cost	8,503	8,503	8,503	8,503
Share of post-acquisition reserve at beginning of year	2,275	-	-	-
Current year	2,363	2,275	-	-
At end of year	4,638	2,275		
	13,141	**10,778**	**8,503**	**8,503**

Details of the associate, which is incorporated in Malaysia, are as follows:

Name of Associate	Principal Activities	Percentage of equity held 2008	Percentage of equity held 2007
Gale Force Sdn. Bhd.	Investing in or acquiring non-performing loans	25%	25%

The unaudited summarised financial information of the associate are as follows:

	Group / Bank 2008 RM'000	Group / Bank 2007 RM'000
Assets and liabilities		
Current assets	235,743	348,634
Non-current assets	-	-
Total assets	235,743	348,634

11. Investment in Associated Company (Cont'd)

Details of the associate, which is incorporated in Malaysia, are as follows: (Cont'd)

	Group / Bank 2008 RM'000	Group / Bank 2007 RM'000
Current liabilites	929	7,938
Non-current liabilities	205,824	321,074
Total liabilities	206,753	329,012
Results		
Revenue	34,744	7,306
Profit/(Loss) for the year	9,367	(14,082)

12. Property, Plant and Equipment

Group and Bank	Freehold Land and Buildings RM'000	Motor Vehicles RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment RM'000	Total RM'000
At 31 December 2008						
Cost						
At 1 January 2008	388	563	5,247	24,582	17,686	48,466
Additions	-	-	1,395	1,643	1,370	4,408
Write-off	-	-	(292)	(74)	(4,786)	(5,152)
At 31 December 2008	388	563	6,350	26,151	14,270	47,722
Accumulated Depreciation						
At 1 January 2008	-	272	1,280	1,148	11,758	14,458
Depreciation charge for the year	-	113	793	2,965	1,756	5,627
Write-off	-	-	(292)	(74)	(4,785)	(5,151)
At 31 December 2008	-	385	1,781	4,039	8,729	14,934
Net	**388**	**178**	**4,569**	**22,112**	**5,541**	**32,788**
At 31 December 2007						
Cost						
At 1 January 2007	388	563	916	4,132	11,942	17,941
Additions	-	-	4,331	24,501	5,842	34,674
Disposals	-	-	-	(15)	-	(15)
Write-off	-	-	-	(4,036)	(98)	(4,134)
At 31 December 2007	388	563	5,247	24,582	17,686	48,466
Accumulated Depreciation						
At 1 January 2007	-	159	842	3,495	9,891	14,387
Depreciation charge for the year	-	113	438	1,302	1,955	3,808
Disposals	-	-	-	(9)	-	(9)
Write-off	-	-	-	(3,640)	(88)	(3,728)
At 31 December 2007	-	272	1,280	1,148	11,758	14,458
Net	**388**	**291**	**3,967**	**23,434**	**5,928**	**34,008**

13. Intangible Asset

	Group / Bank	
	2008	2007
	RM'000	RM'000
Computer Software:		
Cost		
At 1 January	1,142	-
Additions	1,300	1,142
At 31 December	2,442	1,142
Accumulated Amortisation		
At 1 January	184	-
Amortisation for the year	745	184
At 31 December	929	184
Net	1,513	958

14. Deferred Tax Assets

	Group / Bank	
	2008	2007
	RM'000	RM'000
At 1 January	34,508	14,292
Recognised in the income statement (Note 27)	(10,141)	19,763
Recognised in equity statement	(317)	453
At 31 December	**24,050**	**34,508**

Presented after appropriate offsetting as follows:

Deferred tax assets	27,422	36,425
Deferred tax liabilities	(3,372)	(1,917)
	24,050	**34,508**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group and of the Bank:

	Other Payables RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2008	33,886	2,539	36,425
Recognised in the income statement	(6,464)	(2,539)	(9,003)
At 31 December 2008	**27,422**	**-**	**27,422**
At 1 January 2007	15,921	-	15,921
Recognised in the income statement	17,965	2,539	20,504
At 31 December 2007	**33,886**	**2,539**	**36,425**

Deferred tax liabilities of the Group and of the Bank:

	Capital Allowances RM'000	Unrealised Reserves RM'000	Total RM'000
At 1 January 2008	1,392	525	1,917
Recognised in the income statement	1,138	-	1,138
Recognised in equity statement	-	317	317
At 31 December 2008	**2,530**	**842**	**3,372**

14. Deferred Tax Assets (Cont'd)

Deferred tax liabilities of the Group and of the Bank: (Cont'd)

	Capital Allowances RM'000	Unrealised Reserves RM'000	Total RM'000
At 1 January 2007	651	978	1,629
Recognised in the income statement	741	-	741
Recognised in equity statement	-	(453)	(453)
At 31 December 2007	**1,392**	**525**	**1,917**

Deferred tax asset has not been recognised in respect of general allowance for bad and doubtful debts and financing of RM15,783,000 (2007: RM15,783,000).

15. Deposits From Customers

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Type				
Demand deposits	737,694	770,689	737,714	770,709
Saving deposits	6,103	5,637	6,103	5,637
Fixed deposits	1,544,305	1,661,699	1,544,305	1,661,699
Other deposits	31,864	-	31,864	-
Negotiable instruments of deposit	170,000	30,000	170,000	30,000
	2,489,966	**2,468,025**	**2,489,986**	**2,468,045**

(i) Maturity structure of fixed deposits and negotiable instruments of deposits is as follows:

	Group / Bank	
	2008 RM'000	2007 RM'000
Due within six months	1,493,632	1,596,931
Six months to one year	98,615	60,025
One year to three years	122,058	34,743
More than three years	-	-
	1,714,305	**1,691,699**

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

	Group		Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Government and statutory bodies	9,724	6,807	9,724	6,807
Business enterprises	1,429,753	1,908,765	1,429,753	1,908,765
Individuals	598,808	290,137	598,808	290,137
Others	451,681	262,316	451,701	262,336
	2,489,966	**2,468,025**	**2,489,986**	**2,468,045**

16. Deposits and Placements of Banks and Other Financial Institutions

	Group / Bank	
	2008 RM'000	2007 RM'000
Licensed banks	-	37,664
Bank Negara Malaysia	15,163	185,344
Other financial institutions	296,547	6,158,539
	311,710	**6,381,547**

17. Other Liabilities

	Group / Bank	
	2008	2007
	RM'000	RM'000
Retirement benefits	22	22
Other liabilities	238,649	274,267
Mark to market on derivative financial instruments	2,400,147	1,066,822
Provision for commitments and contingencies	-	-
	2,638,818	**1,341,111**

Movement in provision for commitments and contingencies are as follows:		
At 1 January	-	1,702
Amount written-back	-	(1,702)
At 31 December	-	-

18. Subordinated Debt Capital

	Group / Bank	
	2008	2007
	RM'000	RM'000
At face value	200,000	200,000

The following are the salient features of the said debt instrument:

- Description : Subordinated Negotiable Instruments of Deposits ("Subordinated NIDs") on a 10-year non-callable 5-year basis
- Tenure : 10 years
- Settlement date : 8 June 2012
- Maturity date : 8 June 2017
- Interest rate : 4.15% per annum, subject to revision of rate in year six
- Revision of rate : The Subordinated NIDs, unless redeemed at the end of year five, shall bear interest at 4.65% per annum from the sixth year onwards until maturity

The Subordinated NIDs will constitute direct, unconditional and unsecured obligations of the Bank and are subordinated to the Bank's deposits.

19. Share Capital

	Group / Bank	
	2008	2007
	RM'000	RM'000
Authorised:		
500,000,000 ordinary shares of RM1 each	**500,000**	**500,000**
Issued and fully paid:		
Balance as at 1 January / 31 December	**203,000**	**203,000**

20. Reserves

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Share premium	76,182	76,182	76,182	76,182
Statutory reserves (Note a)	150,739	121,278	150,739	121,278
Unrealised reserves (Note b)	2,524	1,495	2,524	1,495

20. Reserves (Cont'd)

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Distributable:				
Retained earnings (Note c)	143,637	52,893	138,999	50,618
	373,082	**251,848**	**368,444**	**249,573**

(a) *Statutory reserves*

The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and are not distributable as dividends.

(b) *Unrealised reserves*

The unrealised reserves comprise fair value changes on securities available-for-sale.

(c) *Retained earnings*

In the past, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 tax credit balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Bank did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Bank may utilise the tax credit in the Section 108 account as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act, 2007.

As at 31 December 2008, the Bank has tax exempt profits available for distribution of approximately RM40,401,000 (2007: RM40,401,000), subject to the agreement of the Inland Revenue Board. The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967, taking into consideration the balance in the tax-exempt income account, to frank the payment of dividends out of its entire retained earnings as at 31 December 2008 without incurring any additional tax liability.

21. Operating Revenue

Operating revenue of the Group and of the Bank comprise all types of revenue derived from the business of banking and comprises gross interest income (after adding back net interest/income suspended), fee and commission income, investment income, gross dividends and other income derived from banking operations.

22. Interest Income

	Group / Bank	
	2008	2007
	RM'000	RM'000
Interest income other than recoveries from non-performing loans ("NPLs")	26,801	159,956
Recoveries from NPLs	712	85
Money at call and deposit placements with financial institutions	258,824	138,531

22. Interest Income (Cont'd)

	Group / Bank 2008 RM'000	Group / Bank 2007 RM'000
Securities - Available-for-sale	17,852	7,264
Securities - Held-for-trading	36,169	20,492
	340,358	326,328
Amortisation of premium less accretion of discount	55	15,613
Interest suspended	(207)	(372)
Total Interest Income	**340,206**	**341,569**

23. Interest Expense

	Group / Bank 2008 RM'000	Group / Bank 2007 RM'000
Deposits and placements of banks and other financial institutions	211,172	213,765
Deposits from other customers	64,857	59,718
Others	5,823	5,635
	281,852	**279,118**

24. Other Operating Income

	Group / Bank 2008 RM'000	Group / Bank 2007 RM'000
Fee income:		
Commission	2,947	1,770
Service charges and fees	259	35,901
Guarantee fees	2,044	1,148
Advisory fees	15,000	-
Other fee income	36,729	8,923
	56,979	**47,742**
Gain/(Loss) arising from sale of securities:		
Securities held-for-trading	31,589	(8,946)
Unrealised gain on revaluation of securities:		
Securities held-for-trading	16,927	2,363
Gross dividend income from:		
Securities available-for-sale	54	59
Other income:		
Foreign exchange gain / (loss)		
Unrealised	81,167	(40,565)
Realised	(8,302)	73,169
(Loss) / gain on derivatives trading		
Unrealised	(41,204)	(62,415)
Realised	98,610	70,978
Write back of provision in diminution in value of shares	1,138	-
Others	4,041	4,103
	135,450	45,270
Total	**240,999**	**86,488**

25. Other Operating Expenses

	Group / Bank 2008 RM'000	Group / Bank 2007 RM'000
Personnel costs (Note a)	55,492	57,017
Establishment costs (Note b)	14,557	16,925
Marketing expenses (Note c)	9,129	5,512
Administration and general expenses (Note d)	61,521	46,186
	140,699	**125,640**

25. Other Operating Expenses (Cont'd)

	Group / Bank 2008 RM'000	Group / Bank 2007 RM'000
(a) Personnel costs		
Salaries, bonuses and allowances	43,052	44,492
Social security costs	145	102
EPF - defined contribution plan	4,251	3,269
Other staff related expenses	8,044	9,154
	55,492	**57,017**
(b) Establishment costs		
Share of Head Office costs	9,974	13,697
Others	4,583	3,228
	14,557	**16,925**
(c) Marketing Expenses		
Advertising	7,530	4,186
Others	1,599	1,326
	9,129	**5,512**
(d) Administration and general expenses		
Share of information technology costs	9,019	8,657
Depreciation of property, plant and equipment	5,627	3,808
Amortisation of intangible asset	745	184
Communication and transportation	3,422	2,994
Others	42,708	30,543
	61,521	**46,186**

Included in the above expenditure are the following:

	2008	2007
Directors' remuneration and benefits-in-kind	4,789	5,226
Rental of premises	4,417	4,239
Auditors' remuneration - statutory audit	220	130
Depreciation of property, plant and equipment	5,627	3,808
Amortisation of intangible asset	745	184
Property, plant and equipment written off	1	406

Forms of remuneration in aggregate for all Directors charged to the income statement for the year are as follows:

	2008	2007
Executive directors		
- Salary and other remuneration	2,139	1,932
- Bonuses	2,355	2,775
- Benefits-in-kind	35	316
Non-executive directors		
- Fees	260	203
	4,789	**5,226**

The remuneration attributable to the Managing Director of the Bank, including benefits-in-kind during the year amounted to RM 4,529,000 (2007: RM 4,707,000).

26. Allowance for Losses on Loans and Financing

	Group / Bank 2008 RM'000	Group / Bank 2007 RM'000
Allowance for bad and doubtful debts on loans and financing:		
Specific allowance		
- Made in the financial year	756	2,359
- Written back	(307)	(2,836)
	449	**(477)**

27. Taxation

	Group 2008 RM'000	Group 2007 RM'000	Bank 2008 RM'000	Bank 2007 RM'000
Malaysian income tax based on results for the year:				
Current year	43,376	16,348	43,376	16,348
(Over) / Underprovision in prior years	(13,154)	19,059	(13,154)	19,059
	30,222	35,407	30,222	35,407
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	378	(6,462)	378	(6,462)
Relating to changes in tax rates	995	1,348	995	1,348
Under / (Over) provision in prior years	8,768	(14,649)	8,768	(14,649)
	10,141	(19,763)	10,141	(19,763)
	40,363	**15,644**	**40,363**	**15,644**

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Bank and of the Group is as follows:

	Group 2008 RM'000	Group 2007 RM'000	Bank 2008 RM'000	Bank 2007 RM'000
Profit before taxation	160,568	27,753	158,205	25,478
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	41,748	7,493	41,133	6,879
Effect of changes in tax rates on opening balance of deferred tax	1,327	529	1,327	529
Deferred tax recognised at different tax rates	(332)	819	(332)	819
Expenses not deductible for tax purposes	2,621	3,007	2,621	3,007
Effect of share of an associate's post-tax profit included in Group's profit before taxation	(615)	(614)	-	-
Under / (Over) provision of deferred tax in prior years	8,768	(14,649)	8,768	(14,649)
(Over) / Under provision of current tax expense in prior years	(13,154)	19,059	(13,154)	19,059
Tax expense for the year	40,363	15,644	40,363	15,644

28. Earnings Per Share

The earnings per share has been calculated based on the net profit after taxation of RM120,205,000 (2007: RM12,109,000) on the weighted average number of ordinary shares of RM1 each in issue of 203,000,002 (2007: 203,000,002) during the year.

29. Significant Related Party Transactions and Balances

(a) Transactions with related parties

2008	Immediate holding company RM'000	Subsidiary companies RM'000	Associated company RM'000	Other related companies RM'000
Income				
Commission	17,327	-	-	-
Interest income	160,446	-	-	-
Directors fee received	-	-	23	-
Expense				
Interest expense	182,037	-	-	-
Management fee	13,369	-	-	33,039
Amount due from:				
Deposits and current accounts	64,792	-	-	455,976
Loans and advances	-	-	67,800	-
Interest receivable	5,070	-	67	1,925
Mark to market on derivative financial instruments	16,564	-	-	561,583
Amount due to:				
Deposits and current accounts	-	20	-	15,690
Interest payable	4,765	-	-	6,611
Management fee	5,525	-	-	39,578
Mark to market on derivative financial instruments	103,778	-	-	954,577

2007	Immediate holding company RM'000	Subsidiary companies RM'000	Associated company RM'000	Other related companies RM'000
Income				
Commission	9,466	-	-	-
Interest income	87,128	-	-	-
Expense				
Interest expense	173,096	-	-	-
Management fee	18,193	-	-	17,990
Amount due from:				
Deposits and current accounts	123,642	-	-	397,500
Loans and advances	-	-	105,800	-
Interest receivable	248	-	1,211	8,074
Mark to market on derivative financial instruments	11,559	-	-	181,956
Amount due to:				
Deposits and current accounts	-	20	-	5,756,116
Interest payable	-	-	-	25,831
Management fee	18,859	-	-	47,090
Mark to market on derivative financial instruments	106,037	-	-	226,944

29. Significant Related Party Transactions and Balances (Cont'd)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	Group / Bank	
	2008	2007
	RM'000	RM'000
Short-term employee benefits	5,845	5,652
Post-employment benefits:		
Defined contribution plan	452	337
	6,297	**5,989**

Included in the total key management personnel are:

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration excluding benefits-in-kind (Note 25)	4,754	4,910	4,754	4,910

30. Operating Lease Arrangements

The Group and the Bank have entered into non-cancellable operating lease agreements for the use of buildings. These leases have an average life of 9 years with an option for cancellation every 3 years. There are no restrictions placed upon the Group and the Bank by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities are as follows:

	Group / Bank	
	2008	2007
	RM'000	RM'000
Future minimum rental payments:		
Not later than 1 year	3,525	3,555
Later than 1 year and not later than 5 years	3,525	4,206
	7,050	**7,761**

31. Commitments and Contingencies

In the normal course of business, the Bank 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.

Risk Weighted Exposures of the Group and of the Bank as at 31 December are as follows:

	2008			2007		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk-weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk-weighted amount RM'000
Direct credit substitutes	47,245	47,245	47,245	44,983	44,983	44,983
Transaction-related contingent items	357,284	178,641	147,328	279,821	139,910	109,825
Short-term self-liquidating trade-related contingencies	163,188	32,638	32,446	10,104	2,021	1,990
Other assets sold with recourse and commitments with certain drawdown	444	444	444	17,868	17,868	17,868
Irrevocable commitments to extend credit:						
- maturity less than one year	756,466	-	-	132,587	-	-
- maturity more than one year	598	299	150	6,091	3,046	1,523
Foreign exchange related contracts:						
- Forward contracts						
- less than one year	16,830,572	601,695	144,764	26,653,902	600,217	115,310
- one year to less than five years	7,831,735	573,896	127,642	5,517,986	426,703	91,696
- five years and above	3,569,246	387,387	134,927	2,922,160	316,647	100,972
Interest rate related contracts:						
- less than one year	30,147,394	155,212	38,205	34,627,551	177,000	37,853
- one year to less than five years	43,717,683	1,440,501	305,464	34,465,736	1,093,518	242,902
- five years and above	17,504,901	2,805,732	912,372	14,363,277	1,515,562	457,903
	120,926,756	**6,223,690**	**1,890,987**	**119,042,066**	**4,337,475**	**1,222,825**

* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.

32. Financial Risk Management Policies

The Bank's financial risk management policy seeks to ensure that adequate resources are available for the development of the Bank's business whilst managing its interest rate, market, credit and liquidity risks. The Board of Directors has approved guidelines pertaining to the risk management policies of the Bank which are closely adhered to, ensuring that the operations of the Bank are conducted in a prudent manner.

(a) Operational Risk

Operational risk is the risk of loss to the Bank resulting from weaknesses or failures in its internal processes, people and systems, or due to external events whether within or beyond its control.

The Bank has implemented an Internal Operational Self Risk Assessment system, identifying areas and probability of risk. The actual occurrence of operational loss is entered into a Corporate Loss Database and reconciled against the financial statements. The Bank also has the Operational Risk Assessment Process and a Business Continuity Plan in place.

(b) Credit Risk

Credit risk arises from the possibility that a customer or counterparty may be unable to meet its financial obligations to the Bank, either from a facility granted or a contract in which the Bank has a gain position. At customer level, the Bank will evaluate the total credit risk for all products.

Credit risk for derivatives is measured as sum of replacement cost of the outstanding position (determined by using current market rates) plus an estimate of the Bank's future credit exposure as a result of market price changes. A "Contracts Violations Report" is generated and the report presents credit violations that were committed. These violations will be monitored and reported to Head Office by the Country Risk Officer ("CRO").

With respect to country risk:

(i) The CRO signs off on the monthly country risk reports which reflect the cross border risk exposure, sovereign risk exposure and gross country exposure in accordance with the Bank's policy on country risk, and

(ii) The CRO will track limit violations and together with the Business Support Unit, reports the violations to Head Office.

32. Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

The credit risk concentrations of the Group and Bank are set out in the following tables.

	2008							
	Short term funds and placements with financial institutions including Statutory Deposit with BNM RM'000	Securities purchased under resale agreements RM'000	Securities held-for-trading RM'000	Securities available-for-sale RM'000	Loans and advances RM'000	General provision RM'000	Other assets RM'000	Commitments and contingencies RM'000
Agricultural mining and quarrying	-	-	-	-	1,883	-	-	-
Electricity, Gas & Water	-	-	-	-	894	-	-	-
Manufacturing	-	-	-	-	236,161	-	-	-
Construction	-	-	-	-	26,172	-	-	-
Real estate	-	-	-	-	82,642	-	-	-
Purchase of landed properties (Residential)	-	-	-	-	-	-	-	-
i) Resident	-	-	-	-	50,068	-	-	-
ii) Non-resident	-	-	-	-	-	-	-	-
Wholesale and retail	-	-	-	-	95,076	-	-	-
Transport, storage and communication	-	-	-	-	101,022	-	-	-
Finance, insurance and business services	-	-	-	-	25,000	-	-	-
Purchase of securities	-	-	-	-	1,500	-	-	-
Purchase of transport vehicles	-	-	-	-	271	-	-	-
Consumption credit	-	-	-	-	20,383	-	-	-
Others	1,324,324	-	1,288,357	455,821	-	(15,783)	-	120,926,756
	1,324,324	**-**	**1,288,357**	**455,821**	**641,072**	**(15,783)**	**-**	**120,926,756**

	2007							
	Short term funds and placements with financial institutions including Statutory Deposit with BNM RM'000	Securities purchased under resale agreements RM'000	Securities held-for-trading RM'000	Securities available-for-sale RM'000	Loans and advances RM'000	General provision RM'000	Other assets RM'000	Commitments and contingencies RM'000
Agricultural mining and quarrying	-	-	-	-	832	-	-	-
Manufacturing	-	-	-	-	97,288	-	-	-
Construction	-	-	-	-	54,302	-	-	-
Real estate	-	-	-	-	126,215	-	-	-
Purchase of landed properties (Residential)								
i) Resident	-	-	-	-	49,984	-	-	-
ii) Non-resident	-	-	-	-	-	-	-	-
Wholesale and retail	-	-	-	-	189,547	-	-	-
Transport, storage and communication	-	-	-	-	85,124	-	-	-
Finance, insurance and business services	-	-	-	-	-	-	-	-
Purchase of securities	-	-	-	-	6,480	-	-	-
Purchase of transport vehicles	-	-	-	-	2	-	-	-
Consumption credit	-	-	-	-	10,851	-	-	-
Others	7,809,934	-	808,527	402,788	-	(15,783)	-	119,042,066
	7,809,934	**-**	**808,527**	**402,788**	**620,625**	**(15,783)**	**-**	**119,042,066**

32. Financial Risk Management Policies (Cont'd)

(c) Market Risk

Market risk is the potential change in value caused by movements in market rates and prices. The Bank is exposed to foreign exchange and interest rate risks, which are monitored daily through its market risk management systems. Daily reports measuring utilization of currency and holding limits together with price value basis points limits are generated and circulated to the relevant parties for information and action.

All limits are approved by the holding company and are reviewed regularly.

(d) Liquidity Risk

Liquidity risk is the risk of loss due to failure by the Bank to meet its short term funding requirements.

The Assets and Liabilities Committee ("ALCO") is primarily responsible for the strategic management of the Bank's liquidity, the daily operations of which are carried out by the Money Market Desk of the Treasury Department.

ALCO monitors at its monthly meeting, adherence to the liquidity and mismatch limits, and compliance with ABN AMRO Bank N.V worldwide, ALCO guidelines and Bank Negara Malaysia's New Liquidity Framework.

33. Interest Rate Risk

Interest rate risk is the potential change in interest rate levels including changes in interest rate differentials and arises mainly from the differing yields and maturity profiles between assets and liabilities.

Interest rate is monitored through the market risk management systems as part of the overall market risk management of the Bank.

The following table represents the Group's carrying assets and liabilities at carrying amounts as at 31 December 2008.

	Non-Trading Book									
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Provisions RM'000	SPI-related items RM'000	Trading book RM'000	Total RM'000
Assets										
Cash and short-term funds	980,782	-	-	-	-	-	-	-	-	980,782
Deposits and placements with banks and other financial institutions	-	-	342,192	-	-	-	-	-	-	342,192
Securities held-for-trading	10,000	50,055	221,265	1,000,777	6,260	-	-	-	-	1,288,357
Securities available-for-sale	-	-	187,095	267,484	1,242	-	-	-	-	455,821
Loans, advances and financing	201,713	201,517	219,782	18,242	-	-	(17,236)	-	-	624,018
Other assets	-	-	-	-	-	2,478,104	-	-	-	2,478,104
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,350	-	-	-	1,350
Investments in subsidiary companies	-	-	-	-	-	-	-	-	-	-
Investment in an associated company	-	-	-	-	-	13,141	-	-	-	13,141
Deferred tax assets	-	-	-	-	-	24,050	-	-	-	24,050
Property, plant and equipment	-	-	-	-	-	32,788	-	-	-	32,788
Intangible asset	-	-	-	-	-	1,513	-	-	-	1,513
Total Assets	**1,192,495**	**251,572**	**970,334**	**1,286,503**	**7,502**	**2,550,946**	**(17,236)**	**-**	**-**	**6,242,116**
Liabilities										
Deposits from customers	1,997,147	252,376	118,385	122,058	-	-	-	-	-	2,489,966
Deposits and placements of banks and other financial institutions	189,933	-	52,337	69,440	-	-	-	-	-	311,710
Other liabilities	-	-	-	-	-	2,638,818	-	-	-	2,638,818
Provision for taxation	-	-	-	-	-	25,540	-	-	-	25,540
Subordinated debt capital	-	-	-	-	-	200,000	-	-	-	200,000
Total Liabilities	**2,187,080**	**252,376**	**170,722**	**191,498**	**-**	**2,864,358**	**-**	**-**	**-**	**5,666,034**
On balance sheet interest rate gap	(994,585)	(804)	799,612	1,095,005	7,502	(313,412)	(17,236)	-	-	576,082
Off balance sheet interest rate gap	-	-	-	-	-	-	-	-	6,000	6,000
Net interest rate gap	**(994,585)**	**(804)**	**799,612**	**1,095,005**	**7,502**	**(313,412)**	**(17,236)**	**-**	**6,000**	**582,082**

33. Interest Rate Risk (Cont'd)

The following table represents the Group's carrying assets and liabilities at carrying amounts as at 31 December 2007.

	Non-Trading Book									
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Provisions RM'000	SPI-related items RM'000	Trading book RM'000	Total RM'000
Assets										
Cash and short-term funds	7,598,903	-	-	-	-	-	-	-	-	7,598,903
Deposits and placements with banks and other financial institutions	-	-	10,368	-	-	-	-	-	-	10,368
Securities held-for-trading	-	-	2,012	177,768	638,515	-	(9,767)	-	-	808,528
Securities available-for-sale	-	-	66,161	284,969	51,658	-	-	-	-	402,788
Loans, advances and financing	189,700	153,118	213,127	66,230	-	-	(21,543)	-	-	600,632
Other assets	-	-	-	-	-	1,148,919	-	-	-	1,148,919
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	200,663	-	-	-	200,663
Investments in subsidiary companies	-	-	-	-	-	-	-	-	-	-
Investment in an associated company	-	-	-	-	-	10,778	-	-	-	10,778
Deferred tax assets	-	-	-	-	-	34,508	-	-	-	34,508
Property, plant and equipment	-	-	-	-	-	34,008	-	-	-	34,008
Intangible asset	-	-	-	-	-	958	-	-	-	958
Total Assets	**7,788,603**	**153,118**	**291,668**	**528,967**	**690,173**	**1,429,834**	**(31,310)**	**-**	**-**	**10,851,053**
Liabilities										
Deposits from customers	2,147,999	160,867	124,416	34,743	-	-	-	-	-	2,468,025
Deposits and placements of banks and other financial institutions	4,425,788	963,934	820,276	171,549	-	-	-	-	-	6,381,547
Other liabilities	-	-	-	-	-	1,341,111	-	-	-	1,341,111
Provision for taxation	-	-	-	-	-	5,522	-	-	-	5,522
Subordinated debt capital	-	-	-	-	-	200,000	-	-	-	200,000
Total Liabilities	**6,573,787**	**1,124,801**	**944,692**	**206,292**	**-**	**1,546,633**	**-**	**-**	**-**	**10,396,205**
On balance sheet interest rate gap	1,214,816	(971,683)	(653,024)	322,675	690,173	(116,799)	(31,310)	-	-	454,848
Off balance sheet interest rate gap	-	-	-	-	-	-	-	-	6,000	6,000
Net interest rate gap	**1,214,816**	**(971,683)**	**(653,024)**	**322,675**	**690,173**	**(116,799)**	**(31,310)**	**-**	**6,000**	**460,848**

33. Interest Rate Risk (Cont'd)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 2008.

	Non-Trading Book									
	Up to 1 month RM'000	**1 - 3 months RM'000**	**3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Provisions RM'000**	**SPI-related items RM'000**	**Trading book RM'000**	**Total RM'000**
Assets										
Cash and short-term funds	980,782	-	-	-	-	-	-	-	-	980,782
Deposits and placements with banks and other financial institutions	-	-	342,192	-	-	-	-	-	-	342,192
Securities held-for-trading	10,000	50,055	221,265	1,000,777	6,260	-	-	-	-	1,288,357
Securities available-for-sale	-	-	187,095	267,484	1,242	-	-	-	-	455,821
Loans, advances and financing	201,713	201,517	219,782	18,242	-	-	(17,236)	-	-	624,018
Other assets	-	-	-	-	-	2,478,104	-	-	-	2,478,104
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,350	-	-	-	1,350
Investments in subsidiary companies	-	-	-	-	-	20	-	-	-	20
Investment in an associated company	-	-	-	-	-	8,503	-	-	-	8,503
Deferred tax assets	-	-	-	-	-	24,050	-	-	-	24,050
Property, plant and equipment	-	-	-	-	-	32,788	-	-	-	32,788
Intangible asset	-	-	-	-	-	1,513	-	-	-	1,513
Total Assets	**1,192,495**	**251,572**	**970,334**	**1,286,503**	**7,502**	**2,546,328**	**(17,236)**	**-**	**-**	**6,237,498**
Liabilities										
Deposits from customers	1,997,167	252,376	118,385	122,058	-	-	-	-	-	2,489,986
Deposits and placements of banks and other financial institutions	189,933	-	52,337	69,440	-	-	-	-	-	311,710
Other liabilities	-	-	-	-	-	2,638,818	-	-	-	2,638,818
Provision for taxation	-	-	-	-	-	25,540	-	-	-	25,540
Subordinated debt capital	-	-	-	-	-	200,000	-	-	-	200,000
Total Liabilities	**2,187,100**	**252,376**	**170,722**	**191,498**	**-**	**2,864,358**	**-**	**-**	**-**	**5,666,054**
On balance sheet interest rate gap	(994,605)	(804)	799,612	1,095,005	7,502	(318,030)	(17,236)	-	-	571,444
Off balance sheet interest rate gap	-	-	-	-	-	-	-	-	6,000	6,000
Net interest rate gap	**(994,605)**	**(804)**	**799,612**	**1,095,005**	**7,502**	**(318,030)**	**(17,236)**	**-**	**6,000**	**577,444**

33. Interest Rate Risk (Cont'd)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 2007.

	Non-Trading Book									
	Up to 1 month RM'000	**1 - 3 months RM'000**	**3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Provisions RM'000**	**SPI-related items RM'000**	**Trading book RM'000**	**Total RM'000**
Assets										
Cash and short-term funds	7,598,903	-	-	-	-	-	-	-	-	7,598,903
Deposits and placements with banks and other financial institutions	-	-	10,368	-	-	-	-	-	-	10,368
Securities held-for-trading	-	-	2,012	177,768	638,515	-	(9,767)	-	-	808,528
Securities available-for-sale	-	-	66,161	284,969	51,658	-	-	-	-	402,788
Loans, advances and financing	189,700	153,118	213,127	66,230	-	-	(21,543)	-	-	600,632
Other assets	-	-	-	-	-	1,148,919	-	-	-	1,148,919
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	200,663	-	-	-	200,663
Investments in subsidiary companies	-	-	-	-	-	20	-	-	-	20
Investment in an associated company	-	-	-	-	-	8,503	-	-	-	8,503
Deferred tax assets	-	-	-	-	-	34,508	-	-	-	34,508
Property, plant and equipment	-	-	-	-	-	34,008	-	-	-	34,008
Intangible asset	-	-	-	-	-	958	-	-	-	958
Total Assets	**7,788,603**	**153,118**	**291,668**	**528,967**	**690,173**	**1,427,579**	**(31,310)**	**-**	**-**	**10,848,798**
Liabilities										
Deposits from customers	2,148,019	160,867	124,416	34,743	-	-	-	-	-	2,468,045
Deposits and placements of banks and other financial institutions	4,425,788	963,934	820,276	171,549	-	-	-	-	-	6,381,547
Other liabilities	-	-	-	-	-	1,341,111	-	-	-	1,341,111
Provision for taxation	-	-	-	-	-	5,522	-	-	-	5,522
Subordinated debt capital	-	-	-	-	-	200,000	-	-	-	200,000
Total Liabilities	**6,573,807**	**1,124,801**	**944,692**	**206,292**	**-**	**1,546,633**	**-**	**-**	**-**	**10,396,225**
On balance sheet interest rate gap	1,214,796	(971,683)	(653,024)	322,675	690,173	(119,054)	(31,310)	-	-	452,573
Off balance sheet interest rate gap	-	-	-	-	-	-	-	-	6,000	6,000
Net interest rate gap	**1,214,796**	**(971,683)**	**(653,024)**	**322,675**	**690,173**	**(119,054)**	**(31,310)**	**-**	**6,000**	**458,573**

33. Interest Rate Risk (Cont'd)

Included in the tables are the Group's assets and liabilities categorised by their average effective interest rates per annum at their balance sheet dates.

Group

	2008							2007						
	MYR %	USD %	AUD %	NZD %	SGD %	EUR %	GBP %	MYR %	USD %	AUD %	NZD %	SGD %	EUR %	GBP %
Financial Assets														
Cash and short-term funds	3.24	1.08	-	-	-	-	-	3.50	4.52	-	-	-	3.85	-
Deposits and placements with banks and other financial instutions	-	2.77	-	-	-	-	-	3.53	-	-	-	2.27	-	-
Securities available-for-sale	3.78	-	-	-	-	-	-	2.27	-	-	-	-	-	-
Loans, advances and financing	5.46	4.02	-	-	-	-	-	7.51	5.35	-	-	-	-	-
Financial Liabilities														
Deposits from customers	3.27	0.77	4.38	4.93	0.48	2.43	2.43	3.39	4.52	6.21	9.27	1.73	3.84	5.91
Deposits and placements of banks and other financial institutions	3.68	-	-	-	-	-	-	2.88	4.99	-	-	-	-	-
Obligations on securities sold under repurchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Included in the tables below are the Bank's assets and liabilities categorised by their average effective interest rates per annum at their balance sheet dates.

Bank

	2008							2007						
	MYR %	USD %	AUD %	NZD %	SGD %	EUR %	GBP %	MYR %	USD %	AUD %	NZD %	SGD %	EUR %	GBP %
Financial Assets														
Cash and short-term funds	3.24	1.08	-	-	-	-	-	3.50	4.52	-	-	-	3.85	-
Deposits and placements with banks and other financial instutions	-	2.77	-	-	-	-	-	3.53	-	-	-	2.27	-	-
Securities available-for-sale	3.78	-	-	-	-	-	-	2.27	-	-	-	-	-	-
Loans, advances and financing	5.46	4.02	-	-	-	-	-	7.51	5.35	-	-	-	-	-
Financial Liabilities														
Deposits from customers	3.27	0.77	4.38	4.93	0.48	2.43	2.43	3.39	4.52	6.21	9.27	1.73	3.84	5.91
Deposits and placements of banks and other financial institutions	3.68	-	-	-	-	-	-	2.88	4.99	-	-	-	-	-
Obligations on securities sold under repurchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-

34. Fair Values of Financial Assets and Liabilities

The following table summarises the carrying values and fair values of financial assets and liabilities of the Group and of the Bank.

	Group				Bank			
	2008		2007		2008		2007	
	Carrying Amount RM'000	Fair value RM'000	Carrying Amount RM'000	Fair value RM'000	Carrying Amount RM'000	Fair value RM'000	Carrying Amount RM'000	Fair value RM'000
Financial Assets								
Cash and short-term funds	980,782	980,782	7,598,903	7,598,903	980,782	980,782	7,598,903	7,598,903
Deposits and placements of banks and other financial institutions	342,192	342,192	10,368	10,368	342,192	342,192	10,368	10,368
Securities held-for-trading	1,288,357	1,288,357	808,528	808,528	1,288,357	1,288,357	808,528	808,528
Securities available-for-sale	455,821	455,821	402,788	402,788	455,821	455,821	402,788	402,788
Loans, advances and financing	624,018	624,169	600,632	600,632	624,018	624,169	600,632	600,632
Statutory deposit with Bank Negara Malaysia	1,350	1,350	200,663	200,663	1,350	1,350	200,663	200,663
Financial Liabilities								
Deposits from customers	2,489,966	2,493,045	2,468,025	2,468,025	2,489,986	2,493,065	2,468,045	2,468,045
Deposits and placements of banks and other financial institutions	311,710	311,710	6,381,547	6,381,547	311,710	311,710	6,381,547	6,381,547
Subordinated debt capital	200,000	191,080	200,000	200,000	200,000	191,080	200,000	200,000

2008	Group/Bank		
	Underlying Notional RM'000	Fair Value Asset RM'000	Fair Value Liability RM'000
Derivative financial instruments			
Foreign exchange contracts:			
- Forward	4,213,493	61,097	66,173
- Cross currency swaps and options	24,018,060	289,947	174,854
Interest rate contracts:			
- Futures	18,744,000	624	35,358
- Swaps	62,175,796	1,752,726	1,579,903
- Cross currency interest rate swaps	10,450,182	284,741	543,859
	119,601,531	**2,389,135**	**2,400,147**
		Note 8	Note 17

2007	Group/Bank		
	Underlying Notional RM'000	Fair Value Asset RM'000	Fair Value Liability RM'000
Derivative financial instruments			
Foreign exchange contracts:			
- Forward	4,638,825	30,341	23,243
- Cross currency swaps and options	30,455,223	294,217	387,371
Interest rate contracts:			
- Futures	10,183,000	1,861	1,132
- Swaps	65,144,668	430,290	351,909
- Cross currency interest rate swaps	8,128,896	259,138	303,167
	118,550,612	**1,015,847**	**1,066,822**
		Note 8	Note 17

Fair values of derivative financial instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The fair values of the Group's and the Bank's derivative instruments are estimated by reference to quoted market prices. Internal models are used where no market price is available.

34. Fair Values of Financial Assets and Liabilities (Cont'd)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction under normal market conditions.

However, certain assets such as loans, deposits and derivatives, fair values are not readily available as there is no open market where these instruments are traded.

The fair values for these instruments are estimated based on the assumptions and techniques below.

These methods are subjective in nature and therefore the fair values presented may not be indicative of the actual realisable value.

(i) Cash and Short Term Funds

The carrying amounts are a reasonable estimate of the fair values because of their short-term nature.

(ii) Deposits and Placements with Financial Institutions

Deposits and placements of below one year are at carrying amounts while those maturing beyond one year have been valued based on discounted cashflows.

(iii) Securities held-for-trading and available-for-sale

The estimated fair value is based on quoted and observable market prices at the balance sheet date. Where such quoted and observable market prices are not available, fair value is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the estimated future cash flows are discounted based on current market rates for similar instrument at the balance sheet date.

(iv) Loans Advances

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans with maturities of more than one year, the fair values are estimated based on discounted future cash flows of contractual instalment payments. In respect of nonperforming loans, the fair values are deemed to approximate the carrying values, net of specific allowance for bad and doubtful debts and financing.

(v) Statutory Deposits with BNM

Statutory deposits with BNM are stated at carrying amounts.

(vi) Deposits from Customers

Deposits from customers are valued at carrying amounts for all amounts on demand and below one year, while deposits over one year have been valued at discounted cashflows.

(vii) Deposits and Placements of Banks and Other Financial Institutions

Deposits and placements of banks and other financial institutions are valued at carrying amounts.

(viii) Subordinated Debt Capital

The estimated fair value is based on observable market prices at the balance sheet date. Where such observable market prices are not available, fair value is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the estimated future cash flows are discounted based on current market rates for similar instrument at the balance sheet date.

35. Capital Adequacy

The components of Tier I and Tier II capital are as follows:

	Bank	
	2008 RM'000	2007 RM'000
Tier-I Capital		
Paid-up share capital	203,000	203,000
Share premium	76,182	76,182
Statutory reserves	150,739	121,278
Retained earnings	138,999	50,618
	568,920	451,078
Less :		
- Deferred tax assets	(24,050)	(34,508)
Total Tier-I capital	544,870	416,570
Tier-II Capital		
General provision for bad and and doubtful debts and financing	15,783	15,783
Subordinated debt capital	200,000	200,000
Total Tier-II capital	215,783	215,783
Total capital funds	760,653	632,353
Less: Investment in subsidiary companies	(20)	(20)
Capital base	760,633	632,333
Capital Ratios		
Core capital ratio	9.41%	9.55%
Risk-weighted capital ratio	13.14%	14.50%

	2008		2007	
Bank	**Principal RM'000**	**Risk-Weighted RM'000**	**Principal RM'000**	**Risk-Weighted RM'000**
0%	731,364	-	7,777,482	-
10%	98	10	-	-
20%	5,643,082	1,128,616	3,990,654	798,131
50%	1,609,334	804,667	827,644	413,822
100%	756,798	756,798	731,587	731,587
Risk-weighted assets for credit risk		2,690,091		1,943,540
Risk-weighted assets for market risk		3,099,769		2,416,452
Total risk-weighted assets		**5,789,860**		**4,359,992**

36. Subsequent Event

On 26 February 2009, The Royal Bank of Scotland Group announced that it would sell its retail and commercial business across Asia. This includes the business within the Bank. The sale process is expected to continue for some time and on the basis that a sale is agreed with a potential bidder, separation of this business will take place. As at the date of issuance of the financial statements, no sale has been agreed.