THE ROYAL BANK OF SCOTLAND BERHAD
(Company No. 301932 - A)
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012
(In Ringgit Malaysia)

These Audited Financial Statements of the Bank with Unqualified Auditors' Report for the financial year ended 31 December 2012 were tabled at the Annual General Meeting held on 28 June 2013.

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THE ROYAL BANK OF SCOTLAND BERHAD
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REPORT OF THE DIRECTORS

The Directors hereby submit 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 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are banking and related financial services. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS OF OPERATIONS

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

	Group RM'000	Bank RM'000
Loss before taxation	(17,372)	(16,760)
Taxation	(6,760)	(6,760)
Loss for the year	(24,132)	(23,520)

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.

DIVIDENDS

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

The Directors do not recommend the payment of any dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except 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 of 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
Tan Sri Datuk Asmat bin Kamaludin
Andrew Mark Sill
David Edward Hourican (Appointed on 15 August 2012)
Peter Andrew Akwaboah (Appointed on 15 August 2012)
Choo Tuck Wai (Appointed on 15 August 2012)
Stephen Alan McKie (Resigned on 19 September 2012)

In accordance with Article 90A of the Bank's Articles of Association, Dato' Jorgen Bornhoft and Tan Sri Datuk Asmat bin Kamaludin retire by rotation 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-two years of age, retires at the forthcoming Annual General Meeting in accordance with Article 107(i) of the Articles of Association of the Bank. The Board recommends that he be re-appointed as a Director in accordance with Section 129 of the Companies Act, 1965 until the conclusion of the following Annual General Meeting of the Bank.

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DIRECTORS' INTERESTS

The shareholdings in the ultimate holding company of those who were Directors at the end of the financial year, as recorded in the Register of Directors' shareholdings kept by the Bank under Section 134 of the Companies Act, 1965, are as follows:

	No. of ordinary shares of £10.00 each			
	Balance as of 1.1.2012/ Date of Appointment	**Awarded**	**Sold**	**Balance as of 31.12.2012**
Shares in the ultimate holding company, The Royal Bank of Scotland Group plc				
Andrew Mark Sill	9,494*	10,598	-	20,092
David Edward Hourican	5,735*	-	-	5,735
Peter Andrew Akwaboah	3,147*	-	-	3,147
Choo Tuck Wai	6,016*	-	-	6,016

* During the financial year, the ultimate holding company undertook a reverse share split involving the subdivision of every ten (10) existing ordinary shares of £1.00 each into one (1) ordinary share of £10.00 each.

By virtue of their interest in the shares of the ultimate holding company, the abovementioned Directors are also deemed to have an interest in the shares of the Bank to the extent that the ultimate holding company has an interest.

Except for the above, none of the other Directors in office at the end of the financial year, according to the Register required to be kept under Section 134 of the Companies Act, 1965, held shares or had beneficial interest in the shares of 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 28 to 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.

During and at the end of the financial year, no arrangement subsisted to which the Bank was a party whereby the Directors of the Bank might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with as set out in the Guidelines on Financial Reporting for Banking Institutions and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

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 proper 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 have satisfied themselves that all known non-performing debts and financing had been written off and adequate allowance 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 non-performing 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 current assets, other than debts and financing, which were unlikely to realise their book values in the ordinary course of business, have been written down to their estimated realisable values.

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 that 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

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 those incurred in the normal course of 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 substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due except as disclosed in Note 35 to the financial statements.

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 during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature,

(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 2012

In order to ensure that the Bank can compete strongly with sufficient levels of resources and return, the previous Global Banking and Market ("GBM") and Global Transaction Services ("GTS") business have been restructured on 12 January 2012 to create a new wholesale banking division called Markets and International Banking. This will have two businesses which report as separate income streams: 'Markets' business and 'International Banking' business. GBM's banking and the international GTS business are consolidated into one integrated business called International Banking. This restructuring is expected to enhance connectivity and reduced costs.

Notwithstanding the above restructuring, the Bank continues to adopt the strategy to deepen relationships with core clients and drive cross sell across the Bank's competitive business sectors, which includes Debt Capital Markets, Foreign Exchange, Derivative and risk solutions and Transaction Banking. Cost remained one of the key focuses to restore the sustainability and profitability of the Group and of the Bank.

Although the Bank recorded a loss for the financial year ended 31 December 2012, core capital ratio remained strong and risk-weighted capital ratio remained at 19% as at 31 December 2012. No significant impairments were made during the financial year.

OUTLOOK FOR 2013

We expect the economic and regulatory challenges present in 2011 and 2012 to continue into 2013. Growth prospects in the UK remain subdued, while a degree of macro-economic risk persists in the Eurozone and more generally within the global economy. Growth in most Asian countries, however, is expected to remain healthy, underpinned by sustainable domestic demand.

We will continue to focus on maintaining a strong balance sheet and managing the cost base. Our funding and liquidity positions are very strong, providing capacity for loan growth if demand is there as we move through 2013.

RATING BY AGENCY

In the annual rating review concluded on 6 December 2012, RAM Ratings reaffirmed the respective long and short-term financial institution ratings of AA2 and P1. Concurrently, the rating of the Bank's RM200 million Subordinated Negotiable Instruments of Deposit (2007/2017) was reaffirmed at AA3. Both long-term ratings have a stable outlook. The AA2 and AA3 ratings indicate the Bank's strong capacity to meet financial obligations while the P1 rating reflects strong capacity to meet short-term financial obligations.

HOLDING COMPANIES

On 19 April 2011, the Boards of The Royal Bank of Scotland Group plc ("RBS Group")*, The Royal Bank of Scotland plc ("RBS plc")*, RBS Holdings N.V. ("AAH")** and The Royal Bank of Scotland N.V. ("RBS N.V.")** announced their intention to transfer a substantial part of the business activities of RBS N.V. to RBS plc, subject, among other matters, to regulatory and other approval. In connection with this, RBS N.V. and RBS Group entered into a share purchase agreement on 30 September 2011 relating to the sale and purchase of the whole of the issued share capital of RBS AA Holdings (U.K.) Limited ("RBS AA Holdings")*.

Further to the above, RBS N.V. and RBS AA Holdings entered into a share purchase agreement on 12 October 2012 under which RBS N.V. agreed to sell and RBS AA Holdings agreed to purchase the whole of the issued share capital of the Bank. Thereafter, RBS AA Holdings became the immediate holding company of the Bank.

The ultimate consolidating parent of the Bank is controlled by the UK Government. The UK Government therefore is a related party of the Bank.

Given the reach of the UK Government and their controlled bodies and the volume and diversity of transactions with them, the disclosure of transactions with these related parties is impractical. Hence, for purposes of the financial statements of the Group and the Bank, related companies refer to members of The Royal Bank of Scotland Group plc's group of companies.

* RBS Group, RBS plc and RBS AA Holdings are public limited companies incorporated in the United Kingdom.

** AAH and RBS N.V. are public limited companies incorporated in the Netherlands.

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

GENERAL (RTD) TAN SRI DATO' MOHD GHAZALI SETH

ANDREW MARK SILL

Kuala Lumpur
12 June 2013

Company No. 301932 - A

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **GENERAL (RTD) TAN SRI DATO' MOHD GHAZALI SETH** and **ANDREW MARK SILL**, being two of the Directors of The Royal Bank of Scotland Berhad, do hereby state that in the opinion of the Directors, the financial statements set out on pages 12 to 127 are drawn up in accordance with Malaysian Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2012 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

GENERAL (RTD) TAN SRI DATO'
MOHD GHAZALI SETH

ANDREW MARK SILL

Kuala Lumpur
12 June 2013

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **LOH JUI HAU**, 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 12 to 127 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.

LOH JUI HAU

Subscribed and solemnly declared by the abovenamed **LOH JUI HAU** at **KUALA LUMPUR** in the Federal Territory on 12th day of June, 2013.

Before me,

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No. W 350
SHAFIE B. DAUD
MALAYSIA

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Deloitte.

Deloitte & Touche (AF 0834)
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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 statements of financial position of the Group and of the Bank as of 31 December 2012 and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 127.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

(Forward)

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' judgment, 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 Bank's preparation of financial statements that give a true and fair view 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 Bank'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 give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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, have been properly kept in accordance with the provisions of the Act;

(b) we are satisfied that the accounts 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 purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for those purposes; and

(c) the auditors' reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

(Forward)

Other Matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

HIEW KIM TIAM
Partner - 1717/08/13 (J)
Chartered Accountant

12 June 2013

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		Group		
	Note	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
ASSETS				
Cash and short-term funds	5	2,230,388	1,596,567	2,895,306
Deposits and placements with other financial institutions		400,264	353,624	-
Securities purchased under resale agreements	6	-	-	9,910
Securities held-for-trading	7	29,637	306,369	337,881
Securities available-for-sale	8	797,407	788,993	786,343
Loans, advances and financing	9	299,304	368,093	335,432
Derivative financial assets	10	727,362	1,044,550	1,244,402
Statutory deposits with Bank Negara Malaysia	11	28,000	16,000	-
Other assets	12	34,049	25,616	78,783
Investment in associated company	14	5,752	10,149	8,328
Property, plant and equipment	15	10,340	15,834	21,067
Intangible assets	16	565	629	459
Deferred tax assets	17	22,591	31,699	25,688
TOTAL ASSETS		4,585,659	4,558,123	5,743,599
LIABILITIES AND SHAREHOLDER'S FUNDS				
Deposits from customers	18	1,759,354	1,817,251	1,966,025
Deposits and placements from banks and other financial institutions	19	1,008,634	532,764	1,534,985
Derivative financial liabilities	10	878,412	1,213,790	1,227,391
Other liabilities	20	149,367	180,757	242,921
Subordinated debt capital	21	207,940	206,842	205,069
TOTAL LIABILITIES		4,003,707	3,951,404	5,176,391
Share capital	22	203,000	203,000	203,000
Reserves	23	378,952	403,719	364,208
SHAREHOLDER'S FUNDS		581,952	606,719	567,208
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		4,585,659	4,558,123	5,743,599
COMMITMENTS AND CONTINGENCIES	35	39,946,813	47,556,715	74,213,184

(Forward)

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

			Bank	
	Note	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
ASSETS				
Cash and short-term funds	5	2,230,388	1,596,567	2,895,306
Deposits and placements with other financial institutions		400,264	353,624	-
Securities purchased under resale agreements	6	-	-	9,910
Securities held-for-trading	7	29,637	306,369	337,881
Securities available-for-sale	8	797,407	788,993	786,343
Loans, advances and financing	9	299,304	368,093	335,432
Derivative financial assets	10	727,362	1,044,550	1,244,402
Statutory deposits with Bank Negara Malaysia	11	28,000	16,000	-
Other assets	12	34,049	25,616	78,783
Investment in subsidiary companies	13	20	20	20
Investment in associated company	14	4,718	8,503	8,503
Property, plant and equipment	15	10,340	15,834	21,067
Intangible assets	16	565	629	459
Deferred tax assets	17	22,591	31,699	25,688
TOTAL ASSETS		4,584,645	4,556,497	5,743,794
LIABILITIES AND SHAREHOLDER'S FUNDS				
Deposits from customers	18	1,759,374	1,817,271	1,966,045
Deposits and placements from banks and other financial institutions	19	1,008,634	532,764	1,534,985
Derivative financial liabilities	10	878,412	1,213,790	1,227,391
Other liabilities	20	149,367	180,757	242,921
Subordinated debt capital	21	207,940	206,842	205,069
TOTAL LIABILITIES		4,003,727	3,951,424	5,176,411
Share capital	22	203,000	203,000	203,000
Reserves	23	377,918	402,073	364,383
SHAREHOLDER'S FUNDS		580,918	605,073	567,383
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		4,584,645	4,556,497	5,743,794
COMMITMENTS AND CONTINGENCIES	35	39,946,813	47,556,715	74,213,184

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

		Group		Bank	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating revenue	24	124,538	171,785	126,304	177,408
Interest income	25	66,923	72,653	66,923	72,653
Interest expense	26	(52,517)	(65,482)	(52,517)	(65,482)
Net interest income		14,406	7,171	14,406	7,171
Other operating income	27	57,615	99,132	59,381	104,755
Other operating expenses	28	(90,708)	(59,586)	(90,708)	(59,586)
Write back/(Allowance) for impairment on loans, advances and financing	29	161	(40)	161	(40)
Share of profit of associated company		1,154	7,444	-	-
(Loss)/Profit before taxation		(17,372)	54,121	(16,760)	52,300
Taxation	30	(6,760)	(14,100)	(6,760)	(14,100)
(Loss)/Profit for the year attributable to equity holder of the Bank		(24,132)	40,021	(23,520)	38,200
Other comprehensive loss:					
Net loss on securities available-for-sale		(635)	(510)	(635)	(510)
Total comprehensive (loss)/income for the year		(24,767)	39,511	(24,155)	37,690
(Loss)/Earnings per share (sen)	31	(11.89)	19.71	(11.59)	18.82

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

Group

		← Non-distributable Reserves		→	Distributable Reserve	
	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 2011						
- as previously stated	203,000	76,182	152,463	1,818	131,940	565,403
- effects of MFRS adoption (Note 39)	-	-	-	-	1,805	1,805
At 1 January 2011, as restated	203,000	76,182	152,463	1,818	133,745	567,208
Profit for the year	-	-	-	-	40,021	40,021
Net loss on securities available-for-sale	-	-	-	(693)	-	(693)
Deferred tax (Note 17)	-	-	-	183	-	183
Other comprehensive loss	-	-	-	(510)	-	(510)
Transfer of reserves	-	-	9,605	-	(9,605)	-
At 31 December 2011	203,000	76,182	162,068	1,308	164,161	606,719
At 1 January 2012						
- as previously stated	203,000	76,182	162,068	1,308	162,577	605,135
- effects of MFRS adoption (Note 39)	-	-	-	-	1,584	1,584
At 1 January 2012, as restated	203,000	76,182	162,068	1,308	164,161	606,719
Loss for the year	-	-	-	-	(24,132)	(24,132)
Net loss on securities available-for-sale	-	-	-	(847)	-	(847)
Deferred tax (Note 17)	-	-	-	212	-	212
Other comprehensive loss	-	-	-	(635)	-	(635)
At 31 December 2012	203,000	76,182	162,068	673	140,029	581,952

(Forward)

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012
Bank

		← Non-distributable Reserves		→	Distributable Reserve	
	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 2011						
- as previously stated	203,000	76,182	152,463	1,818	132,115	565,578
- effects of MFRS adoption (Note 39)	-	-	-	-	1,805	1,805
At 1 January 2011, as restated	203,000	76,182	152,463	1,818	133,920	567,383
Profit for the year	-	-	-	-	38,200	38,200
Net loss on securities available-for-sale	-	-	-	(693)	-	(693)
Deferred tax (Note 17)	-	-	-	183	-	183
Other comprehensive loss	-	-	-	(510)	-	(510)
Transfer of reserves	-	-	9,605	-	(9,605)	-
At 31 December 2011	203,000	76,182	162,068	1,308	162,515	605,073
At 1 January 2012						
- as previously stated	203,000	76,182	162,068	1,308	160,931	603,489
- effects of MFRS adoption (Note 39)	-	-	-	-	1,584	1,584
At 1 January 2012, as restated	203,000	76,182	162,068	1,308	162,515	605,073
Loss for the year	-	-	-	-	(23,520)	(23,520)
Net loss on securities available-for-sale	-	-	-	(847)	-	(847)
Deferred tax (Note 17)	-	-	-	212	-	212
Other comprehensive loss	-	-	-	(635)	-	(635)
At 31 December 2012	203,000	76,182	162,068	673	138,995	580,918

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Group		Bank	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(17,372)	54,121	(16,760)	52,300
Adjustments for:				
Unrealised loss on derivatives trading	63,253	22,802	63,253	22,802
Depreciation of property, plant and equipment	5,462	5,770	5,462	5,770
Impairment loss on property, plant and equipment	3,002	-	3,002	-
Property, plant and equipment written-off	-	5	-	5
Share of profit of associated company	(1,154)	(7,444)	-	-
(Write back)/Allowance for impairment on loans, advances and financing	(161)	40	(161)	40
Amortisation of cost and premium relating to subordinated debt capital	1,098	1,773	1,098	1,773
Amortisation of intangible assets	267	295	267	295
Unrealised foreign exchange gain	(71,482)	(32,652)	(71,482)	(32,652)
Gain from sale of securities held-for-trading	(1,022)	(16,692)	(1,022)	(16,692)
Amortisation of premium less accretion of discount	4,996	752	4,996	752
Gain from sale of securities available-for-sale	(193)	(2,923)	(193)	(2,923)
Unrealised (gain)/loss on revaluation of securities held-for-trading	(146)	161	(146)	161
Operating (Loss)/Profit Before Working Capital Changes	(13,452)	26,008	(11,686)	31,631

(Forward)

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
(Increase)/Decrease in:				
Cash collateral pledged for derivative transactions	31,348	11,583	31,348	11,583
Securities purchased under resale agreements	-	9,910	-	9,910
Securities held-for-trading	277,900	48,043	277,900	48,043
Loans, advances and financing	68,950	(32,701)	68,950	(32,701)
Derivative financial assets	325,417	209,702	325,417	209,702
Other assets	(67)	28,487	(67)	28,487
Statutory deposits with Bank Negara Malaysia	(12,000)	(16,000)	(12,000)	(16,000)
Increase/(Decrease) in:				
Deposits from customers	(57,897)	(148,774)	(57,897)	(148,774)
Deposits and placements from banks and other financial institutions	475,870	(1,002,221)	475,870	(1,002,221)
Derivative financial liabilities	(335,378)	(13,601)	(335,378)	(13,601)
Other liabilities	(31,390)	(62,164)	(31,390)	(62,164)
Cash Generated From/(Used In) Operations	729,301	(941,728)	731,067	(936,105)
Income taxes paid	(5,806)	(9,861)	(5,806)	(9,861)
Income taxes refunded	-	14,613	-	14,613
Net Cash Generated From/(Used In) Operating Activities	723,495	(936,976)	725,261	(931,353)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,970)	(542)	(2,970)	(542)
Purchase of intangible assets	(203)	(465)	(203)	(465)
Net purchase of securities available-for-sale	(14,064)	(1,172)	(14,064)	(1,172)
Proceeds from capital repayment of investment in associated company	3,785	-	3,785	-
Dividend received	1,766	5,623	-	-
Net Cash (Used In)/Generated From Investing Activities	(11,686)	3,444	(13,452)	(2,179)

(Forward)

	Group		Bank	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	711,809	(933,532)	711,809	(933,532)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,628,112	2,561,644	1,628,112	2,561,644
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	2,339,921	1,628,112	2,339,921	1,628,112
Cash and cash equivalents comprise the following:				
Cash and short-term funds	2,230,388	1,596,567	2,230,388	1,596,567
Deposits and placements with other financial institutions	400,264	353,624	400,264	353,624
Cash collateral pledged	(290,731)	(322,079)	(290,731)	(322,079)
	2,339,921	1,628,112	2,339,921	1,628,112

The accompanying Notes form an integral part of 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 9, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur.

On 19 April 2011, the Boards of The Royal Bank of Scotland Group plc ("RBS Group")*, The Royal Bank of Scotland plc ("RBS plc")*, RBS Holdings N.V. ("AAH")** and The Royal Bank of Scotland N.V. ("RBS N.V.")** announced their intention to transfer a substantial part of the business activities of RBS N.V. to RBS plc, subject, among other matters, to regulatory and other approval. In connection with this, RBS N.V. and RBS Group entered into a share purchase agreement on 30 September 2011 relating to the sale and purchase of the whole of the issued share capital of RBS AA Holdings (U.K.) Limited ("RBS AA Holdings")*.

Further to the above, RBS N.V. and RBS AA Holdings entered into a share purchase agreement on 12 October 2012 under which RBS N.V. agreed to sell and RBS AA Holdings agreed to purchase the whole of the issued share capital of the Bank. Thereafter, RBS AA Holdings became the immediate holding company of the Bank.

The ultimate consolidating parent of the Bank is controlled by the UK Government. The UK Government therefore is a related party of the Bank.

Given the reach of the UK Government and their controlled bodies and the volume and diversity of transactions with them, the disclosure of transactions with these related parties is impractical. Hence, for purposes of the financial statements of the Group and the Bank, related companies refer to members of The Royal Bank of Scotland Group plc's group of companies.

* RBS Group, RBS plc and RBS AA Holdings are public limited companies incorporated in the United Kingdom.
** AAH and RBS N.V. are public limited companies incorporated in the Netherlands.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2012 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred as the "Group entities") and the Group's interest in associates and jointly controlled assets and operations. The financial statements of the Bank as at and for the year ended 31 December 2012 do not include other entities.

The principal activities of the Bank are banking and related financial services. The principal activities of the subsidiary companies are to act as nominees, 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.

1. CORPORATE INFORMATION (CONTINUED)

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 12 June 2013.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Statement of Compliance

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") as modified by Bank Negara Malaysia Guidelines, International Financial Reporting Standards and the provisions of Companies Act, 1965 in Malaysia.

2.1 Adoption of Malaysian Financial Reporting Standards

The Group's and the Bank's financial statements for the financial year ended 31 December 2012 have been prepared in accordance with MFRSs for the first time. In the previous years, these financial statements were prepared in accordance with Financial Reporting Standards ("FRSs").

The transition to MFRSs is accounted for in accordance with MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards, with 1 January 2011 as the date of transition. The changes in accounting policies as a consequence of the transition to MFRSs and the reconciliations of the effects of the transition to MFRSs are presented in Note 39 to the financial statements.

The Bank's collective assessment allowance were previously maintained at 1.5% of total outstanding loans, net of individual assessment allowance, being the transitional arrangement as prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing ("The Guidelines"). In conjunction with the convergence of the FRSs in Malaysia with the IFRSs that resulted in the MFRS framework, the Guidelines were revised on 9 November 2011 to align the requirements on the determination of collective assessment allowance with that of MFRS 139. Based on the revised Guidelines, the transitional arrangement is removed with effect from 1 January 2012. The financial impact arising from the adoption from the requirements under MFRSs is disclosed in Note 39 to the financial statements.

2.2 Standards and Amendments in issue but not yet effective

At the date of authorisation for issue these financial statements, the new and revised Standards relevant to the Group and the Bank which were in issue but not yet effective and not early adopted by the Group and the Bank are as listed below.

MFRS 7 Financial Instruments: Disclosures [Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009 and October 2010 respectively)][1]

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Standards and Amendments in issue but not yet effective (continued)

MFRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures - Offsetting Financial Assets and Liabilities)[2]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2009)[3]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2010)[3]
MFRS 10	Consolidated Financial Statements[2]
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)[2]
MFRS 11	Joint Arrangements[2]
MFRS 11	Joint Arrangements (Amendments relating to Transition Guidance)[2]
MFRS 12	Disclosures of Interests in Other Entities[2]
MFRS 12	Disclosures of Interests in Other Entities (Amendments relating to Transition Guidance)[2]
MFRS 13	Fair Value Measurement[2]
MFRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)[4]
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)[2]
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)[2]
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)[2]
MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[5]

Amendments to MFRSs contained in the document entitled Annual Improvements 2009 - 2011 cycle[2]

[1] Effective immediately on issuance date of 1 March 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015 instead of 1 January 2013 immediately upon the issuance of Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and MFRS 7 relating to "Mandatory Effective Date of MFRS 9 and Transition Disclosures" on 1 March 2012
[4] Effective for annual periods beginning on or after 1 July 2012
[5] Effective for annual periods beginning on or after 1 January 2014

The directors anticipate that the relevant abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and of the Bank when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group and of the Bank in the period of initial application, except as discussed below.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Standards and Amendments in issue but not yet effective (continued)

Amendments to MFRS 7 and MFRS 132: Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to MFRS 7 introduce new disclosure requirements relating to rights of offset and related arrangements for financial instruments under an enforceable master netting agreements or similar arrangements.

The amendments to MFRS 132 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

To date, the Group and the Bank has not entered into any such agreements or similar arrangements. However, the directors anticipate that the application of these amendments to MFRS 132 and MFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

MFRS 9 and Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduces new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes the requirements for the classification and measurement of financial liabilities and for derecognition.

The amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) ("MFRS 9") relating to "Mandatory Effective Date of MFRS 9 and Transition Disclosures" which became effective immediately on the issuance date of 1 March 2012 amended the mandatory effective date of MFRS 9 to annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013, with earlier application still permitted as well as modified the relief from restating prior periods. MFRS 7 which was also amended in tandem with the issuance of the aforementioned amendments introduces new disclosure requirements that are either permitted or required on the basis of the entity's date of adoption and whether the entity chooses to restate prior periods.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Standards and Amendments in issue but not yet effective (continued)

Key requirements of MFRS 9 are described as follows:

- all recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held with a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under FRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the application of MFRS 9 may affect the amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until a detailed review has been completed.

In accordance with BNM Guidelines on Financial Reporting for Banking Institutions, the bank is not allowed to early apply MFRS 9 for financial years beginning before 1 January 2015.

MFRS 10, MFRS 11, MFRS 12, MFRS 127 and MFRS 128

In November 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, comprising MFRS 10, MFRS 11, MFRS 12, MFRS 127 (IAS 27 as amended by IASB in May 2011) and MFRS 128 (IAS 28 as amended by IASB in May 2011).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Standards and Amendments in issue but not yet effective (continued)

Key requirements of these five Standards which are relevant to the Group and to the Bank are described below.

MFRS 10 replaces the parts of MFRS 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. IC Int.112 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of MFRS 10.

Under MFRS 10, there is only one basis for consolidation, that is, control. In addition, MFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in MFRS 10 to deal with complex scenarios.

MFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in MFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to MFRS 10, MFRS 11 and MFRS 12 were issued to clarify certain transitional guidance on the application of these MFRSs for the first time.

The directors anticipate that the application of these five standards may have impact on amounts reported in the consolidated financial statements. A detailed review will be performed by the Directors to quantify the impact on application of MFRS 10.

MFRS 13

MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under MFRS 7 *Financial Instruments: Disclosures* will be extended by MFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Standards and Amendments in issue but not yet effective (continued)

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments also introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to MFRS 101, the "statement of comprehensive income" is renamed "statement of profit or loss and other comprehensive income" and the "income statement" is renamed the "statement of profit or loss".

The amendments will be applied retrospectively upon adoption and hence, the presentation of items of other comprehensive income will be modified accordingly to reflect the changes. Other than the abovementioned presentation changes, the application of the amendments to MFRS 101 would not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

MFRS 119 (IAS 19 as amended by IASB in June 2011)

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Further, the interest cost and expected return on plan assets used in the previous version of MFRS 119 are replaced with a "net-interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to MFRS 119 require retrospective application. The directors do not anticipate that the application of MFRS 119 will have a significant effect on the Group's and the Bank's financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2.2 Standards and Amendments in issue but not yet effective (continued)

Amendments to MFRSs: Annual Improvements 2009 - 2011 Cycle

The *Annual Improvements 2009 - 2011 Cycle* include a number of amendments to various MFRSs. The amendments to MFRSs include:

- Amendments to MFRS 101 *Presentation of Financial Statements*;
- Amendments to MFRS 116 *Property, Plant and Equipment*; and
- Amendments to MFRS 132 *Financial Instruments: Presentation.*

Amendments to MFRS 101

MFRS 101 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to MFRS 101 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. Hence, the adoption of the amendments when it becomes effective will affect the presentation of the third statement of financial position and related notes in the future periods.

Amendments to MFRS 116

The amendments to MFRS 116 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in MFRS 116 and as inventory otherwise. The directors do not anticipate that the amendments to MFRS 116 will have a significant effect on the Group's and the Bank's financial statements.

Amendments to MFRS 132

The amendments to MFRS 132 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with MFRS 112 *Income Taxes*. The directors anticipate that the amendments to MFRS 132 will have no effect on the Group's and the Bank's financial statements as this treatment has already been adopted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The financial statements of the Group and of the Bank have been prepared on the historical cost basis, unless otherwise indicated in the significant accounting policies stated below. Historical cost is generally based on the fair value of consideration given in exchange for assets.

The principal accounting policies are set out below.

3.2 Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Subsidiaries and Basis of Consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate.

Investment in subsidiaries which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Bank's separate financial statements.

3.3 Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Business Combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Business Combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

3.4 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 is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of MFRS 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Investment in Associate (continued)

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with MFRS 139. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as that would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive by that associate would be reclassified to profit or loss on disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associate that are not related to the Group.

Investment in associate is accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further loose is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

3.5 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 profit or loss for all interest bearing assets using the effective interest method. Interest income includes the amortisation of premium or accretion of discount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Interest income (continued)

Interest income on loans is accounted for using the effective interest method by reference to rest periods as stipulated in the loan agreements, which are either monthly or daily.

For impaired financial assets where the value of the financial asset has been written down as a result of an impairment loss, interest/financing income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(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 when the transaction is completed.

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

3.6 Leasing

A lease is recognised as a finance lease if it transfers substantially to the Group and the Bank 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 statements of financial position 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 and the Bank'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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Finance leases (continued)

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3.

(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.

3.7 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.

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

(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 reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on reporting 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 year.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(ii) **Foreign currency transactions (continued)**

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 other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

3.8 Employee Benefits

(i) **Short-term employee benefits**

Wages, salaries, paid annual leaves, bonuses and social contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services rendered by the employees that increase their entitlement to future compensated absences. 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 and the Bank pay 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 profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3.9 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and the Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group and the Bank are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Bank expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 they relate to income taxes levied by the same taxation authority and the Group and the Bank intend to settle its current tax assets and liabilities on a net basis.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(iii) **Current and deferred tax for the period**

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

3.10 Property, Plant and Equipment

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 Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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 vehicle	20%
Office equipment and machinery	20%
Furniture, fixtures and fittings	10% - 20%
Computer equipment	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 profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 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 reporting date.

3.12 Impairment of Non-financial Assets

At each reporting 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 statements of comprehensive income 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 profit or loss 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 profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

3.13 Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructurings

A restructuring provision is recognised when the Group and the Bank have developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.14 Contingent Liabilities and Contingent Assets

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3.15 Financial Instruments

Financial assets and financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured a fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets/liability, or, where appropriate, a shorter period. Income/expense is recognised on an effective interest basis for debt instruments other than those financial asset/liability designated as at fair value through profit and loss.

3.15.1 Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity" investments, "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(i) **Financial assets at fair value through profit or loss (FVTPL)**

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

(a) it has been acquired principally for the purpose of selling in the near future; or

(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Bank manage together and have a recent actual pattern of short-term profit-taking' or

(c) it is a derivative that is not designated and effective as a hedging instrument.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(i) **Financial assets at fair value through profit or loss (FVTPL) (continued)**

A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if:

(a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(b) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's and the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(c) it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains of losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 37.

(ii) **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group and the Bank has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

(iii) **Available-for-sale financial assets (AFS)**

AFS financial assets, comprising government securities and investment securities, are intended to be held for a longer period of time and may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or prices. The Group and the Bank use trade date accounting where the purchase and sale of an investment is under a contract whose terms require delivery of the investments within the timeframe established by the market concerned. The investments are stated at fair value. Fair value is determined in the manner described in Note 37.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Available-for-sale financial assets (AFS) (continued)

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's and the Bank's right to receive the dividends is established

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category include cash and balances with banks, reverse repurchase agreement and loans, advances and financing. These financial assets are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest income on loans and receivables is recognised in "Interest income" in profit or loss. Impairment losses on loans, advances and financing are recognised in profit or loss as "Allowance for impairment on loans, advances and financing". Regular way recognition of loans, advances and financing is recorded on settlement date, when all the conditions under the loan contract have been fulfilled.

(v) Cash and cash equivalents

Cash and cash equivalents as stated in the statements of cash flows 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vi) Securities

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

(a) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired and held principally with 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 profit or loss.

(b) 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 other comprehensive income 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 profit or loss, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

(vii) Securities purchased under resale 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 statements of financial position.

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 statements of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15.2 Impairment of financial assets

(i) Loans, advances and financing

Loans, advances and financing ("loans") of the Group and of the Bank are classified as impaired when they fulfill any of the following criteria:

(a) Principal or interest or both are past due for three (3) months or more;

(b) Where a loan is in arrears for less than three (3) months, the loan exhibits indications of credit weaknesses; or

(c) Where an impaired loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for certain period of months.

For determination of impairment on loans, the Group and the Bank assess at the end of each reporting period whether there is objective evidence that a loan or a group of loans is impaired. A loan or a group of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (i.e. an incurred loss event) and that loss event has an impact on the estimated future cash flows of the loans or a group of loans that can be reliably estimated.

The Group and the Bank first assess individually whether objective evidence of impairment exists individually for loans which are individually significant, or collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the loan is then included in a group of financing with similar credit risk characteristics and collectively assessed for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective profit rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(i) **Loans, advances and financing (continued)**

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Impairment for this group is assessed based on the historical loss experience in terms of default rate and estimated recovery rate.

Future cash flows of the loans are evaluated depending on the availability of security for the loans. For unsecured loans, the fraction of exposure at default that will not be recovered following the default is taken in full.

For loans secured with collateral pledged to the Group and the Bank, the fraction of exposure at default would take into account value of the security discounted based on the expected period of recovery of the security using the effective interest rate.

The likelihood that the loan would fall into default is computed based on average default rates for the latest number of years using historical data of outstanding balance that flow through to the following month. Similar rate of the likelihood of default is applied to the group of loans with similar credit risk characteristics.

In previous years, for collective assessment of loans, the Bank has applied the transitional arrangement issued by BNM via its guideline on Classification and Impairment Provisions for Loans/Financing, whereby collective assessment impairment allowance is maintained at a minimum of 1.5% of total outstanding financing, net of individual assessment allowance.

In conjunction with the convergence of the FRSs in Malaysia with the IFRSs, BNM's guideline on Classification and Impairment Provisions for Loans/Financing was revised on 9 November 2011 to align the requirements on the determination of collective assessment allowance with that of the Malaysian Financial Reporting Standard 139: Financial Instruments: Recognition and Measurement ["MFRS 139"]. Based on the revised guideline, the transitional arrangement on collective assessment is removed with effect from 1 January 2012. Thereafter, the Bank applies the basis for collective assessment impairment allowance by grouping of these loans with similar credit risk characteristics as explained above.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to customers are classified in loan impairment charges.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Loans, advances and financing (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets (AFS)

The Group and the Bank assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, cumulative gain or losses previously recognised in other comprehensive income are classified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated other reserves. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(iii) Held-to-maturity investments

The Group and the Bank assess at the end of each reporting period whether objective evidence of impairment of financial investments held-to-maturity exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

Where there is objective evidence of impairment, an impairment loss is recognised as the difference between the acquisition cost and the present value of the estimated future cash flows, less any impairment loss previously recognised.

If held to maturity investments have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(iv) **Rescheduled and restructured financing**

Where a loan shows evidence of credit weaknesses, the Group and the Bank may seek to renegotiate the loan rather than to take possession of collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new loan terms and conditions via restructuring. Management monitors the renegotiated financing to ensure that all the revised terms are met and that the repayments are made promptly for a continuous period. Where an impaired loan is renegotiated, the borrower must adhere to the revised and/or restructured repayment terms for a continuous period of six months before the loan is classified as non-impaired. These financing continue to be subjected to individual or collective impairment assessment.

3.15.3 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another entity. If the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Bank recognise their retained interest in the asset and an associated liability for amounts it may have to pay. The Group and the Bank continue to recognise the financial asset and also recognise a collaterised borrowing.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated equity is recognised in profit or loss.

3.15.4 Financial Liabilities and Equity Instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or "other financial liabilities".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as FVTPL.

A financial liability is classified as held for trading if:

(a) it has been incurred principally for the purpose of repurchasing in the near future; or

(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Bank manage together and have a recent actual pattern of short-term profit-taking; or

(c) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as FVTPL upon initial recognition if:

(a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(b) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's and the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(c) it forms part of a contract containing one or more embedded derivatives, and MFRS 139 Financial Instruments: Recogntion and Measurement permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 37.

(ii) Subordinated debt capital

The interest-bearing instruments are recognised as liability and are recorded at amortised cost. Interest expense is recognised on an effective interest basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Other financial liabilities

Deposits of non-bank customers, deposits and balances of banks and other financial institutions and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described above.

3.15.5 Derecognition of financial liabilities

The Group and the Bank derecognise financial liabilities when, and only when, the Group's and the Bank's obligations are discharged, cancelled or they expire.

3.16 Derivatives Financial Instruments

Derivatives are financial instruments where the contracted or notional amounts of which are not included in the statements of financial position either because rights and obligations arise out of one and the same contract, the performance of which is due after reporting 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 profit or loss unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Derivatives Financial Instruments (continued)

(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 profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss.

(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 profit or loss. The deferred gains and losses are then released to the statements of comprehensive income in the periods when the hedged item affects profit or loss.

(iii) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

(iv) Forward exchange contracts

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

(v) Interest rates swap, futures, forward and option contracts

The Group and the Bank act as an intermediary with counterparties who wish to swap their interest obligations. The Group and the Bank also use 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Interest rates swap, futures, forward and option contracts (continued)

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 profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements involved making certain estimates, assumptions concerning the future judgments. 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, securities purchased under resale agreements and derivative financial instruments

The fair values of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the reporting 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 statement of financial position 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 judgment is required in establishing fair values. The judgment includes 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 judgment 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.

4. **CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

(iii) **Impairment losses on loans, advances and financing**

A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate. The Group and the Bank review their loans and advances to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in profit or loss, management exercises judgment on whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a loan before the decrease can be identified within an individual loan.

There are two components to the Group's and the Bank's loan impairment provisions: individual assessment and collective assessment.

Individual assessment - All impaired loans that exceed specific thresholds are individually assessed for impairment. Impairment losses are recognised as the difference between the carrying value of the loan and the discounted value of management's best estimate of future cash repayments and proceeds from any security held. These estimates take into account the customer's debt capacity and financial flexibility; the level and quality of its earnings; the amount and sources of cash flows; the industry in which the counterparty operates; and the realisable value of any security held. Estimating the quantum and timing of future recoveries involves significant judgment. The size of receipts will depend on the future performance of the borrower and the value of security, both of which will be affected by future economic conditions; additionally, collateral may not be readily marketable. The actual amount of future cash flows and the date they are received may differ from these estimates and consequently actual losses incurred may differ from those recognised in the financial statements.

Collective assessment - Prior to the transition to MFRS 139, the Bank had maintained their collective assessment allowance at 1.5% of total outstanding loans, advances and financing, net of individual assessment allowance, in line with Bank Negara Malaysia's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loan/Financing. Upon the transition to MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed and the Bank has applied the requirement of MFRS 139 in the determination of collective assessment impairment.

Under MFRS 139, collective assessment is performed on loans, advances and financing which are not individually significant based on the incurred loss approach. All loans, advances and financing (excluding those assessed individually above) are pooled into groups with similar credit risk characteristics and the future cash flows for each group is estimated on the basis of historical loss experience for such assets and discounted to present value.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

(iv) Impairment of securities available-for-sale

The Group and the Bank assess at each reporting date whether there is objective evidence that a financial investment classified as available-for-sale is impaired. In the case of quoted equity investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether objective evidence of impairment exists. Where such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised) is removed from equity and recognised in profit or loss. For unquoted equity investments which are measured at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. For debt instruments, impairment is assessed based on the same criteria as other financial investments available-for-sale. Where impairment losses have been previously recognised in profit or loss, if there is a subsequent increase in the fair value of the debt instrument that can be objectively related to a credit event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

5. CASH AND SHORT-TERM FUNDS

		Group/Bank	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Cash and balances with banks and other financial institutions	119,538	47,998	295,257
Money at call and deposit placements maturing within one month	2,110,850	1,548,569	2,600,049
	2,230,388	1,596,567	2,895,306

Included in money at call and deposit placements maturing within one month of the Group and of the Bank is an amount of RM290,731,000 (31 December 2011: RM322,079,000 and 1 January 2011: RM333,662,000) representing cash collateral pledged for derivative transactions.

6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

Securities purchased under resale agreements are as follows:

	Group/Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
At fair value			
Reverse Repo	-	-	9,910

7. SECURITIES HELD-FOR-TRADING

	Group/Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
At fair value			
Money market instruments:			
Malaysian Government Securities	29,637	152,245	123,178
Government Investment Issues	-	-	204,757
Bank Negara Malaysia Monetary Notes	-	154,124	-
Quoted securities:			
Private debt securities outside Malaysia	-	-	9,946
	29,637	306,369	337,881

8. SECURITIES AVAILABLE-FOR-SALE

	Group/Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
At fair value			
Money market instruments:			
Malaysian Government Securities	760,252	270,649	378,240
Government Investment Issues	35,436	516,625	278,862
Bank Negara Malaysia Bills	-	-	112,468
Quoted securities:			
Private debt securities outside Malaysia	-	-	15,054
At cost			
Unquoted shares in Malaysia	1,719	1,719	1,719
	797,407	788,993	786,343

Included in securities available-for-sale of the Group and the Bank as at 1 January 2011 were Malaysian Government Securities amounting to RM25,000,000 that were utilised to meet the Statutory Reserve Requirement set by Bank Negara Malaysia ("BNM") as further explained in Note 11.

9. LOANS, ADVANCES AND FINANCING

	Group/Bank 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At amortised cost			
(i) By type			
Overdrafts	8,367	62,904	47,230
Term loans/financing:			
Housing loans/financing	22,627	27,412	28,942
Other term loans/financing	307	176,102	182,226
Bills receivable	96,313	85,121	46,513
Claims on customers under acceptance credits	42,953	40,755	34,011
Staff loans	4,208	5,279	7,454
Revolving credit	128,802	18,180	37,300
Trust receipt	816	616	-
	304,393	416,369	383,676
Less: Allowance for impaired loans and financing:			
Collective assessment allowance	(4,156)	(4,199)	(3,978)
Individual assessment allowance	(933)	(44,077)	(44,266)
Net loans, advances and financing	299,304	368,093	335,432
(ii) By type of customer			
Domestic business enterprises:			
Small/medium enterprises	9,862	11,726	4,940
Others	256,718	359,967	338,985
Individuals	27,143	33,360	39,751
Foreign entity	6,664	1,488	-
Domestic banking institutions	4,006	9,828	-
	304,393	416,369	383,676
(iii) By interest rate sensitivity			
Fixed rate			
Housing loans/financing	2,325	3,127	4,778
Other fixed rate loan/financing	1,738	2,253	3,450
Variable rate			
BLR plus	32,263	91,799	79,767
Cost plus	268,067	319,190	295,681
	304,393	416,369	383,676

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

		Group/Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(iv) By residual contractual maturity			
Maturity within one year	282,804	387,686	177,561
More than one year to three years	168	379	177,277
More than three years to five years	972	1,057	160
More than five years	20,449	27,247	28,678
	304,393	416,369	383,676
(v) By geographical distribution			
Malaysia:			
Kuala Lumpur	303,659	413,015	380,323
Penang	734	3,354	3,189
Johor	-	-	115
Perak	-	-	49
	304,393	416,369	383,676
(vi) By sector			
Electricity, gas and water	-	175,134	173,961
Manufacturing	203,501	74,051	102,092
Construction	4,929	40,431	48,209
Purchase of landed properties (residential)	25,096	30,737	36,082
Wholesale and retail	36,256	62,576	12,849
Finance, insurance and business services	17,302	22,036	4,849
Mining and quarrying	-	-	179
Consumption credit	253	355	2,512
Transport, storage and communication	15,262	8,782	1,601
Purchase of transport vehicles	1,794	2,267	1,342
	304,393	416,369	383,676

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group/Bank 2012 RM'000	Group/Bank 2011 RM'000
(vii) Movements in impaired loans, advances and financing are as follows:		
At 1 January	48,453	48,603
Impaired during the year	7,608	1,681
Reclassified as non-impaired	(4,577)	(1,823)
Amount written off	(43,026)	(8)
At 31 December	8,458	48,453
Individual Assessment Allowance	(933)	(44,077)
Net impaired loans, advances and financing	7,525	4,376
Gross impaired loans as a percentage of gross loans, advances and financing	2.78%	11.64%
(viii) Movements in allowance for impaired loans, advances and financing are as follows:		
Collective Assessment Allowance		
At 1 January		
- as previously stated	5,783	5,783
- effects of MFRS adoption	(1,584)	(1,805)
At 1 January, as restated	4,199	3,978
Allowance made during the year	-	221
Amount written back (Note 29)	(43)	-
At 31 December	4,156	4,199
Individual Assessment Allowance		
At 1 January	44,077	44,266
Allowance made during the year (Note 29)	348	663
Amount written back (Note 29)	(466)	(844)
Amount written off	(43,026)	(8)
At 31 December	933	44,077

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group/Bank 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(ix) Impaired loans, advances and financing by sector			
Purchase of landed properties (Residential)	1,599	2,249	2,423
Manufacturing	6,518	5,151	5,128
Construction	7	39,574	39,575
Wholesale and retail	334	1,479	1,477
	8,458	48,453	48,603

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. Most of the Group's and the Bank's derivative trading activities relate to deals with customers which are normally laid off with counterparties. The Group and the Bank may also take positions with the expectation to gain from favourable movements in prices, rates or indices.

As of 31 December 2012, the Group and the Bank have positions in the following types of derivatives:

Group/Bank	Notional RM'000	31.12.2012 Assets RM'000	Liabilities RM'000
Derivatives held for trading at fair value through profit or loss			
Foreign exchange contracts:			
Forward	3,515,160	54,500	23,091
Cross currency swaps and options	2,883,136	16,126	19,019
Interest rate contracts:			
Futures	694,000	-	582
Swaps	23,883,684	509,607	417,305
Cross currency interest rate swaps	7,586,915	147,129	418,415
	38,562,895	727,362	878,412

(Forward)

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

		31.12.2011	
Group/Bank	**Notional RM'000**	**Assets RM'000**	**Liabilities RM'000**
Derivatives held for trading at fair value through profit or loss			
Foreign exchange contracts:			
Forward	4,505,108	42,377	31,173
Cross currency swaps and options	3,858,936	32,438	48,897
Interest rate contracts:			
Futures	2,439,000	2,816	922
Swaps	26,927,770	749,754	593,725
Cross currency interest rate swaps	8,579,103	217,165	539,073
	46,309,917	1,044,550	1,213,790

		1.1.2011	
Group/Bank	**Notional RM'000**	**Assets RM'000**	**Liabilities RM'000**
Derivatives held for trading at fair value through profit or loss			
Foreign exchange contracts:			
Forward	12,236,498	241,650	120,766
Cross currency swaps and options	7,939,295	1,714	2,755
Interest rate contracts:			
Futures	9,692,500	1,917	-
Swaps	35,423,256	613,515	453,279
Cross currency interest rate swaps	7,773,391	379,859	650,585
Others	50,000	5,747	6
	73,114,940	1,244,402	1,227,391

The table above shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded at gross, is the amount of a derivative's underlying variable or reference rate and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are indicative of neither the market risk nor the credit risk.

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

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.

11. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

12. OTHER ASSETS

	Group/Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Tax recoverable	13,793	5,427	30,107
Other receivables, deposits and prepayments	20,256	20,189	48,676
	34,049	25,616	78,783

13. INVESTMENT IN SUBSIDIARY COMPANIES

	Bank		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
At cost			
Unquoted shares in Malaysia	20	20	20

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

		Effective Equity Interest		
Name of Subsidiary	**Principal Activities**	**31.12.2012**	**31.12.2011**	**1.1.2011**
RBS Nominees (Tempatan) Sdn. Bhd.	Nominee services	100%	100%	100%
RBS Nominees (Asing) Sdn. Bhd.	Nominee services	100%	100%	100%

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

14. INVESTMENT IN ASSOCIATED COMPANY

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Unquoted shares at cost	4,718	8,503	8,503
Share of post-acquisition reserves	1,034	1,646	(175)
	5,752	10,149	8,328

	Bank		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Unquoted shares at cost	4,718	8,503	8,503

In June 2012, there was a reduction of the share capital of the associated company resulting in the decrease in cost of unquoted shares held from RM8,503,000 to RM4,718,000. The capital repayment amounting to RM3,785,000 has been credited to investment in associated company.

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

		Effective Equity Interest		
Name of Associate	**Principal Activities**	**31.12.2012**	**31.12.2011**	**1.1.2011**
Gale Force Sdn. Bhd.	Investing in or acquiring non-performing loans	25%	25%	25%

The unaudited summarised financial information of the associated company is as follows:

	Bank		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Assets and liabilities			
Current assets	22,207	40,333	116,605
Total assets	22,907	40,333	116,605
Current liabilities	105	105	118
Non-current liabilities	-	-	45,274
Total liabilities	105	105	45,392

	Bank	
	2012	**2011**
	RM'000	**RM'000**
Results		
Revenue	14,499	13,411
Profit/(Loss) for the year	4,573	(8,699)

15. PROPERTY, PLANT AND EQUIPMENT

Group and Bank	Freehold Land and Building RM'000	Motor Vehicle RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment RM'000	Total RM'000
2012						
Cost						
At 1 January 2012	388	616	6,212	21,619	16,348	45,183
Additions	-	-	33	-	2,937	2,970
At 31 December 2012	388	616	6,245	21,619	19,285	48,153
Accumulated Depreciation						
At 1 January 2012	-	144	4,397	10,692	14,116	29,349
Depreciation charge for the year	-	78	1,205	2,269	1,910	5,462
At 31 December 2012	-	222	5,602	12,961	16,026	34,811
Accumulated Impairment Loss						
At 1 January 2012	-	-	-	-	-	-
Impairment loss for the year	-	-	-	3,002	-	3,002
At 31 December 2012	-	-	-	3,002	-	3,002
Carrying Amounts	388	394	643	5,656	3,259	10,340
(Forward)						

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group and Bank	Freehold Land and Building RM'000	Motor Vehicle RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment RM'000	Total RM'000
2011						
Cost						
At 1 January 2011	388	616	6,212	21,619	16,042	44,877
Additions	-	-	-	-	542	542
Write-offs	-	-	-	-	(236)	(236)
At 31 December 2011	388	616	6,212	21,619	16,348	45,183
Accumulated Depreciation						
At 1 January 2011	-	21	3,428	8,266	12,095	23,810
Depreciation charge for the year	-	123	969	2,426	2,252	5,770
Write-offs	-	-	-	-	(231)	(231)
At 31 December 2011	-	144	4,397	10,692	14,116	29,349
Carrying Amounts						
At 31 December 2011	388	472	1,815	10,927	2,232	15,834
At 1 January 2011	388	595	2,784	13,353	3,947	21,067

16. INTANGIBLE ASSETS

	Group/Bank 2012 RM'000	Group/Bank 2011 RM'000
Computer Software:		
Cost		
At 1 January	3,437	2,972
Additions	203	465
At 31 December	3,640	3,437
Accumulated Amortisation		
At 1 January	2,808	2,513
Amortisation for the year	267	295
At 31 December	3,075	2,808
Carrying Amounts	565	629

	Group/Bank RM'000
Carrying amounts as at 1 January 2011	459

17. DEFERRED TAX ASSETS

	Group/Bank 2012 RM'000	Group/Bank 2011 RM'000
At 1 January	31,699	25,688
Recognised in profit or loss (Note 30)	(9,320)	5,828
Recognised in equity	212	183
At 31 December	22,591	31,699

	Group/Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Presented after appropriate offsetting as follows:			
Deferred tax assets	23,580	32,925	27,658
Deferred tax liabilities	(989)	(1,226)	(1,970)
Net	22,591	31,699	25,688

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.

17. DEFERRED TAX ASSETS (CONTINUED)

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 2012	32,878	47	32,925
Recognised in profit or loss	(9,337)	(8)	(9,345)
At 31 December 2012	23,541	39	23,580
At 1 January 2011	27,597	61	27,658
Recognised in profit or loss	5,281	(14)	5,267
At 31 December 2011	32,878	47	32,925

Deferred tax liabilities of the Group and of the Bank:

	Capital Allowances RM'000	Unrealised Reserves RM'000	Total RM'000
At 1 January 2012	789	437	1,226
Recognised in profit or loss	(25)	-	(25)
Recognised in equity	-	(212)	(212)
At 31 December 2012	764	225	989
At 1 January 2011	1,350	620	1,970
Recognised in profit or loss	(561)	-	(561)
Recognised in equity	-	(183)	(183)
At 31 December 2011	789	437	1,226

18. DEPOSITS FROM CUSTOMERS

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Type			
At amortised cost			
Demand deposits	1,264,594	1,076,615	1,171,781
Savings deposits	1,340	1,535	1,690
Fixed deposits	487,516	723,539	792,554
Negotiable instruments of deposits	5,904	15,562	-
	1,759,354	1,817,251	1,966,025

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Type			
At amortised cost			
Demand deposits	1,264,614	1,076,635	1,171,801
Savings deposits	1,340	1,535	1,690
Fixed deposits	487,516	723,539	792,554
Negotiable instruments of deposits	5,904	15,562	-
	1,759,374	1,817,271	1,966,045

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

	Group/Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Due within six months	482,670	723,144	709,229
Six months to one year	1,924	7,088	71,700
One year to three years	8,826	20	11,625
More than three years	-	8,849	-
	493,420	739,101	792,554

18. DEPOSITS FROM CUSTOMERS (CONTINUED)

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

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Government and statutory bodies	125,917	38,087	92,996
Business enterprises	1,380,001	1,621,049	1,496,139
Individuals	14,782	15,225	89,136
Others	238,654	142,890	287,754
	1,759,354	1,817,251	1,966,025

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Government and statutory bodies	125,917	38,087	92,996
Business enterprises	1,380,001	1,621,049	1,496,139
Individuals	14,782	15,225	89,136
Others	238,674	142,910	287,774
	1,759,374	1,817,271	1,966,045

19. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At amortised cost			
Licensed banks	198,732	55,673	23,000
Other financial institutions	809,902	477,091	1,511,985
	1,008,634	532,764	1,534,985

20. OTHER LIABILITIES

	Group/Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Retirement benefits	-	-	22
Other liabilities	48,543	50,948	132,405
Internal settlement cost	100,824	129,809	110,494
	149,367	180,757	242,921

21. SUBORDINATED DEBT CAPITAL

	Group/Bank	
	2012 RM'000	2011 RM'000
At 1 January	206,842	205,069
Net amortisation during the year	1,098	1,773
At amortised cost	207,940	206,842

On 8 June 2007, the Bank issued RM200 million in aggregate principal amount of redeemable Subordinated NIDs maturing on 8 June 2017 at 4.15% per annum subject to revision on year 6 onwards. The Subordinated NIDs, unless redeemed at end of year 5, shall bear an interest stepped up by 0.5% per annum from the 6th year onwards till the end of maturity. The subordinated debts will constitute direct, unconditional and unsecured obligations of the Bank and are subordinated to the Bank's deposits.

22. SHARE CAPITAL

		Group/Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Authorised:			
500,000,000 ordinary shares of RM1 each	500,000	500,000	500,000
Issued and fully paid:			
Balance as of 1 January/31 December			
203,000,002 ordinary shares of RM1 each	203,000	203,000	203,000

23. RESERVES

		Group	
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-distributable:			
Share premium	76,182	76,182	76,182
Statutory reserves (Note a)	162,068	162,068	152,463
Unrealised reserves (Note b)	673	1,308	1,818
Distributable:			
Retained earnings (Note c)			
- as previously stated	140,029	162,577	131,940
- effect of MFRS adoption (Note 39)	-	1,584	1,805
	140,029	164,161	133,745
	378,952	403,719	364,208

23. RESERVES (CONTINUED)

	Bank		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Non-distributable:			
Share premium	76,182	76,182	76,182
Statutory reserves (Note a)	162,068	162,068	152,463
Unrealised reserves (Note b)	673	1,308	1,818
Distributable:			
Retained earnings (Note c)			
- as previously stated	138,995	160,931	132,115
- effect of MFRS adoption (Note 39)	-	1,584	1,805
	138,995	162,515	133,920
	377,918	402,073	364,383

(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 accordance with the Finance Act 2007, the single tier income tax system became effective from the year of assessment 2008. Under this system, tax on a Bank's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders. Unlike the previous imputation system, the recipient of the dividend would no longer be able to claim any tax credits.

23. RESERVES (CONTINUED)

(c) Retained earnings (continued)

Companies without Section 108 tax credit balance will automatically move to the single tier tax system on 1 January 2008. However, companies with such tax credits are given an irrevocable option to elect for the single tier tax system and disregard the tax credits or to continue to use the tax credits under Section 108 account to frank the payment of cash dividends on ordinary shares for a period of 6 years ending 31 December 2013 or until the tax credits are fully utilised, whichever comes first. During the transitional period, any tax paid will not be added to the Section 108 account and any tax credits utilised will reduce the tax credit balance.

As of the reporting date, the Bank has not elected for the irrevocable option to disregard the Section 108 tax credits. Accordingly, subject to the agreement of the Inland Revenue Board and based on the prevailing tax rate applicable to dividends, the Bank has sufficient Section 108 tax credits to frank approximately RM40,401,000 (31 December 2011: RM40,401,000) dividend out of its retained earnings as of 31 December 2012 without incurring any additional tax liability.

24. OPERATING REVENUE

Operating revenue of the Group and of the Bank comprises 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.

25. INTEREST INCOME

	Group/Bank	
	2012	**2011**
	RM'000	**RM'000**
Loans, advances and financing	15,058	15,968
Money at call and deposit placements with financial institutions	13,760	19,696
Securities available-for-sale	29,334	25,276
Securities held-for-trading	13,767	12,465
	71,919	73,405
Amortisation of premium less accretion of discount	(4,996)	(752)
Total Interest Income	66,923	72,653
Of which:		
Interest income earned on impaired loans, advances and financing	231	419

26. INTEREST EXPENSE

	Group/Bank 2012 RM'000	Group/Bank 2011 RM'000
Deposits and placements from banks and other financial institutions	22,177	31,473
Deposits from customers	20,092	23,095
Subordinated debt capital	9,922	10,424
Others	326	490
	52,517	65,482

27. OTHER OPERATING INCOME

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Fee income:				
Commissions	1,569	5,692	1,569	5,692
Service charges and fees	1,395	1,308	1,395	1,308
Guarantee fees	5,072	4,932	5,072	4,932
Other fee income	1,795	3,344	1,795	3,344
	9,831	15,276	9,831	15,276
Net gain arising from sale of securities:				
Securities held-for-trading	1,022	16,692	1,022	16,692
Securities available-for-sale	193	2,923	193	2,923
	1,215	19,615	1,215	19,615
Unrealised gain/(loss) on revaluation of securities:				
Securities held-for-trading	146	(161)	146	(161)
Gross dividend income from:				
Securities available-for-sale	98	59	98	59
Associated company	-	-	1,766	5,623
	98	59	1,864	5,682

27. OTHER OPERATING INCOME (CONTINUED)

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Other income:				
Foreign exchange gain/(loss)				
Unrealised	71,482	32,652	71,482	32,652
Realised	(67,479)	(156,776)	(67,479)	(156,776)
(Loss)/Gain on derivatives trading				
Unrealised	(63,253)	(22,802)	(63,253)	(22,802)
Realised	105,575	211,223	105,575	211,223
Others	-	46	-	46
	46,325	64,343	46,325	64,343
	57,615	99,132	59,381	104,755

28. OTHER OPERATING EXPENSES

	Group/Bank 2012 RM'000	Group/Bank 2011 RM'000
Personnel costs (Note a)	25,403	26,978
Establishment costs (Note b)	54,897	25,316
Marketing expenses (Note c)	608	740
Administration and general expenses (Note d)	9,800	6,552
	90,708	59,586

(a) Personnel costs

	Group/Bank 2012 RM'000	Group/Bank 2011 RM'000
Salaries, bonuses and allowances	17,914	21,276
Social security costs	161	66
EPF - defined contribution plan	2,877	2,935
Rental of accommodation	20	2
Other staff related expenses	4,431	2,699
	25,403	26,978

28. OTHER OPERATING EXPENSES (CONTINUED)

	Group/Bank 2012 RM'000	Group/Bank 2011 RM'000
(b) Establishment costs		
Share of group costs after offsetting waiver of management charges of RMNil (2011: RM24,773,000) for prior years	35,903	10,410
Share of information technology costs	372	686
Depreciation of property, plant and equipment	5,462	5,770
Impairment loss of property, plant and equipment	3,002	-
Property, plant and equipment written-off	-	5
Amortisation of intangible assets	267	295
Rental of premises	3,777	3,776
Others	6,114	4,374
	54,897	25,316
(c) Marketing expenses		
Advertising	411	373
Others	197	367
	608	740
(d) Administration and general expenses		
Legal and professional fees	1,405	525
Communication	2,542	2,305
Transportation	1,262	598
Property maintenance	1,898	1,949
Others	2,693	1,175
	9,800	6,552

Included in the above expenditure are the following statutory disclosures:

	Group/Bank 2012 RM'000	Group/Bank 2011 RM'000
Directors' remuneration and benefits-in-kind	2,548	2,227
Auditors' remuneration		
Statutory audit	211	211
Audit related services*	38	38

* Audit related services included validation review based on agreed-upon procedures required for regulatory purposes.

28. OTHER OPERATING EXPENSES (CONTINUED)

Details of Directors' remuneration of the Bank during the year are as follows:

	Salary and other remuneration RM'000	Fees RM'000	Bonuses RM'000	Benefits -in-kind RM'000	Total RM'000
2012					
Executive director:					
Andrew Mark Sill	1,451	-	772	35	2,258
Non-executive directors:					
General (Rtd) Tan Sri Dato' Mohd Ghazali Seth	-	110	-	-	110
Tan Sri Datuk Asmat bin Kamaludin	-	90	-	-	90
Dato' Jorgen Bornhoft	-	90	-	-	90
	1,451	290	772	35	2,548
2011					
Executive director:					
Andrew Mark Sill	1,370	-	530	37	1,937
Non-executive directors:					
General (Rtd) Tan Sri Dato' Mohd Ghazali Seth	-	110	-	-	110
Tan Sri Datuk Asmat bin Kamaludin	-	90	-	-	90
Dato' Jorgen Bornhoft	-	90	-	-	90
	1,370	290	530	37	2,227

29. (WRITE BACK)/ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group/Bank	
	2012	2011
	RM'000	RM'000
(Write back)/Allowance for bad and doubtful debts on loans and financing:		
Individual Assessment Allowance:		
Made in the financial year (Note 9)	348	663
Written back in the financial year (Note 9)	(466)	(844)
	(118)	(181)
Collective Assessment Allowance:		
Made in the financial year (Note 9)	-	221
Written back in the financial year (Note 9)	(43)	-
	(161)	40

30. TAXATION

	Group/Bank	
	2012	2011
	RM'000	RM'000
Malaysian income tax based on results for the year:		
Current year	5,235	12,933
(Over)/Under provision in prior years	(7,795)	6,995
Current tax (credit)/expense	(2,560)	19,928
Deferred tax (Note 17):		
Relating to origination and reversal of temporary Differences	(6,605)	(1,850)
Over/(Under) provision in prior years	15,925	(3,978)
Deferred tax expense/(income)	9,320	(5,828)
	6,760	14,100

30. TAXATION (CONTINUED)

Reconciliation of tax expense

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(Loss)/Profit before taxation	(17,372)	54,121	(16,760)	52,300
Taxation at Malaysian statutory tax rate of 25%	(4,343)	13,530	(4,190)	13,075
Income not subject to tax	(189)	(1,434)	(631)	(2,840)
Expenses not deductible for tax purposes	3,451	848	3,451	848
Tax effect of share of an associate's post-tax profit included in Group's results before taxation	(289)	(1,861)	-	-
Over/(Under) provision of deferred tax assets in prior years	15,925	(3,978)	15,925	(3,978)
(Over)/Under provision of current income tax payable in prior years	(7,795)	6,995	(7,795)	6,995
Tax expense for the year	6,760	14,100	6,760	14,100

31. (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share of the Group and of the Bank has been calculated based on the net loss after taxation of RM24,132,000 and RM23,520,000 respectively (net profit after taxation in 2011 of RM40,021,000 and RM38,200,000 respectively) on the weighted average number of ordinary shares of RM1 each in issue of 203,000,002 (2011: 203,000,002) during the year.

32. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Given the reach of the UK Government and their controlled bodies and the volume and diversity of transactions with them, the disclosure of transactions with these related parties is impractical. Hence, for purposes of the financial statements of the Bank and the Group, related companies refer to members of The Royal Bank of Scotland Group Plc's group of companies.

(a) Significant transactions undertaken by the Group and the Bank with related companies are as follows:

2012	Immediate holding company RM'000	Subsidiary companies RM'000	Associated company RM'000	Other related companies RM'000
Income:				
Commissions and fees	-	-	-	812
Interest income	-	-	-	14,668
Directors fee received	-	-	18	-
Dividend received	-	-	1,766	-
Expense:				
Interest expense	-	-	-	21,719
Share of group and information technology costs	-	-	-	36,275
Assets:				
Cash and short-term funds	-	-	-	2,045,448
Deposits and placements with other financial institutions	-	-	-	400,264
Interest receivable	-	-	-	394
Derivative financial assets	-	-	-	200,632
Liabilities:				
Deposits from customers	-	20	-	10,572
Deposits and placements from banks and other financial institutions	-	-	-	795,035
Interest payable	-	-	-	57
Derivative financial liabilities	-	-	-	564,660
Internal settlement cost	-	-	-	100,824

32. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

2011	Immediate holding company RM'000	Subsidiary companies RM'000	Associated company RM'000	Other Related companies RM'000
Income:				
Commissions and fees	474	-	-	2,419
Interest income	8,551	-	-	5
Directors fee received	-	-	18	-
Dividend received	-	-	5,623	-
Expense:				
Interest expense	22,918	-	-	6,302
Share of group and information technology costs	24,272	-	-	11,597
Waiver of prior years' group costs	(24,773)	-	-	-
Assets:				
Cash and short-term funds	1,528,928	-	-	-
Deposits and placements with other financial institutions	353,624	-	-	-
Interest receivable	1,439	-	-	-
Derivative financial assets	8,908	-	-	282,382
Liabilities:				
Deposits from customers	-	20	-	9,357
Deposits and placements from banks and other financial institutions	345,798	-	-	151
Interest payable	133	-	-	-
Derivative financial liabilities	-	-	-	575,009
Internal settlement cost	115,414	-	-	14,395

32. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Compensation of key management personnel

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

	Group/Bank	
	2012	2011
	RM'000	RM'000
Short-term employee benefits	6,469	5,652
Post-employment benefits:		
Defined contribution plan	806	730
	7,275	6,382

Included in the total compensation of key management personnel are:

	Group		Bank	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration excluding benefits-in-kind	2,513	2,190	2,513	2,190

33. 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 of the reporting date but not recognised as liabilities are as follows:

	Group/Bank	
	2012	2011
	RM'000	RM'000
Future minimum rental payments:		
Not later than 1 year	1,791	3,869
Later than 1 year and not later than 5 years	2,560	644
	4,351	4,513

34. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group/Bank	
	2012	2011
	RM'000	RM'000
Outstanding credit exposures with connected parties	255,146	317,278
Total credit exposures	3,872,917	3,874,025
Percentage of outstanding credit exposures to connected parties:		
- as a proportion of total credit exposures	6.59%	8.19%
- as a proportion of capital base	34.46%	42.65%

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and their close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning and directing and/or controlling the activities of the Bank, and their close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

Credit transactions and exposure to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposure such as guarantees, trade-related facilities and loan commitments. It also includes holding of equities and private debt securities issued by the connected parties.

35. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and Bank's assets.

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

	31.12.2012			31.12.2011			1.1.2011		
	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	Principal amount RM'000	Credit equivalent amount * RM'000	Risk-weighted amount RM'000
Direct credit substitutes	60,000	60,000	60,000	64,187	64,187	64,187	4,809	4,809	4,809
Transaction-related contingent items	539,191	269,596	259,674	553,071	276,536	219,983	596,832	298,416	258,480
Short-term self-liquidating trade-related contingencies	20,614	4,123	3,246	30,497	6,099	3,260	8,201	1,640	1,640
Irrevocable commitments to extend credit:									
maturity less than one year	763,469	152,694	132,174	598,687	119,737	119,678	487,951	97,590	97,590
maturity more than one year	644	322	242	356	178	133	451	226	169
Foreign exchange related contracts:									
less than one year	5,247,363	119,635	66,074	6,996,522	137,948	73,571	12,505,852	373,882	91,348
one year to less than five years	709,519	70,827	38,638	721,209	66,202	32,885	5,380,494	369,336	78,886
five years and above	441,414	50,503	47,038	646,313	78,813	67,194	2,289,447	283,786	98,281
Interest rate related contracts:									
less than one year	6,682,579	64,956	27,116	9,781,653	170,606	63,809	14,156,868	150,796	38,149
one year to less than five years	18,643,909	921,594	453,018	18,016,709	810,498	364,123	28,672,741	979,551	200,931
five years and above	6,838,111	879,462	556,140	10,147,511	1,381,729	881,937	10,059,538	1,194,486	367,677
Credit Derivative Contracts:									
Less than one year	-	-	-	-	-	-	50,000	50	10
	39,946,813	2,593,712	1,643,360	47,556,715	3,112,533	1,890,760	74,213,184	3,754,568	1,237,970

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

36. FINANCIAL RISK MANAGEMENT POLICIES

The Group and the Bank adopt the risk management policies of the holding company, which encompass a variety of controls and reporting processes. This includes establishing risk management policies and guidelines which set out the Group's and the Bank's overall business strategies, tolerance for risk and general risk management philosophy to ensure that adequate resources are available for the development of the Group's and 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 Group and the Bank which are closely adhered to, ensuring that the operations of the Bank are conducted in a prudent manner.

Capital Management

Capital management is performed at the holding company level. The primary objectives of the Capital Management function include the following:

(i) maintain a capital structure consistent with Group's rating targets;
(ii) ensure that the demand for capital is justified by sufficient returns to achieve the Group's Return on Equity target and that there is sufficient capital available to meet the capital demands;
(iii) comply with regulatory requirements;
(iv) improve the liquidity of Risk Weighted Assets to ensure the statement of financial position remains flexible;
(v) increase strategic and tactical flexibility in deployment of capital;
(vi) meet the strategic funding needs; and
(vii) improve Group and Return on Assigned Risk Capital

The Capital Management Group prepares a monthly capital outlook. Should potential imbalances be identified, the capital outlook will include a proposal for appropriate actions and execution to correct the imbalances.

(a) Operational Risk

Operational risk is the potential for financial loss, damage to reputation, or impact upon customers resulting from fraud, human error, ineffective or inadequately designed processes or systems, improper behavior, or external events. Operational risk is an integral and unavoidable part of the Group's and the Bank's business as it is inherent in the processes it operates to provide services to customers and generate profit for shareholders.

To ensure appropriate responsibility is allocated for the management, reporting and escalation of operational risk, the Group and the Bank operate a three lines of defense model which outlines principles for the roles, responsibilities and accountabilities for operational risk management.

36. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Operational Risk (continued)

An objective of operational risk management is not to remove operational risk altogether, but to manage the risk to an acceptable level, taking into account the cost of minimising the risk with the resultant reduction in exposure. Strategies to manage operational risk include avoidance, transfer, acceptance and mitigation by controls.

Each business unit must manage its operational risk exposure within an acceptable level, testing the adequacy and effectiveness of controls and other risk mitigants regularly and documenting the results. Where unacceptable control weaknesses are identified, action plans are produced and tracked to completion.

Operational risk - three lines of defense model

First line of defense

The Business and its functions: The Business owns and manages its risks within the overall Group risk appetite and is responsible for complying with all Group policies. The Business must test and certify the adequacy and effectiveness of its controls in place to meet these responsibilities.

Second line of defense

Risk management: It is responsible for owning and developing the risk management framework and tools, which the business uses to discharge its responsibilities. The second line of defense must provide oversight and challenge to the first line on management of its risks.

Third line of defense

Group Internal Audit: It is responsible for providing independent assurance on the design, adequacy on effectiveness of the Groups and the Bank's system of internal controls.

The Group's Operational Risk Policy/Procedures provide the direction for delivering effective operational risk management. They comprise principles and processes that enable the consistent identification, assessment, management, monitoring and reporting of operational risk across the Group and the Bank. The objectives of the standards are to protect the Bank from financial loss or damage to its reputation, its customers or staff and to ensure that it meets all necessary regulatory and legal requirements.

36. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Operational Risk (continued)

The standards are supported by several key operational risk management techniques of which the Group and the Bank apply the following techniques:

- Risk and control assessments: business units identify and assess operational risks to ensure that they are effectively managed, prioritised, documented and aligned to risk appetite;

- Loss data management: each business unit's internal loss data management process captures all operational risk loss events above certain minimum thresholds. The data is used to enhance the adequacy and effectiveness of controls, identify emerging themes, enable formal loss event reporting and inform risk and control assessments and scenario analysis.

Escalation of individual event to senior management is determined by the seriousness of the event. Operational loss events are categorised under the following headings:

- Clients, products and business practices;
- Technology and infrastructure failures;
- Employment practices and workplace safety;
- Internal fraud;
- External fraud;
- Execution, delivery and process management;
- Malicious damage; and
- Disaster and public safety

- Key risk indicators: business units monitor key risk indicators (usually operational) against their material risks. These indicators are used to monitor the operational risk profile and exposure to losses against thresholds which trigger risk management actions;

- New products approval process: this process ensures that all new products or significant variations to existing products are subject to a comprehensive risk assessment. Products are evaluated and approved by specialist areas and are subject to executive approval prior to launch; and

- Self certification process: this requires management to monitor and report regularly on the internal control framework for which they are responsible, confirming its adequacy and effectiveness. This includes certifying compliance with the requirements of the Group's and the Bank's policies.

36. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(a) Operational Risk (continued)

Scope and nature of reporting and measurement systems

Reporting forms an integral part of operational risk management. The Group's and the Bank's risk management processes are designed to ensure that issues are identified, escalated and managed on a timely basis. Exposures for each business division are reported through monthly risk and control reports, which provide detail on the risk exposures and action plans.

Events that have a material, actual or potential impact on the Bank's finances, reputation or customers, are escalated and reported to respective business division and executive.

(b) Credit Risk

Credit risk considers the ability of a borrower or counterparty to honor commitments under an agreement as any such failure has an adverse impact on the banks' financial performance. The Group and the Bank are exposed to credit risk through its various lending activities such as funded facilities, non-funded facilities as well as hedging facilities.

The Bank's credit risk management process is independent of the business so as to protect integrity of the risk assessment process and decision making. The global as well as local policies guide the credit risk team to make informed decisions.

Credit risk in respect of exposures on corporate as well as small and medium enterprises (SME) is measured and managed at both individual counterparty level as well as at a portfolio level. Credit rating tools are an integral part of risk-assessment of the corporate borrowers and different rating models are used for each segment that has distinct risk characteristics such as large corporate, financial companies and project finance.

The credit rating tools use a combination of quantitative inputs and qualitative inputs to arrive at a 'point-in-time' view of the rating of counterparty. Each internal rating grade corresponds to a distinct probability of default. Model validation is carried out periodically at a global level by objectively assessing the accuracy and stability of ratings.

All credit exposures, once approved, are monitored and reviewed periodically against the approved limits. Borrowers with lower credit rating are subject to more frequent reviews. Besides this, there are monthly risk migration analysis and monthly watch list meeting.

Risk review involves independent review of credit risk assessment, compliance with internal policies of the Group and the Bank and with the regulatory framework, compliance of sanction terms and conditions and effectiveness of loan administration.

36. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Customers with emerging credit problems are identified early and classified accordingly. Remedial action is initiated promptly to minimise the potential loss to the Bank.

The Bank controls and limits concentration risk by means of appropriate structural limits and borrower limits based on creditworthiness. The exposures to individual clients or group are based on the internal rating of the borrower as well as group-wise borrowing limits and capped by the regulatory ceiling.

Industry analysis plays an important part in assessing the concentration risk within the loan portfolio. Particular attention is given to industry sectors where the Group and the Bank believe there is a high degree of risk or potential for volatility in the future. The Group and the Bank have fixed internal limits for aggregate commitments to different sectors so that the exposures are evenly spread over various sectors.

The following table represents the Group's and Bank's credit risk concentrations as of 31 December 2012.

	Short term funds and placements with financial institutions including Statutory Deposit with BNM RM'000	**Securities held-for-trading RM'000**	**Securities available-for-sale RM'000**	**Gross loans, advances and financing RM'000**	**Collective assessment RM'000**	**Derivative financial assets RM'000**	**Commitments and contingencies RM'000**
Government and Central Banks	33,220	29,637	797,407	-	-	-	-
Manufacturing	-	-	-	203,501	-	7,917	-
Construction	-	-	-	4,929	-	-	-
Purchase of landed properties (Residential)							
i) Resident	-	-	-	25,096	-	-	-
ii) Non-resident	-	-	-	-	-	967	-
Wholesale and retail	-	-	-	36,256	-	-	-
Transport, storage and communication	-	-	-	15,262	-	281,483	-
Finance, insurance and business services	2,624,103	-	-	17,302	-	436,995	-
Purchase of transport vehicles	-	-	-	1,794	-	-	-
Consumption credit	-	-	-	253	-	-	-
Others	1,329	-	-	-	(4,156)	-	39,946,813
	2,658,652	29,637	797,407	304,393	(4,156)	727,362	39,946,813

The following table represents the Group's and Bank's credit risk concentrations as of 31 December 2011.

	Short term funds and placements with financial institutions including Statutory Deposit with BNM RM'000	**Securities held-for-trading RM'000**	**Securities available-for-sale RM'000**	**Gross loans, advances and financing RM'000**	**Collective assessment RM'000**	**Derivative financial assets RM'000**	**Commitments and contingencies RM'000**
Government and Central Banks	22,595	306,369	788,993	-	-	-	-
Mining and quarrying	-	-	-	-	-	70	-
Electricity, gas & water	-	-	-	175,134	-	23	-
Manufacturing	-	-	-	74,051	-	8,125	-
Construction	-	-	-	40,431	-	-	-
Purchase of landed properties (Residential)							
i) Resident	-	-	-	30,737	-	-	-
Wholesale and retail	-	-	-	62,576	-	2,679	-
Transport, storage and communication	-	-	-	8,782	-	286,116	-
Finance, insurance and business services	1,941,426	-	-	22,036	-	744,721	-
Purchase of transport vehicles	-	-	-	2,267	-	-	-
Consumption credit	-	-	-	355	-	-	-
Others	2,170	-	-	-	(4,199)	2,816	47,556,715
	1,966,191	306,369	788,993	416,369	(4,199)	1,044,550	47,556,715

The following table represents the Group's and Bank's credit risk concentrations as of 1 January 2011.

	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	Gross loans, advances and financing RM'000	Collective assessment RM'000	Derivative financial assets RM'000	Commitments and contingencies RM'000
Government and Central Banks	240,978	9,910	337,881	769,570	-	-	-	-
Mining and quarrying	-	-	-	-	179	-	3,075	-
Electricity, gas & water	-	-	-	-	173,961	-	-	-
Manufacturing	-	-	-	-	102,092	-	-	-
Construction	-	-	-	-	48,209	-	26,833	-
Real estate	-	-	-	-	-	-	181	-
Purchase of landed properties (Residential)								
i) Resident	-	-	-	-	36,082	-	-	-
Wholesale and retail	-	-	-	-	12,849	-	638	-
Transport, storage and communication	-	-	-	-	1,601	-	247,252	-
Finance, insurance and business services	2,654,328	-	-	16,773	4,849	-	966,423	-
Purchase of transport vehicles	-	-	-	-	1,342	-	-	-
Consumption credit	-	-	-	-	2,512	-	-	-
Others	-	-	-	-	-	(3,978)	-	74,213,184
	2,895,306	9,910	337,881	786,343	383,676	(3,978)	1,244,402	74,213,184

36. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit Risk (continued)

Gross loans, advances and financing are analysed as follow:

	Group/Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Neither past due nor impaired	289,606	360,403	326,320
Past due but not impaired	6,329	7,513	8,753
Impaired	8,458	48,453	48,603
	304,393	416,369	383,676

The breakdown of the gross amount of loans, advances and financing individually assessed as impaired, by class, along with the fair value of related collateral held by the Group and the Bank as security are as follow:

Group/Bank	Total Gross Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance RM'000	Fair Value of Collateral RM'000
31.12.2012			
Purchase of landed properties (Residential)	1,599	592	1,007
Manufacturing	6,518	-	6,518
Construction	7	7	-
Wholesale and retail	334	334	-
	8,458	933	7,525
31.12.2011			
Purchase of landed properties (Residential)	2,249	877	1,372
Manufacturing	5,151	2,147	3,004
Construction	39,574	39,574	-
Wholesale and retail	1,479	1,479	-
	48,453	44,077	4,376
1.1.2011			
Purchase of landed properties (Residential)	2,423	1,072	1,997
Manufacturing	5,128	2,142	1,050
Construction	39,575	39,575	-
Wholesale and retail	1,477	1,477	-
	48,603	44,266	3,047

36. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Market Risk

Market risk is the risk of losses arising from changes in market rates or prices that can affect either the value of financial instruments that can be marked to market or the derivatives credit risk exposure to counterparties.

The Group and the Bank have a comprehensive market risk management framework in place to identify measure, monitor, analyse and control market risk arising from its trading activities on a consistent and timely basis. Market risk management is governed through policies and procedures and levels of risk appetite in terms of Value at Risk ("VaR"). Limits are then proposed by the business within the terms of agreed policy. These are agreed and monitored by an independent market risk management function. Policies cover both the trading and non-trading books.

Market risk exposures are monitored daily by independent market risk management team using relevant systems. Daily reports measuring utilisation of currency and holding limits together with price value basis points limits are generated and circulated to the relevant parties for information and action. The Bank has no significant exposure to equity and commodity price risk.

Value at Risk (VaR) and limits, independent stress testing of portfolios, factor sensitivity measures and derivatives are used as additional risk management tools to manage and hedge market risk exposures.

The table below provides the aggregate VaR for 31 December 2012, 31 December 2011 and 1 January 2011 at 99% confidence level, one day holding period.

	Group/Bank		
	31.12.2012 RM'mil	**31.12.2011 RM'mil**	**1.1.2011 RM'mil**
Aggregate VaR	1.08	4.21	5.92

The aggregate VaR includes the diversification effect of imperfect or negative correlations between certain risk types. Therefore the aggregate VaR can be lower than the sum of individual risk types on the same day (e.g. year end).

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profit or loss in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation.

36. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Interest Risk

Sensitivity to interest rates in banking activities arises from mismatches in the interest rate characteristics of the assets and their corresponding liability funding. One of the major causes of these mismatches is timing differences in the re-pricing of the financial assets and the liabilities. The Group and the Bank set limits on the level of gaps or mismatch of interest rates of items on and off the statement of financial position.

The following table represents the Group's assets and liabilities at carrying amounts as of 31 December 2012.

The Group 31.12.2012	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	Impairments RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	2,230,388	-	-	-	-	-	-	-	2,230,388
Deposits and placements with other financial institutions	-	400,264	-	-	-	-	-	-	400,264
Securities held-for-trading	-	-	-	-	-	-	-	29,637	29,637
Securities available-for-sale	-	100,104	153,219	542,365	-	1,719	-	-	797,407
Loans, advances and financing	197,254	73,506	12,044	1,140	20,449	-	(5,089)	-	299,304
Derivative financial assets	-	-	-	-	-	-	-	727,362	727,362
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	28,000	-	-	28,000
Other assets	-	-	-	-	-	34,049	-	-	34,049
Investment in associated company	-	-	-	-	-	5,752	-	-	5,752
Property, plant and equipment	-	-	-	-	-	10,340	-	-	10,340
Intangible asset	-	-	-	-	-	565	-	-	565
Deferred tax assets	-	-	-	-	-	22,591	-	-	22,591
Total Assets	2,427,642	573,874	165,263	543,505	20,449	103,016	(5,089)	756,999	4,585,659
Liabilities									
Deposits from customers	1,733,867	10,511	6,150	8,826	-	-	-	-	1,759,354
Deposits and placements from banks and other financial institutions	1,008,634	-	-	-	-	-	-	-	1,008,634
Derivative financial liabilities	-	-	-	-	-	-	-	878,412	878,412
Other liabilities	-	-	-	-	-	149,367	-	-	149,367
Subordinated debt capital	-	-	-	207,940	-	-	-	-	207,940
Total Liabilities	2,742,501	10,511	6,150	216,766	-	149,367	-	878,412	4,003,707
On balance sheet interest sensitivity gap	(314,859)	563,363	159,113	326,739	20,449	(46,351)	(5,089)	(121,413)	581,952
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-	(3,292)	(3,292)
Net interest sensitivity gap	(314,859)	563,363	159,113	326,739	20,449	(46,351)	(5,089)	(124,705)	578,660

The following table represents the Group's assets and liabilities at carrying amounts as of 31 December 2011.

The Group 31.12.2011	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	Impairments RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	1,596,567	-	-	-	-	-	-	-	1,596,567
Deposits and placements with other financial institutions	-	353,624	-	-	-	-	-	-	353,624
Securities held-for-trading	-	-	-	-	-	-	-	306,369	306,369
Securities available-for-sale	-	-	303,490	483,784	-	1,719	-	-	788,993
Loans, advances and financing	323,280	53,996	10,410	1,436	27,247	-	(48,276)	-	368,093
Derivative financial assets	-	-	-	-	-	-	-	1,044,550	1,044,550
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	16,000	-	-	16,000
Other assets	-	-	-	-	-	25,616	-	-	25,616
Investment in associated company	-	-	-	-	-	10,149	-	-	10,149
Property, plant and equipment	-	-	-	-	-	15,834	-	-	15,834
Intangible asset	-	-	-	-	-	629	-	-	629
Deferred tax assets	-	-	-	-	-	31,699	-	-	31,699
Total Assets	1,919,847	407,620	313,900	485,220	27,247	101,646	(48,276)	1,350,919	4,558,123
Liabilities									
Deposits from customers	1,743,272	35,363	29,747	8,869	-	-	-	-	1,817,251
Deposits and placements from banks and other financial institutions	310,266	222,498	-	-	-	-	-	-	532,764
Derivative financial liabilities	-	-	-	-	-	-	-	1,213,790	1,213,790
Other liabilities	-	-	-	-	-	180,757	-	-	180,757
Subordinated debt capital	-	-	-	-	206,842	-	-	-	206,842
Total Liabilities	2,053,538	257,861	29,747	8,869	206,842	180,757	-	1,213,790	3,951,404
On balance sheet interest sensitivity gap	(133,691)	149,759	284,153	476,351	(179,595)	(79,111)	(48,276)	137,129	606,719
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-	(2,608)	(2,608)
Net interest sensitive gap	(133,691)	149,759	284,153	476,351	(179,595)	(79,111)	(48,276)	134,521	604,111

The following table represents the Group's assets and liabilities at carrying amounts as of 1 January 2011.

The Group	Non-Trading Book								
1.1.2011	**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**	**Impairments RM'000**	**Trading book RM'000**	**Total RM'000**
Assets									
Cash and short-term funds	2,895,306	-	-	-	-	-	-	-	2,895,306
Securities purchased under resale agreements	-	-	-	-	-	-	-	9,910	9,910
Securities held-for-trading	-	-	-	-	-	-	-	337,881	337,881
Securities available-for-sale	-	-	161,684	622,528	2,131	-	-	-	786,343
Loans, advances and financing	250,386	11,850	81,650	39,790	-	-	(48,244)	-	335,432
Derivative financial assets	-	-	-	-	-	-	-	1,244,402	1,244,402
Other assets	-	-	-	-	-	78,783	-	-	78,783
Investment in associated company	-	-	-	-	-	8,328	-	-	8,328
Property, plant and equipment	-	-	-	-	-	21,067	-	-	21,067
Intangible asset	-	-	-	-	-	459	-	-	459
Deferred tax assets	-	-	-	-	-	25,688	-	-	25,688
Total Assets	3,145,692	11,850	243,334	662,318	2,131	134,325	(48,244)	1,592,193	5,743,599
Liabilities									
Deposits from customers	1,634,046	236,931	83,423	11,625	-	-	-	-	1,966,025
Deposits and placements from banks and other financial institutions	1,504,733	-	12,336	17,916	-	-	-	-	1,534,985
Derivative financial liabilities	-	-	-	-	-	-	-	1,227,391	1,227,391
Other liabilities	-	-	-	-	-	242,921	-	-	242,921
Subordinated debt capital	-	-	-	-	205,069	-	-	-	205,069
Total Liabilities	3,138,779	236,931	95,759	29,541	205,069	242,921	-	1,227,391	5,176,391
On balance sheet interest sensitivity gap	6,913	(225,081)	147,575	632,777	(202,938)	(108,596)	(48,244)	364,802	567,208
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-	(275,000)	(275,000)
Net interest sensitivity gap	6,913	(225,081)	147,575	632,777	(202,938)	(108,596)	(48,244)	89,802	292,208

The following table represents the Bank's assets and liabilities at carrying amounts as of 31 December 2012.

The Bank 31.12.2012	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**	**Impairments RM'000**	**Trading book RM'000**	**Total RM'000**
Assets									
Cash and short-term funds	2,230,388	-	-	-	-	-	-	-	2,230,388
Deposits and placements with other financial institutions	-	400,264	-	-	-	-	-	-	400,264
Securities held-for-trading	-	-	-	-	-	-	-	29,637	29,637
Securities available-for-sale	-	100,104	153,219	542,365	-	1,719	-	-	797,407
Loans, advances and financing	197,254	73,506	12,044	1,140	20,449	-	(5,089)	-	299,304
Derivative financial assets	-	-	-	-	-	-	-	727,362	727,362
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	28,000	-	-	28,000
Other assets	-	-	-	-	-	34,049	-	-	34,049
Investments in subsidiary companies	-	-	-	-	-	20	-	-	20
Investment in associated company	-	-	-	-	-	4,718	-	-	4,718
Property, plant and equipment	-	-	-	-	-	10,340	-	-	10,340
Intangible asset	-	-	-	-	-	565	-	-	565
Deferred tax assets	-	-	-	-	-	22,591	-	-	22,591
Total Assets	2,427,642	573,874	165,263	543,505	20,449	102,002	(5,089)	756,999	4,584,645
Liabilities									
Deposits from customers	1,733,887	10,511	6,150	8,826	-	-	-	-	1,759,374
Deposits and placements from banks and other financial institutions	1,008,634	-	-	-	-	-	-	-	1,008,634
Derivative financial liabilities	-	-	-	-	-	-	-	878,412	878,412
Other liabilities	-	-	-	-	-	149,367	-	-	149,367
Subordinated debt capital	-	-	-	207,940	-	-	-	-	207,940
Total Liabilities	2,742,521	10,511	6,150	216,766	-	149,367	-	878,412	4,003,727
On balance sheet interest sensitivity gap	(314,879)	563,363	159,113	326,739	20,449	(47,365)	(5,089)	(121,413)	580,918
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-	(3,292)	(3,292)
Net interest sensitivity gap	(314,879)	563,363	159,113	326,739	20,449	(47,365)	(5,089)	(124,705)	577,626

The following table represents the Bank's assets and liabilities at carrying amounts as of 31 December 2011.

The Bank 31.12.2011	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	Impairments RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	1,596,567	-	-	-	-	-	-	-	1,596,567
Deposits and placements with other financial institutions	-	353,624	-	-	-	-	-	-	353,624
Securities held-for-trading	-	-	-	-	-	-	-	306,369	306,369
Securities available-for-sale	-	-	303,490	483,784	-	1,719	-	-	788,993
Loans, advances and financing	323,280	53,996	10,410	1,436	27,247	-	(48,276)	-	368,093
Derivative financial assets	-	-	-	-	-	-	-	1,044,550	1,044,550
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	16,000	-	-	16,000
Other assets	-	-	-	-	-	25,616	-	-	25,616
Investments in subsidiary companies	-	-	-	-	-	20	-	-	20
Investment in associated company	-	-	-	-	-	8,503	-	-	8,503
Property, plant and equipment	-	-	-	-	-	15,834	-	-	15,834
Intangible asset	-	-	-	-	-	629	-	-	629
Deferred tax assets	-	-	-	-	-	31,699	-	-	31,699
Total Assets	1,919,847	407,620	313,900	485,220	27,247	100,020	(48,276)	1,350,919	4,556,497
Liabilities									
Deposits from customers	1,743,292	35,363	29,747	8,869	-	-	-	-	1,817,271
Deposits and placements from banks and other financial institutions	310,266	222,498	-	-	-	-	-	-	532,764
Derivative financial liabilities	-	-	-	-	-	-	-	1,213,790	1,213,790
Other liabilities	-	-	-	-	-	180,757	-	-	180,757
Subordinated debt capital	-	-	-	-	206,842	-	-	-	206,842
Total Liabilities	2,053,558	257,861	29,747	8,869	206,842	180,757	-	1,213,790	3,951,424
On balance sheet interest sensitivity gap	(133,711)	149,759	284,153	476,351	(179,595)	(80,737)	(48,276)	137,129	605,073
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-	(2,608)	(2,608)
Net interest sensitivity gap	(133,711)	149,759	284,153	476,351	(179,595)	(80,737)	(48,276)	134,521	602,465

The following table represents the Bank's assets and liabilities at carrying amounts as of 1 January 2011.

The Bank	Non-Trading Book								
1.1.2011	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	Impairments RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	2,895,306	-	-	-	-	-	-	-	2,895,306
Securities purchased under resale agreements	-	-	-	-	-	-	-	9,910	9,910
Securities held-for-trading	-	-	-	-	-	-	-	337,881	337,881
Securities available-for-sale	-	-	161,684	622,528	2,131	-	-	-	786,343
Loans, advances and financing	250,386	11,850	81,650	39,790	-	-	(48,244)	-	335,432
Derivative financial assets	-	-	-	-	-	-	-	1,244,402	1,244,402
Other assets	-	-	-	-	-	78,783	-	-	78,783
Investment in subsidiary companies	-	-	-	-	-	20	-	-	20
Investment in associated company	-	-	-	-	-	8,503	-	-	8,503
Property, plant and equipment	-	-	-	-	-	21,067	-	-	21,067
Intangible asset	-	-	-	-	-	459	-	-	459
Deferred tax assets	-	-	-	-	-	25,688	-	-	25,688
Total Assets	3,145,692	11,850	243,334	662,318	2,131	134,520	(48,244)	1,592,193	5,743,794
Liabilities									
Deposits from customers	1,634,066	236,931	83,423	11,625	-	-	-	-	1,966,045
Deposits and placements from banks and other financial institutions	1,504,733	-	12,336	17,916	-	-	-	-	1,534,985
Derivative financial liabilities	-	-	-	-	-	-	-	1,227,391	1,227,391
Other liabilities	-	-	-	-	-	242,921	-	-	242,921
Subordinated debt capital	-	-	-	-	205,069	-	-	-	205,069
Total Liabilities	3,138,799	236,931	95,759	29,541	205,069	242,921	-	1,227,391	5,176,411
On balance sheet interest sensitivity gap	6,893	(225,081)	147,575	632,777	(202,938)	(108,401)	(48,244)	364,802	567,383
Off balance sheet interest sensitivity gap	-	-	-	-	-	-	-	(275,000)	(275,000)
Net interest sensitivity gap	6,893	(225,081)	147,575	632,777	(202,938)	(108,401)	(48,244)	89,802	292,383

Included in the tables below are the Group's and Bank's assets and liabilities categorised by their average effective interest rates per annum at the reporting date.

Group/Bank	31.12.2012						31.12.2011						1.1.2011				
	MYR	USD	AUD	EUR	GBP	SGD	MYR	USD	AUD	EUR	GBP	SGD	MYR	USD	AUD	EUR	GBP
	%	%	%	%	%	%	%	%	%	%	%	%					
Financial Assets																	
Cash and short-term funds	-	0.26	-	-	0.40	-	3.00	0.23	-	0.18	-	-	-	0.33	-	0.15	-
Deposits and placements with banks and other financial institutions	-	0.41	-	-	-	-	3.00	1.51	4.90	-	-	-	-	-	-	-	-
Securities available-for-sale	3.93	-	-	-	-	-	3.75	-	-	-	-	-	3.57	-	-	-	-
Loans, advances and financing	3.53	-	-	-	-	-	3.50	-	-	-	-	-	3.90	-	-	-	-
Financial Liabilities																	
Deposits from customers	2.95	0.07	3.24	0.10	-	-	2.90	0.11	3.50	0.78	1.44	0.01	2.63	0.15	4.57	0.46	1.29
Deposits and placements from banks and other financial institutions	2.73	0.10	-	0.01	0.35	0.10	2.64	0.26	4.70	-	-	-	2.53	0.35	-	-	-

36. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Liquidity Risk

Liquidity risk is the risk that the Group and the Bank are unable to meet their cash flows obligations as they fall due, such as upon the maturity of deposits and loan draw-downs.

Liquidity risk arises in the general funding of the Group's and the Bank's activities. It is unusual for any bank to completely match the maturity profile of its assets and liabilities. The matching and controlled mismatching of the maturities of assets and liabilities are fundamental to the management of the Group's and the Bank's liquidity risk. The Group and the Bank utilise various gapping models and maturity statement of financial position to manage their liquidity. Stress testing and scenario analysis are performed on a regular basis as part of the liquidity risk management activities. In addition, the Group and the Bank envisage that their Holding Company can also be called upon to provide contingency funding to meet their funding requirement. Liquidity risk is overseen by the Asset Liability Committee.

The following table analyses financial assets and liabilities of the Group and the Bank at the end of each reporting period based on contractual undiscounted repayment obligations. They have been prepared on the following basis:

The following table summarises the maturity profile of the Group's assets and liabilities as of 31 December 2012 based on remaining contractual maturity.

The Group 31.12.2012	**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**	**No specific maturity RM'000**	**Total RM'000**
Assets							
Cash and short-term funds	2,230,388	-	-	-	-	-	2,230,388
Deposits and placements with other financial institutions	-	400,264	-	-	-	-	400,264
Securities held-for-trading	-	-	-	29,389	248	-	29,637
Securities available-for-sale	-	100,104	153,219	542,365	-	1,719	797,407
Loans, advances and financing	197,254	73,506	12,044	1,140	20,449	(5,089)	299,304
Derivative financial assets	8,986	22,452	43,276	302,292	350,356	-	727,362
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	28,000	28,000
Other assets	-	-	-	-	-	34,049	34,049
Investment in associated company	-	-	-	-	-	5,752	5,752
Property, plant and equipment	-	-	-	-	-	10,340	10,340
Intangible asset	-	-	-	-	-	565	565
Deferred tax assets	-	-	-	-	-	22,591	22,591
Total Assets	2,436,628	596,326	208,539	875,186	371,053	97,927	4,585,659
Liabilities							
Deposits from customers	1,733,867	10,511	6,150	8,826	-	-	1,759,354
Deposits and placements from banks and other financial institutions	1,008,634	-	-	-	-	-	1,008,634
Derivative financial liabilities	7,334	51,180	102,112	355,658	362,128	-	878,412
Other liabilities	-	-	-	-	-	149,367	149,367
Subordinated debt capital	-	-	-	207,940	-	-	207,940
Total Liabilities	2,749,835	61,691	108,262	572,424	362,128	149,367	4,003,707
Net Liquidity gap	(313,207)	534,635	100,277	302,762	8,925	(51,440)	581,952

The following table summarises the maturity profile of the Group's assets and liabilities as of 31 December 2011 based on remaining contractual maturity.

The Group 31.12.2011	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	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	1,596,567	-	-	-	-	-	1,596,567
Deposits and placements with other financial institutions	-	353,624	-	-	-	-	353,624
Securities held-for-trading		154,124	12,821	116,055	23,369	-	306,369
Securities available-for-sale	-	-	303,490	483,784	-	1,719	788,993
Loans, advances and financing	148,146	53,996	185,544	1,436	27,247	(48,276)	368,093
Derivative financial assets	27,585	56,054	71,605	290,856	598,450	-	1,044,550
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	16,000	16,000
Other assets	-	-	-	-	-	25,616	25,616
Investment in associated company	-	-	-	-	-	10,149	10,149
Property, plant and equipment	-	-	-	-	-	15,834	15,834
Intangible asset	-	-	-	-	-	629	629
Deferred tax assets	-	-	-	-	-	31,699	31,699
Total Assets	1,772,298	617,798	573,460	892,131	649,066	53,370	4,558,123
Liabilities							
Deposits from customers	1,743,272	35,363	29,747	8,869	-	-	1,817,251
Deposits and placements from banks and other financial institutions	310,266	222,498	-	-	-	-	532,764
Derivative financial liabilities	56,876	51,925	108,255	430,155	566,579	-	1,213,790
Other liabilities	-	-	-	-	-	180,757	180,757
Subordinated debt capital	-	-	-	-	206,842	-	206,842
Total Liabilities	2,110,414	309,786	138,002	439,024	773,421	180,757	3,951,404
Net Liquidity gap	(338,116)	308,012	435,458	453,107	(124,355)	(127,387)	606,719

The following table summarises the maturity profile of the Group's assets and liabilities as of 1 January 2011 based on remaining contractual maturity.

The Group 1.1.2011	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	No specific maturity RM'000	Total RM'000
Assets							
Cash and short-term funds	2,895,306	-	-	-	-	-	2,895,306
Securities purchased under resale agreements	9,910	-	-	-	-	-	9,910
Securities held-for-trading	-	-	6,144	321,791	9,946	-	337,881
Securities available-for-sale	-	-	161,684	622,528	2,131	-	786,343
Loans, advances and financing	77,022	11,850	81,650	213,154	-	(48,244)	335,432
Derivative financial assets	40,507	112,842	175,069	462,300	453,684	-	1,244,402
Other assets	-	-	-	-	-	78,783	78,783
Investment in associated company	-	-	-	-	-	8,328	8,328
Property, plant and equipment	-	-	-	-	-	21,067	21,067
Intangible asset	-	-	-	-	-	459	459
Deferred tax assets	-	-	-	-	-	25,688	25,688
Total Assets	3,022,745	124,692	424,547	1,619,773	465,761	86,081	5,743,599
Liabilities							
Deposits from customers	1,634,046	236,931	83,423	11,625	-	-	1,966,025
Deposits and placements from banks and other financial institutions	1,504,733	-	12,336	17,916	-	-	1,534,985
Derivative financial liabilities	22,216	63,003	147,441	648,189	346,542	-	1,227,391
Other liabilities	-	-	-	-	-	242,921	242,921
Subordinated debt capital	-	-	-	-	205,069	-	205,069
Total Liabilities	3,160,995	299,934	243,200	677,730	551,611	242,921	5,176,391
Net Liquidity gap	(138,250)	(175,242)	181,347	942,043	(85,850)	(156,840)	567,208

The following table summarises the maturity profile of the Bank's assets and liabilities as of 31 December 2012 based on remaining contractual maturity.

The Bank 31.12.2012	**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**	**No specific Maturity RM'000**	**Total RM'000**
Assets							
Cash and short-term funds	2,230,388	-	-	-	-	-	2,230,388
Deposits and placements with other financial institutions	-	400,264	-	-	-	-	400,264
Securities held-for-trading	-	-	-	29,389	248	-	29,637
Securities available-for-sale	-	100,104	153,219	542,365		1,719	797,407
Loans, advances and financing	197,254	73,506	12,044	1,140	20,449	(5,089)	299,304
Derivative financial assets	8,986	22,452	43,276	302,292	350,356	-	727,362
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	28,000	28,000
Other assets	-	-	-	-	-	34,049	34,049
Investments in subsidiary companies	-	-	-	-	-	20	20
Investment in associated company	-	-	-	-	-	4,718	4,718
Property, plant and equipment	-	-	-	-	-	10,340	10,340
Intangible asset	-	-	-	-	-	565	565
Deferred tax assets	-	-	-	-	-	22,591	22,591
Total Assets	2,436,628	596,326	208,539	875,186	371,053	96,913	4,584,645
Liabilities							
Deposits from customers	1,733,887	10,511	6,150	8,826	-	-	1,759,374
Deposits and placements from banks and other financial institutions	1,008,634	-	-	-	-	-	1,008,634
Derivative financial liabilities	7,334	51,180	102,112	355,658	362,128	-	878,412
Other liabilities	-	-	-	-	-	149,367	149,367
Subordinated debt capital	-	-	-	207,940	-	-	207,940
Total Liabilities	2,749,855	61,691	108,262	572,424	362,128	149,367	4,003,727
Net Liquidity gap	(313,227)	534,635	100,277	302,762	8,925	(52,454)	580,918

The following table summarises the maturity profile of the Bank's assets and liabilities as of 31 December 2011 based on remaining contractual maturity.

The Bank 31.12.2011	**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**	**No specific Maturity RM'000**	**Total RM'000**
Assets							
Cash and short-term funds	1,596,567	-	-	-	-	-	1,596,567
Deposits and placements with other financial institutions	-	353,624	-	-	-	-	353,624
Securities held-for-trading		154,124	12,821	116,055	23,369	-	306,369
Securities available-for-sale	-	-	303,490	483,784	-	1,719	788,993
Loans, advances and financing	148,146	53,996	185,544	1,436	27,247	(48,276)	368,093
Derivative financial assets	27,585	56,054	71,605	290,856	598,450	-	1,044,550
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	16,000	16,000
Other assets	-	-	-	-	-	25,616	25,616
Investments in subsidiary companies	-	-	-	-	-	20	20
Investment in associated company	-	-	-	-	-	8,503	8,503
Property, plant and equipment	-	-	-	-	-	15,834	15,834
Intangible asset	-	-	-	-	-	629	629
Deferred tax assets	-	-	-	-	-	31,699	31,699
Total Assets	1,772,298	617,798	573,460	892,131	649,066	51,744	4,556,497
Liabilities							
Deposits from customers	1,743,292	35,363	29,747	8,869	-	-	1,817,271
Deposits and placements from banks and other financial institutions	310,266	222,498	-	-	-	-	532,764
Derivative financial liabilities	56,876	51,925	108,255	430,155	566,579	-	1,213,790
Other liabilities	-	-	-	-	-	180,757	180,757
Subordinated debt capital	-	-	-	-	206,842	-	206,842
Total Liabilities	2,110,434	309,786	138,002	439,024	773,421	180,757	3,951,424
Net Liquidity gap	(338,136)	308,012	435,458	453,107	(124,355)	(129,013)	605,073

The following table summarises the maturity profile of the Bank's assets and liabilities as of 1 January 2011 based on remaining contractual maturity.

The Bank **1.1.2011**	**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**	**No specific Maturity RM'000**	**Total RM'000**
Assets							
Cash and short-term funds	2,895,306	-	-	-	-	-	2,895,306
Securities purchased under resale agreements	9,910	-	-	-	-	-	9,910
Securities held-for-trading	-	-	6,144	321,791	9,946	-	337,881
Securities available-for-sale	-	-	161,684	622,528	2,131	-	786,343
Loans, advances and financing	77,022	11,850	81,650	213,154	-	(48,244)	335,432
Derivative financial assets	40,507	112,842	175,069	462,300	453,684	-	1,244,402
Other assets	-	-	-	-	-	78,783	78,783
Investments in subsidiary companies	-	-	-	-	-	20	20
Investment in associated company	-	-	-	-	-	8,503	8,503
Property, plant and equipment	-	-	-	-	-	21,067	21,067
Intangible asset	-	-	-	-	-	459	459
Deferred tax assets	-	-	-	-	-	25,688	25,688
Total Assets	3,022,745	124,692	424,547	1,619,773	465,761	86,276	5,743,794
Liabilities							
Deposits from customers	1,634,066	236,931	83,423	11,625	-	-	1,966,045
Deposits and placements from banks and other financial institutions	1,504,733	-	12,336	17,916	-	-	1,534,985
Derivative financial liabilities	22,216	63,003	147,441	648,189	346,542	-	1,227,391
Other liabilities	-	-	-	-	-	242,921	242,921
Subordinated debt capital	-	-	-	-	205,069	-	205,069
Total Liabilities	3,161,015	299,934	243,200	677,730	551,611	242,921	5,176,411
Net Liquidity gap	(138,270)	(175,242)	181,347	942,043	(85,850)	(156,645)	567,383

36. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Liquidity Risk (continued)

Financial assets have been reflected in the time band of the latest date on which they could be repaid, unless earlier repayment can be demanded by the Group and the Bank. Financial liabilities are included at the earliest date on which the counterparty can require repayment regardless of whether or not such early repayment results in a penalty. If the repayment of a financial asset or liability is triggered by, or is subject to, specific criteria, such as market price hurdles being reached, the asset is included in the latest date on which it can be repaid regardless of early repayment, the liability is included at the earliest possible date that the conditions can be fulfilled without considering the probability of the conditions being met.

The contractual maturity of the financial assets and liabilities highlight the maturity transformation which underpins the role of banks to lend longer-term but funded predominantly by short-term liabilities such as customer deposits.

Customer assets and liabilities (including non-maturing savings/current deposits) are represented on contractual basis or period when it can legally be withdrawn. On a behavioural basis, the assets and liabilities cash flows may differ from contractual basis.

Financial assets and financial liabilities held for trading are classified based on trading pattern. The cash flows of the derivatives are presented net as they are short-term in nature and held for trading.

(f) Currency Risk

Currency risk is the risk to earnings and value of financial instruments caused by fluctuations in foreign exchange rates.

The Group and the Bank are exposed to movements in the foreign exchange rates from trading and non-trading transactions of their business units. Variations in the foreign exchange rates can lead to capital losses or reduced profit or loss. The Group's and the Bank's exposure to currency risk is controlled and monitored daily by a series of end of day, overnight and dealers' position limits.

37. 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.

The Group

	31.12.2012		31.12.2011		1.1.2011	
	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	2,230,388	2,230,388	1,596,567	1,596,567	2,895,306	2,895,306
Deposits and placements with other financial institutions	400,264	400,264	353,624	353,624	-	-
Securities purchased under resale agreements	-	-	-	-	9,910	9,910
Securities held-for-trading	29,637	29,637	306,369	306,369	337,881	337,881
Securities available-for-sale	797,407	797,407	788,993	788,993	786,343	786,343
Loans, advances and financing	299,304	296,912	368,093	364,212	335,432	335,415
Derivative financial assets	727,362	727,362	1,044,550	1,044,550	1,244,402	1,244,402
Statutory deposits with Bank Negara Malaysia	28,000	28,000	16,000	16,000	-	-
Financial Liabilities						
Deposits from customers	1,759,354	1,759,289	1,817,251	1,817,265	1,966,025	1,945,708
Deposits and placements from banks and other financial institutions	1,008,634	1,008,634	532,764	532,764	1,534,985	1,534,985
Derivative financial liabilities	878,412	878,412	1,213,790	1,213,790	1,227,391	1,227,391
Subordinated debt capital	207,940	208,890	206,842	207,867	205,069	205,174

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

The Bank

	31.12.2012		31.12.2011		1.1.2011	
	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	2,230,388	2,230,388	1,596,567	1,596,567	2,895,306	2,895,306
Deposits and placements with other financial institutions	400,264	400,264	353,624	353,624	-	-
Securities purchased under resale agreements	-	-	-	-	9,910	9,910
Securities held-for-trading	29,637	29,637	306,369	306,369	337,881	337,881
Securities available-for-sale	797,407	797,407	788,993	788,993	786,343	786,343
Loans, advances and financing	299,304	296,912	368,093	364,212	335,432	335,415
Derivative financial assets	727,362	727,362	1,044,550	1,044,550	1,244,402	1,244,402
Statutory deposits with Bank Negara Malaysia	28,000	28,000	16,000	16,000	-	-
Financial Liabilities						
Deposits from customers	1,759,374	1,759,309	1,817,271	1,817,285	1,966,045	1,945,728
Deposits and placements from banks and other financial institutions	1,008,634	1,008,634	532,764	532,764	1,534,985	1,534,985
Derivative financial liabilities	878,412	878,412	1,213,790	1,213,790	1,227,391	1,227,391
Subordinated debt capital	207,940	208,890	206,842	207,867	205,069	205,174

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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, for 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 Other Financial Institutions

Deposits and placements 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, Available-For-Sale and Securities Purchased under Resale Agreements

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

(iv) Loans, Advances and Financing

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 non-performing loans, the fair values are deemed to approximate the carrying values, net of individual assessment allowance.

The fair value of variable rate financial instruments and those of a fixed rate nature maturing within 12 months of the date of statement of financial position are assumed to approximate their carrying amounts.

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(iv) Loans, Advances and Financing (continued)

The fair value of financial instruments with no specific maturity (e.g. cash and balances with banks and central banks, certain deposits from non-bank customers, banks and other financial institutions) are assumed to be the amount payable on demand at the end of the reporting period.

(v) Statutory Deposit with BNM

Statutory deposit with BNM is stated at carrying amount.

(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 from Banks and Other Financial Institutions

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

Fair Value Hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that included inputs for the asset or liability that are not based on observable market data (unobservable inputs).

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Group/Bank	**31.12.2012**			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets at FVTPL				
Derivative financial assets	-	727,362	-	727,362
Securities held-for-trading				
- Money market instruments	-	29,637	-	29,637
Available-for-sale financial assets				
- Money market instruments	-	795,688	-	795,688
Total	-	1,552,687	-	1,552,687
Financial liabilities at FVTPL				
Derivative financial liabilities	-	878,412	-	878,412

Group/Bank	**31.12.2011**			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets at FVTPL				
Derivative financial assets	-	1,044,550	-	1,044,550
Securities held-for-trading				
- Money market instruments	-	306,369	-	306,369
Available-for-sale financial assets				
- Money market instruments	-	787,274	-	787,274
Total	-	2,138,193	-	2,138,193
Financial liabilities at FVTPL				
Derivative financial liabilities	-	1,213,790	-	1,213,790

There were no transfers between levels 1 and 2 in the period.

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Group/Bank		**1.1.2011**		
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets at FVTPL				
Derivative financial assets	-	1,244,402	-	1,244,402
Securities held-for-trading				
- Money market instruments	-	327,935	-	327,935
- Quoted securities	-	9,946	-	9,946
Available-for-sale financial assets				
- Money market instruments	-	769,570	-	769,570
- Quoted securities	-	15,054	-	15,054
Total	-	2,366,907	-	2,366,907
Financial liabilities at FVTPL				
Derivative financial liabilities	-	1,227,391	-	1,227,391

38. CAPITAL ADEQUACY

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

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Tier-I capital			
Paid-up share capital	203,000	203,000	203,000
Share premium	76,182	76,182	76,182
Statutory reserves	162,068	162,068	152,463
Retained earnings	140,029	164,161	133,745
	581,279	605,411	565,390
Less: Deferred tax assets	(22,591)	(31,699)	(25,688)
Total Tier-I capital	558,688	573,712	539,702
Tier-II capital			
Collective assessment allowance	4,156	4,199	3,978
Subordinated debt capital	180,000	200,000	200,000
Total Tier-II capital	184,156	204,199	203,978
Total capital funds	742,844	777,911	743,680
Less: Investment in subsidiary companies	-	-	-
Capital base	742,844	777,911	743,680
Capital Ratios			
Core capital ratio	14.32%	11.48%	11.22%
Risk-weighted capital ratio	19.04%	15.57%	15.45%

38. CAPITAL ADEQUACY (CONTINUED)

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

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Tier-I capital			
Paid-up share capital	203,000	203,000	203,000
Share premium	76,182	76,182	76,182
Statutory reserves	162,068	162,068	152,463
Retained earnings	138,995	162,515	133,920
	580,245	603,765	565,565
Less: Deferred tax assets	(22,591)	(31,699)	(25,688)
Total Tier-I capital	557,654	572,066	539,877
Tier-II capital			
Collective assessment allowance	4,156	4,199	3,978
Subordinated debt capital	180,000	200,000	200,000
Total Tier-II capital	184,156	204,199	203,978
Total capital funds	741,810	776,265	743,855
Less: Investment in subsidiary companies	(20)	(20)	(20)
Capital base	741,790	776,245	743,835
Capital Ratios			
Core capital ratio	14.30%	11.45%	11.22%
Risk-weighted capital ratio	19.02%	15.53%	15.46%

38. CAPITAL ADEQUACY (CONTINUED)

The breakdown of risk-weighted assets by each major risk category is as follows:

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Credit risk	2,342,944	2,987,421	1,856,278
Market risk	1,379,739	1,801,076	2,635,582
Operational risk	177,923	207,471	320,302
Total risk-weighted assets	3,900,606	4,995,968	4,812,162

	Bank		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Credit risk	2,341,393	2,984,952	1,856,540
Market risk	1,379,739	1,801,076	2,635,582
Operational risk	179,026	210,986	320,302
Total risk-weighted assets	3,900,158	4,997,014	4,812,424

39. EXPLANATION OF TRANSITION TO MFRSs

This is the first year that the Group's and the Bank's financial statements are prepared and presented in accordance with MFRSs. The last financial statements under FRSs were for the year ended 31 December 2011 and the date of transition to MFRSs is therefore, 1 January 2011.

An opening statement of financial position as at the date of transition has been prepared based on the accounting policies as described in Note 3 to the financial statements. The transition to MFRSs has been accounted for in accordance with MFRS 1, as disclosed in Note 2.1 to the financial statements.

The disclosures set out below explain how the transition from FRSs to MFRSs have affected the financial position, financial performance and cash flows of the Group and of the Bank. The changes in accounting policies as a consequence of transition to MFRSs are as described in the notes following the aforementioned disclosures. The transition to MFRSs did not result in any financial impact to the Group and the Bank other than as disclosed below.

39.1 Effect of MFRSs adoption for the statement of financial position as of 1 January 2011 and 31 December 2011

Group

				1.1.2011 (date of transition)			31.12.2011 (end of last period presented under FRSs)
	Note	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
ASSETS							
Cash and short-term funds		2,895,306	-	2,895,306	1,596,567	-	1,596,567
Deposits and placements with other financial institutions		-	-	-	353,624	-	353,624
Securities purchased under resale agreements		9,910	-	9,910	-	-	-
Securities held-for-trading		337,881	-	337,881	306,369	-	306,369
Securities available-for-sale		786,343	-	786,343	788,993	-	788,993
Loans, advances and financing	(a)	333,627	1,805	335,432	366,509	1,584	368,093
Derivative financial assets		1,244,402	-	1,244,402	1,044,550	-	1,044,550
Statutory deposits with Bank Negara Malaysia		-	-	-	16,000	-	16,000
Other assets		78,783	-	78,783	25,616	-	25,616
Investment in subsidiary companies		-	-	-	-	-	-
Investment in associated company		8,328	-	8,328	10,149	-	10,149
Property, plant and equipment		21,067	-	21,067	15,834	-	15,834
Intangible assets		459	-	459	629	-	629
Deferred tax assets		25,688	-	25,688	31,699	-	31,699
Total assets		5,741,794	1,805	5,743,599	4,556,539	1,584	4,558,123

(Forward)

39.1 Effect of MFRSs adoption for the statement of financial position as of 1 January 2011 and 31 December 2011 (continued)

Group

	Note	1.1.2011 (date of transition) FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	31.12.2011 (end of last period presented under FRSs) FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
LIABILITIES AND SHAREHOLDER'S FUNDS							
Deposits from customers		1,966,025	-	1,966,025	1,817,251	-	1,817,251
Deposits and placements from banks and other financial institutions		1,534,985	-	1,534,985	532,764	-	532,764
Derivative financial liabilities		1,227,391	-	1,227,391	1,213,790	-	1,213,790
Other liabilities		242,921	-	242,921	180,757	-	180,757
Subordinated debt capital		205,069	-	205,069	206,842	-	206,842
TOTAL LIABILITIES		5,176,391	-	5,176,391	3,951,404	-	3,951,404
Share capital		203,000	-	203,000	203,000	-	203,000
Reserves	(a)	362,403	1,805	364,208	402,135	1,584	403,719
SHAREHOLDER'S FUNDS		565,403	1,805	567,208	605,135	1,584	606,719
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		5,741,794	1,805	5,743,599	4,556,539	1,584	4,558,123
COMMITMENTS AND CONTINGENCIES		74,213,184	-	74,213,184	47,556,715	-	47,556,715

39.1 Effect of MFRSs adoption for the statement of financial position as of 1 January 2011 and 31 December 2011 (continued)

Bank

			1.1.2011 (date of transition)			31.12.2011 (end of last period presented under FRSs)	
	Note	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**	**FRSs RM'000**	**Effect of transition to MFRSs RM'000**	**MFRSs RM'000**
ASSETS							
Cash and short-term funds		2,895,306	-	2,895,306	1,596,567	-	1,596,567
Deposits and placements with other financial institutions		-	-	-	353,624	-	353,624
Securities purchased under resale agreements		9,910	-	9,910	-	-	-
Securities held-for-trading		337,881	-	337,881	306,369	-	306,369
Securities available-for-sale		786,343	-	786,343	788,993	-	788,993
Loans, advances and financing	(a)	333,627	1,805	335,432	366,509	1,584	368,093
Derivative financial assets		1,244,402	-	1,244,402	1,044,550	-	1,044,550
Statutory deposits with Bank Negara Malaysia		-	-	-	16,000	-	16,000
Other assets		78,783	-	78,783	25,616	-	25,616
Investment in subsidiary companies		20	-	20	20	-	20
Investment in associated company		8,503	-	8,503	8,503	-	8,503
Property, plant and equipment		21,067	-	21,067	15,834	-	15,834
Intangible assets		459	-	459	629	-	629
Deferred tax assets		25,688	-	25,688	31,699	-	31,699
Total assets		5,741,989	1,805	5,743,794	4,554,913	1,584	4,556,497

(Forward)

39.1 Effect of MFRSs adoption for the statement of financial position as of 1 January 2011 and 31 December 2011 (continued)

Bank

			1.1.2011 (date of transition)			31.12.2011 (end of last period presented under FRSs)	
	Note	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
LIABILITIES AND SHAREHOLDER'S FUNDS							
Deposits from customers		1,966,045	-	1,966,045	1,817,271	-	1,817,271
Deposits and placements from banks and other financial institutions		1,534,985	-	1,534,985	532,764	-	532,764
Derivative financial liabilities		1,227,391	-	1,227,391	1,213,790	-	1,213,790
Other liabilities		242,921	-	242,921	180,757	-	180,757
Subordinated debt capital		205,069	-	205,069	206,842	-	206,842
TOTAL LIABILITIES		5,176,411	-	5,176,411	3,951,424	-	3,951,424
Share capital		203,000	-	203,000	203,000	-	203,000
Reserves	(a)	362,578	1,805	364,383	400,489	1,584	402,073
SHAREHOLDER'S FUNDS		565,578	1,805	567,383	603,489	1,584	605,073
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		5,741,989	1,805	5,743,794	4,554,913	1,584	4,556,497
COMMITMENTS AND CONTINGENCIES		74,213,184	-	74,213,184	47,556,715	-	47,556,715

39.2 Effect of MFRSs adoption for the statement of comprehensive income for year ended 31 December 2011 (the latest period presented under FRSs)

	Note	FRSs RM'000	Group Effect of transition to MFRSs RM'000	MFRSs RM'000
			MFRS 139	
Operating revenue		171,785	-	171,785
Interest income		72,653	-	72,653
Interest expense		(65,482)	-	(65,482)
Net interest income		7,171	-	7,171
Other operating income		99,132	-	99,132
Other operating expenses		(59,586)	-	(59,586)
Write back/(Allowance) for impairment on loans, advances and financing	(a)	181	(221)	(40)
Share of profit of associated company		7,444	-	7,444
Profit before taxation		54,342	(221)	54,121
Taxation		(14,100)	-	(14,100)
Profit for the year attributable to equity holder of the Bank		40,242	(221)	40,021
Other comprehensive loss:				
Net loss on securities available-for-sale		(510)	-	(510)
Total comprehensive income for the year		39,732	(221)	39,511

39.2 Effect of MFRSs adoption for the statement of comprehensive income for year ended 31 December 2011 (the latest period presented under FRSs) (continued)

	Note	FRSs RM'000	Bank Effect of transition to MFRSs RM'000	MFRSs RM'000
			MFRS 139	
Operating revenue		177,408	-	177,408
Interest income		72,653	-	72,563
Interest expense		(65,482)	-	(65,482)
Net interest income		7,171	-	7,171
Other operating income		104,755	-	104,755
Other operating expenses		(59,586)	-	(59,586)
Write back/(Allowance) for impairment on loans, advances and financing	(a)	181	(221)	(40)
Profit before taxation		52,521	(221)	52,300
Taxation		(14,100)	-	(14,100)
Profit for the year attributable to equity holder of the Bank		38,421	(221)	38,200
Other comprehensive loss:				
Net loss on securities available-for-sale		(510)	-	(510)
Total comprehensive income for the year		37,911	(221)	37,690

39.3 Notes to effect of MFRSs adoption

(a) MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") – Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing

Prior to the transition to MFRS 139, the Bank had maintained their collective assessment allowance at 1.5% of total outstanding loans, advances and financing, net of individual assessment allowance, in line with Bank Negara Malaysia's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loans/Financing. Upon the transition to MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed and the Bank has applied the requirements of MFRS 139 in the determination of collective assessment allowance.

Allowances are assessed collectively for loans and advances where there is no objective evidence of individual impairment. Allowances are evaluated on each reporting date. The collective assessment takes into account of impairment that is likely to be presented in the portfolio even though there is no objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to havebeen incurred and the time it is identified as requiring an individually assessed impairment allowance.

This change in accounting policy has been accounted for retrospectively and has resulted in a write-back of collective assessment allowance to the opening retained profits and opening collective assessment allowance in the statement of financial position. A summary of the financial impact of the change in accounting policy on the financial statements of the Group and of the Bank are as follows:

	Group/ Bank	
	31.12.2011	**1.1.2011**
	RM'000	**RM'000**
Statement of Financial Position		
Loans, Advances and Financing		
- Collective Assessment Allowance (Note 9)		
- as previously stated	5,783	5,783
- effects of MFRS adoption	(1,584)	(1,805)
As restated	4,199	3,978

39.3 Notes to effect of MFRSs adoption (continued)

(a) MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") – Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing

	Group		Bank	
	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Statement of Financial Position				
Retained earnings				
- as previously stated	162,577	131,940	160,931	132,115
- effects of MFRS adoption	1,584	1,805	1,584	1,805
As restated	164,161	133,745	162,515	133,920

	Group/Bank 2011 RM'000
Income Statement	
Allowance for Impairment on Loans, Advances and Financing	
Collective Assessment Allowance (Note 29)	
- as previously stated	-
- effects of MFRS adoption	221
As restated	221

39.4 Effect of MFRSs adoption on the capital adequacy ratios for year ended 31 December 2011 (the latest period presented under FRSs)

The adjustment to the financial statements of the Group and the Bank as a result of the transition to the MFRS framework had consequential effects on the comparative capital adequacy ratios. These are summarised below:

	Group			
	As at 31.12.2011		As at 1.1.2011	
	RM'000	RM'000	RM'000	RM'000
	Previously stated under FRSs	As stated under MFRSs	Previously stated under FRSs	As stated under MFRSs
Tier-I capital				
Paid-up share capital	203,000	203,000	203,000	203,000
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	162,068	162,068	152,463	152,463
Retained earnings	162,577	164,161	131,940	133,745
	603,827	605,411	563,585	565,390
Less: Deferred tax assets	(31,699)	(31,699)	(25,688)	(25,688)
Total Tier-I capital	572,128	573,712	537,897	539,702
Tier-II capital				
Collective assessment allowance	5,783	4,199	5,783	3,978
Subordinated debt capital	200,000	200,000	200,000	200,000
Total Tier-II capital	205,783	204,199	205,783	203,978
Total capital funds	777,911	777,911	743,680	743,680
Less: Investment in subsidiary companies	-	-	-	-
Capital base	777,911	777,911	743,680	743,680
Capital Ratios				
Core capital ratio	11.45%	11.48%	11.18%	11.22%
Risk-weighted capital ratio	15.57%	15.57%	15.45%	15.45%

39.4 Effect of MFRSs adoption on the capital adequacy ratios for year ended 31 December 2011 (the latest period presented under FRSs) (continued)

	Bank			
	As at 31.12.2011		As at 1.1.2011	
	RM'000	RM'000	RM'000	RM'000
	Previously stated under FRSs	As stated under MFRSs	Previously stated under FRSs	As stated under MFRSs
Tier-I capital				
Paid-up share capital	203,000	203,000	203,000	203,000
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	162,068	162,068	152,463	152,463
Retained earnings	160,931	162,515	132,115	133,920
	602,181	603,765	563,760	565,565
Less: Deferred tax assets	(31,699)	(31,699)	(25,688)	(25,688)
Total Tier-I capital	570,482	572,066	538,072	539,877
Tier-II capital				
Collective assessment allowance	5,783	4,199	5,783	3,978
Subordinated debt capital	200,000	200,000	200,000	200,000
Total Tier-II capital	205,783	204,199	205,783	203,978
Total capital funds	776,265	776,265	743,855	743,855
Less: Investment in subsidiary companies	(20)	(20)	(20)	(20)
Capital base	776,245	776,245	743,835	743,835
Capital Ratios				
Core capital ratio	11.42%	11.45%	11.18%	11.22%
Risk-weighted capital ratio	15.53%	15.53%	15.46%	15.46%