

THE ROYAL BANK OF SCOTLAND BERHAD

(Company No. 301932 - A)

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

30 JUNE 2012

Domiciled in Malaysia
Registered office
Level 1 and 9,
Menara Maxis,
Kuala Lumpur City Centre
50088 Kuala Lumpur

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Group		Bank	
		30-Jun 2012 RM'000	31-Dec 2011 RM'000	30-Jun 2012 RM'000	31-Dec 2011 RM'000
ASSETS					
Cash and short-term funds	2	1,590,838	1,596,567	1,590,838	1,596,567
Deposits and placements with other financial institutions		548,511	353,624	548,511	353,624
Securities held-for-trading	3	327,270	306,369	327,270	306,369
Securities available-for-sale	4	786,046	788,993	786,046	788,993
Loans, advances and financing	5	357,523	366,509	357,523	366,509
Derivatives financial assets		841,237	1,044,550	841,237	1,044,550
Other assets	6	67,809	25,616	67,809	25,616
Statutory deposits with Bank Negara Malaysia	7	7,900	16,000	7,900	16,000
Investments in subsidiary companies		-	-	20	20
Investment in associated company		8,071	10,149	4,718	8,503
Property, plant and equipment	8	16,056	15,834	16,056	15,834
Intangible assets	9	329	629	329	629
Deferred tax assets		31,889	31,699	31,889	31,699
TOTAL ASSETS		4,583,479	4,556,539	4,580,146	4,554,913
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	10	1,713,372	1,817,251	1,713,392	1,817,271
Deposits and placements from banks and other financial institutions	11	816,786	532,764	816,786	532,764
Derivatives financial liabilities		1,041,059	1,213,790	1,041,059	1,213,790
Other liabilities	12	200,841	180,757	200,841	180,757
Subordinated debt capital		207,559	206,842	207,559	206,842
TOTAL LIABILITIES		3,979,617	3,951,404	3,979,637	3,951,424

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS OF 30 JUNE 2012 (CONT'D)

	Note	Group		Bank	
		30-Jun 2012 RM'000	31-Dec 2011 RM'000	30-Jun 2012 RM'000	31-Dec 2011 RM'000
Share capital	13	203,000	203,000	203,000	203,000
Reserves	14	400,862	402,135	397,509	400,489
SHAREHOLDER'S FUNDS		<u>603,862</u>	<u>605,135</u>	<u>600,509</u>	<u>603,489</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>4,583,479</u>	<u>4,556,539</u>	<u>4,580,146</u>	<u>4,554,913</u>
COMMITMENTS AND CONTINGENCIES	21	<u>45,647,573</u>	<u>47,556,715</u>	<u>45,647,573</u>	<u>47,556,715</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2011.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 2ND QUARTER ENDED 30 JUNE 2012

	Note	Group		Bank	
		30-Jun 2012 RM'000	30-Jun 2011 RM'000	30-Jun 2012 RM'000	30-Jun 2011 RM'000
Operating revenue		<u>68,376</u>	<u>90,656</u>	<u>68,376</u>	<u>90,656</u>
Interest income	15	32,487	36,092	32,487	36,092
Interest expense	16	(25,136)	(34,950)	(25,136)	(34,950)
Net interest income		<u>7,351</u>	<u>1,142</u>	<u>7,351</u>	<u>1,142</u>
Other operating income	17	35,889	54,564	35,889	54,564
Other operating expenses	18	(45,803)	(31,125)	(45,803)	(31,125)
Write back/(Allowance) for impairment on loans, advances and financing	19	77	(319)	77	(319)
Share of profit of associated company		<u>1,707</u>	<u>271</u>	<u>-</u>	<u>-</u>
(Loss)/Profit before taxation		<u>(779)</u>	<u>24,533</u>	<u>(2,486)</u>	<u>24,262</u>
Taxation		<u>(18)</u>	<u>(8,900)</u>	<u>(18)</u>	<u>(8,900)</u>
(Loss)/Profit for the period attributable to equity holder of the Bank		<u>(797)</u>	<u>15,633</u>	<u>(2,504)</u>	<u>15,362</u>
Other comprehensive loss:					
Net loss on securities available-for-sale		<u>(476)</u>	<u>(343)</u>	<u>(476)</u>	<u>(343)</u>
Total comprehensive (loss)/income for for the period		<u>(1,273)</u>	<u>15,290</u>	<u>(2,980)</u>	<u>15,019</u>
(Loss)/Earnings per share (sen)		<u>(0.39)</u>	<u>7.70</u>	<u>(1.23)</u>	<u>7.57</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2011.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 2ND QUARTER ENDED 30 JUNE 2012

Group	← Non-distributable Reserves →				Distributable	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Reserve Retained earnings RM'000	
At 1 January 2011	203,000	76,182	152,463	1,818	131,940	565,403
Profit for the year	-	-	-	-	40,242	40,242
Net loss on securities available-for-sale	-	-	-	(693)	-	(693)
Deferred tax	-	-	-	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	162,577	605,135
At 1 January 2012	203,000	76,182	162,068	1,308	162,577	605,135
Loss for the period	-	-	-	-	(797)	(797)
Net loss on securities available-for-sale	-	-	-	(666)	-	(666)
Deferred tax	-	-	-	190	-	190
Other comprehensive loss	-	-	-	(476)	-	(476)
At 30 June 2012	203,000	76,182	162,068	832	161,780	603,862

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2011.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 2ND QUARTER ENDED 30 JUNE 2012 (CONT'D)

Bank	← Non-distributable Reserves →				Distributable	Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Reserve Retained earnings RM'000	
At 1 January 2011	203,000	76,182	152,463	1,818	132,115	565,578
Profit for the year	-	-	-	-	38,421	38,421
Net loss on securities available-for-sale	-	-	-	(693)	-	(693)
Deferred tax	-	-	-	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	160,931	603,489
At 1 January 2012	203,000	76,182	162,068	1,308	160,931	603,489
Profit for the period	-	-	-	-	(2,504)	(2,504)
Net loss on securities available-for-sale	-	-	-	(666)	-	(666)
Deferred tax	-	-	-	190	-	190
Other comprehensive loss	-	-	-	(476)	-	(476)
At 30 June 2012	203,000	76,182	162,068	832	158,427	600,509

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2011.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 2ND QUARTER ENDED 30 JUNE 2012

	Group		Bank	
	30-Jun 2012 RM'000	30-Jun 2011 RM'000	30-Jun 2012 RM'000	30-Jun 2011 RM'000
Cash Flows from Operating Activities				
(Loss)/Profit before taxation	(779)	24,533	(2,486)	24,262
Adjustments for:				
Depreciation of property, plant and equipment	2,527	2,641	2,527	2,641
Amortisation of intangible assets	125	134	125	134
Intangible assets written off	215	-	215	-
Net (write back)/allowance for impairment on loans, advances and financing	(77)	319	(77)	319
Amortisation of premium less accretion of discount	2,281	2,427	2,281	2,427
Gain from sale of securities held-for-trading	(603)	(2,149)	(603)	(2,149)
Unrealised (gain)/loss on revaluation of securities held-for-trading	(796)	14	(796)	14
Unrealised foreign exchange loss/(gain)	15,864	(287,099)	15,864	(287,099)
Unrealised loss on derivatives trading	66,447	88,161	66,447	88,161
Amortisation of cost and premium relating to subordinated debt capital	717	-	717	-
Share of gain of associated company	(1,707)	(271)	-	-
Operating profit/(loss) before working capital changes	84,214	(171,290)	84,214	(171,290)

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 2ND QUARTER ENDED 30 JUNE 2012 (CONT'D)

	Group		Bank	
	30-Jun 2012 RM'000	30-Jun 2011 RM'000	30-Jun 2012 RM'000	30-Jun 2011 RM'000
Operating profit/(loss) before working capital changes brought forward	84,214	(171,290)	84,214	(171,290)
(Increase)/Decrease in:				
Securities purchased under resale agreements	-	9,910	-	9,910
Securities held-for-trading	(19,502)	28,231	(19,502)	28,231
Loans, advances and financing	9,063	(54,525)	9,063	(54,525)
Other assets and derivatives financial assets	83,180	335,800	83,180	335,800
Statutory deposits with				
Bank Negara Malaysia	8,100	-	8,100	-
Increase/(Decrease) in:				
Deposits from customers	(103,879)	(392,055)	(103,879)	(392,055)
Deposits and placements from banks and other financial institutions	284,022	(644,959)	284,022	(644,959)
Other liabilities and derivative financial liabilities	(152,647)	194,132	(152,647)	194,132
Cash generated from/(used in) operations	<u>192,551</u>	<u>(694,756)</u>	<u>192,551</u>	<u>(694,756)</u>
Income taxes paid	<u>(4,389)</u>	<u>(7,985)</u>	<u>(4,389)</u>	<u>(7,985)</u>
Net cash generated from/(used in) operating activities	<u>188,162</u>	<u>(702,741)</u>	<u>188,162</u>	<u>(702,741)</u>
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(2,749)	-	(2,749)	-
Purchase of intangible assets	(40)	-	(40)	-
Proceeds from capital repayment of investment in associated company	3,785	-	3,785	-
Net purchase of securities available-for-sale	<u>-</u>	<u>(582)</u>	<u>-</u>	<u>(582)</u>
Net cash generated from/(used in) investing activities	<u>996</u>	<u>(582)</u>	<u>996</u>	<u>(582)</u>

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 2ND QUARTER ENDED 30 JUNE 2012 (CONT'D)

	Group		Bank	
	30-Jun 2012 RM'000	30-Jun 2011 RM'000	30-Jun 2012 RM'000	30-Jun 2011 RM'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	189,158	(703,323)	189,158	(703,323)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,950,191</u>	<u>2,895,306</u>	<u>1,950,191</u>	<u>2,895,306</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,139,349</u>	<u>2,191,983</u>	<u>2,139,349</u>	<u>2,191,983</u>

Cash and cash equivalents comprise
the following:

Cash and short-term funds	1,590,838	2,065,038	1,590,838	2,065,038
Deposits and placements with other financial institutions	<u>548,511</u>	<u>126,945</u>	<u>548,511</u>	<u>126,945</u>
	<u>2,139,349</u>	<u>2,191,983</u>	<u>2,139,349</u>	<u>2,191,983</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2011.

**THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)**

A. NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Financial Statements

The unaudited interim financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards 134 ("MFRS 134"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual audited financial statements of the Group and the Bank for the year ended 31 December 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2011.

With effect from 1 January 2012, the Group and the Bank has adopted the Malaysian Financial Reporting Standards ("MFRSs"). These are the Group and the Bank's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous years, the financial statements of the Group and the Bank were prepared in accordance with FRSs.

This MFRS framework was introduced by the Malaysian Accounting Standards Board ("MASB") in order to fully converge the Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. Whilst all FRS issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs.

The transition to the MFRS framework has resulted in the following changes:

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

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Under MFRS 139, collective assessment is performed on loans which are not individually significant based on the incurred loss approach. Loans which are individually assessed where there is no objective evidence of impairment are also included in the group of loans for collective assessment. Loans are grouped on the basis of similar credit risk characteristics and the expected cash flows for each group is estimated based on historical loss experience and discounted to present value. Collective assessment is made on the shortfall of these discounted cashflow against the carrying value of the group of loans. This change in accounting policy has not resulted in a material impact on the result of the Group and the Bank.

- ii. The transition to the other MFRS generally did not have any financial impact on the results of the Group and the Bank.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent financial statements for the year ended 31 December 2011.

The following MFRSs and IC Interpretations have been issued by the MASB but are not yet effective, and have yet to be adopted by the Group and the Bank:

Effective for annual periods commencing on or after 1 July 2012:

Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)

Effective for annual periods commencing on or after 1 January 2013:

MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (as amended in April 2012)

MFRS 10 Consolidated Financial Statements

MFRS 11 Joint Arrangements

MFRS 12 Disclosure of Interest in Other Entities

MFRS 13 Fair Value Measurement

MFRS 119 Employee benefits (as amended in June 2011)

MFRS 127 Separate Financial Statements (as amended by IASB in May 2011)

MFRS 128 Investments in Associates and Joint Ventures (as amended by IASB in May 2011)

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Effective for annual periods commencing on or after 1 January 2014:

Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)

Effective for annual periods commencing on or after 1 January 2015:

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)

IC Interpretation 20 is not relevant to the Group and the Bank's operations, therefore, will not have any financial impact to the Group and the Bank. The financial impact of the above MFRSs and Amendments to MFRSs are still being assessed due to the complexity of these new MFRSs and Amendments to MFRSs, and their proposed changes.

Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2011 was not qualified.

Seasonal or cyclical factors

The business operations of the Group and the Bank are not subject to material seasonal or cyclical factors.

Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and of the Bank in the 6 months ended 30 June 2012.

Changes in Estimates

There were no material changes in estimates of amounts reported that have a material effect on the financial results and position of the Group and of the Bank in the 6 months ended 30 June 2012.

Issuance and Repayment of Debt and Equity Securities

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities during the 6 months ended 30 June 2012.

Dividend

No dividend was paid during the 6 months ended 30 June 2012.

Material Events Subsequent to the Balance Sheet Date

There were no material events subsequent to the balance sheet date that requires disclosure or adjustments to the unaudited condensed interim financial statements.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Changes in the composition of the Group

There were no changes in the composition of the Group in the 6 months ended 30 June 2012.

PERFORMANCE REVIEW

The Bank reported a pre-tax loss of RM2.5m for the 6 months ended 30 June 2012, as compared to a pre-tax profit of RM15.4m for the same period in the previous year. The loss in current year was mainly due to lower trading income as a result of foreign exchange losses in 2012.

Net interest income has improved by RM6.2m, driven mainly by lower interest expense as a result of a reduction in the deposits and placements of banks and other financial institutions by RM115.3m, from RM2.65b on 30 June 2011 to RM2.53b as at the end of 30 June 2012, as part of management's effort to improve capital efficiency.

In the first half of 2012, the Bank reported a lower other operating income of RM35.9m as compared to RM54.6m in 2011. The lower other operating income was contributed by decrease in both fee income and trading income. The higher fee income in 2011 is mainly due to a non-recurring RM3m commission income earned by the bank from the sukuk issuance exercise in 2011. Trading income had reduced by RM15.3m in 2012 as compared to the same period in 2011. This drop is mainly contributed by the lower earnings from the trading foreign exchange contracts due to the uncertainty and volatility in the markets.

Other operating expense increased by RM14.7m as compared to the same period in 2011. This increase is mainly due to the higher share of group costs of RM22.3m in 2012 as compared to a RM4.4m in 2011. The significant increase is due to a one-off waiver of group costs of RM10.2m in 2011 as well as a true-up of accruals in group cost for prior year in 2012. Impairment allowances were kept at a minimal level.

The Bank continues to manage its balance sheet prudently. The level of lending has remained consistent with prior year. The level of cash and short-term fund has remained stable in order to support client-driven financial markets activities. RWCR has improved to 17.4% from 15.5% as at the end of last year.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

CURRENT YEAR PROSPECT

Notwithstanding weaker external economic environment, the Malaysian's economic is expected to grow at a steady pace of 4% - 5% in 2012. The sovereign debt issues in the Euro-Zone remained a key concern to the global economic.

Across our industry, every firm is re-examining strategy and resource allocation. In order to make sure that RBS Group are fit to compete, focus is on driving the costs, balance sheet and capital to a lower level. This is to allow for sufficient level of resources to generate the required return on investment.

As such, the Bank has announced in Jan 2012 to restructure the Global Banking and Market ("GBM") and Global Transaction Services ("GTS") to create a new wholesale banking division called Markets and International Banking. Reflecting their differing dynamics, there will be two externally reported business: 'Markets' business and 'International Banking' business. At the same time, RBS group will also exit the cash equities, corporate banking, equity capital markets and mergers & acquisition activities globally.

The changes above simplify the way business are being managed and at the same time preserve the network required to serve various needs of the Group's customers.

2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	30-Jun-12	31-Dec-11
	RM'000	RM'000
At Amortised Cost		
Cash and balances with banks and other financial institutions	76,847	47,998
Money at call and deposit placements maturing within one month	1,513,991	1,548,569
	<u>1,590,838</u>	<u>1,596,567</u>

3. SECURITIES HELD-FOR-TRADING

	Group/Bank	
	30-Jun-12	31-Dec-11
	RM'000	RM'000
At Fair Value		
Money market instruments:		
Government Investment Issues	141,162	-
Malaysian Government Securities	116,538	152,245
Bank Negara Malaysia Debt Securities	59,570	154,124
Unquoted corporate bond	10,000	-
	<u>327,270</u>	<u>306,369</u>

4. SECURITIES AVAILABLE FOR SALE

	Group/Bank	
	30-Jun-12	31-Dec-11
	RM'000	RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	269,315	270,649
Government Investment Issues	515,012	516,625
At Cost		
Unquoted shares in Malaysia	1,719	1,719
	<u>786,046</u>	<u>788,993</u>

5. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	30-Jun-12	31-Dec-11
	RM'000	RM'000
At amortised cost		
(i) By type		
Overdrafts	55,348	62,904
Term loans/financing		
Housing loans/financing	24,017	27,412
Other term loans/financing	175,582	176,102
Bills receivable	71,496	85,121
Claims on customers under acceptance credits	46,240	40,755
Staff loans	5,075	5,279
Revolving credit	29,482	18,180
Trust receipt	-	616
	<u>407,240</u>	<u>416,369</u>
Less: Allowance for impaired loans and financing :		
- Collective assessment allowance	(5,783)	(5,783)
- Individual assessment allowance	(43,934)	(44,077)
Net loans, advances and financing	<u>357,523</u>	<u>366,509</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Jun-12	31-Dec-11
	RM'000	RM'000
(ii) By type of customer		
Domestic business enterprises:		
Small medium enterprises	15,257	11,726
Others	353,978	359,967
Individuals	29,540	33,360
Foreign entity	8,465	1,488
Domestic banking institutions	-	9,828
	<u>407,240</u>	<u>416,369</u>
(iii) By interest rate sensitivity		
Fixed rate		
Housing loans/financing	3,254	3,127
Other fixed rate loan/financing	1,821	2,253
Variable rate		
BLR plus	79,814	91,799
Cost plus	322,351	319,190
	<u>407,240</u>	<u>416,369</u>
(iv) By residual contractual maturity		
Maturity within one year	381,793	387,686
More than one year to three years	703	379
More than three years to five years	1,427	1,057
More than five years	23,317	27,247
	<u>407,240</u>	<u>416,369</u>
(v) By geographical distribution		
Malaysia		
Kuala Lumpur	403,839	414,182
Penang	3,401	2,187
	<u>407,240</u>	<u>416,369</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Jun-12	31-Dec-11
	RM'000	RM'000
(vi) By Sector		
Electricity, Gas & Water	175,134	175,134
Manufacturing	90,373	74,051
Construction	43,054	40,431
Purchase of landed properties (Residential)	27,271	30,737
Wholesale and retail	33,636	62,576
Finance, insurance and business services	19,210	22,036
Consumption credit	307	355
Transport, storage and communication	16,293	8,782
Purchase of transport vehicles	1,962	2,267
	<u>407,240</u>	<u>416,369</u>
(vii) Movements in impaired loans, advances and financing are as follows:		
Balance as at 1 January	48,453	48,603
Impaired during the period/year	1,157	1,681
Reclassified as non-impaired	(1,222)	(1,823)
Amount written off	(66)	(8)
Balance as at 30 June/31 December	<u>48,322</u>	<u>48,453</u>
Individual assessment allowance	(43,934)	(44,077)
Net impaired loans, advances and financing	<u>4,388</u>	<u>4,376</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>11.87%</u>	<u>11.64%</u>
(viii) Impaired loans ,advances and financing by sector		
Purchase of landed properties (Residential)	2,180	2,249
Manufacturing	5,143	5,151
Construction	39,574	39,574
Wholesale and retail	1,425	1,479
	<u>48,322</u>	<u>48,453</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

(viii) Movements in allowance for impaired loans, advances and financing are as follows:

	Group/Bank	
	30-Jun-12 RM'000	31-Dec-11 RM'000
Collective Assessment Allowance		
Balance as at 1 January /30 June/31 December	5,783	5,783
As % of gross loans, advances and financing less individual assessment allowance	1.59%	1.55%
Individual Assessment Allowance		
Balance as at 1 January	44,077	44,266
Allowance made during the period /year	169	663
Amount written back	(246)	(844)
Amount written off	(66)	(8)
Balance as at 30 June/31 December	43,934	44,077

6. OTHER ASSETS

	Group/Bank	
	30-Jun-12 RM'000	31-Dec-11 RM'000
Tax recoverable	9,798	5,427
Other debtors, deposits and prepayments	26,742	20,189
Unsettled securities	31,269	-
	67,809	25,616

7. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

8. 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
At 30 June 2012						
Cost						
At 1 January 2012	388	616	6,212	21,619	16,348	45,183
Additions	-	-	46	-	2,703	2,749
At 30 June 2012	388	616	6,258	21,619	19,051	47,932
Accumulated Depreciation						
At 1 January 2012	-	144	4,397	10,692	14,116	29,349
Depreciation charge for the period	-	51	246	1,181	1,049	2,527
At 30 June 2012	-	195	4,643	11,873	15,165	31,876
Net Book Value	388	421	1,615	9,746	3,886	16,056

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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
At 31 December 2011						
Cost						
At 1 January 2011	388	616	6,212	21,619	16,042	44,877
Additions	-	-	-	-	542	542
Write-off	-	-	-	-	(236)	(236)
At 31 December 2011	<u>388</u>	<u>616</u>	<u>6,212</u>	<u>21,619</u>	<u>16,348</u>	<u>45,183</u>
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-off	-	-	-	-	(231)	(231)
At 31 December 2011	<u>-</u>	<u>144</u>	<u>4,397</u>	<u>10,692</u>	<u>14,116</u>	<u>29,349</u>
Net Book Value	<u>388</u>	<u>472</u>	<u>1,815</u>	<u>10,927</u>	<u>2,232</u>	<u>15,834</u>

9. INTANGIBLE ASSETS

	Group/Bank	
	30-Jun-12	31-Dec-11
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	3,437	2,972
Additions	40	465
Write off	(215)	-
At 30 June/31 December	<u>3,262</u>	<u>3,437</u>
Accumulated Amortisation		
At 1 January	2,808	2,513
Amortisation for the period/year	125	295
At 30 June/31 December	<u>2,933</u>	<u>2,808</u>
Net Book Value	<u>329</u>	<u>629</u>

10. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	30-Jun-12 RM'000	31-Dec-11 RM'000	30-Jun-12 RM'000	31-Dec-11 RM'000
Demand deposits	954,633	1,076,615	954,653	1,076,635
Saving deposits	1,324	1,535	1,324	1,535
Fixed deposits	751,615	723,539	751,615	723,539
Negotiable instruments of deposits	5,800	15,562	5,800	15,562
	<u>1,713,372</u>	<u>1,817,251</u>	<u>1,713,392</u>	<u>1,817,271</u>

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

	Group/Bank	
	30-Jun-12 RM'000	31-Dec-11 RM'000
Due within six months	742,201	723,144
Six months to one year	6,800	7,088
One year to three years	5,800	20
More than three years	2,614	8,849
	<u>757,415</u>	<u>739,101</u>

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

	Group		Bank	
	30-Jun-12 RM'000	31-Dec-11 RM'000	30-Jun-12 RM'000	31-Dec-11 RM'000
Government and statutory bodies	48,443	38,087	48,443	38,087
Business enterprises	1,468,250	1,621,049	1,468,250	1,621,049
Individuals	17,877	15,225	17,877	15,225
Others	178,802	142,890	178,822	142,910
	<u>1,713,372</u>	<u>1,817,251</u>	<u>1,713,392</u>	<u>1,817,271</u>

11. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	30-Jun-12	31-Dec-11
	RM'000	RM'000
Licensed banks	57,073	55,673
Other financial institutions	759,713	477,091
	<u>816,786</u>	<u>532,764</u>

12. OTHER LIABILITIES

	Group/Bank	
	30-Jun-12	31-Dec-11
	RM'000	RM'000
Other liabilities	51,302	50,948
Internal settlement cost	149,539	129,809
	<u>200,841</u>	<u>180,757</u>

13. SHARE CAPITAL

	Group/Bank	
	30-Jun-12	31-Dec-11
	RM'000	RM'000
Authorised:		
500,000,000 ordinary shares of RM1 each	500,000	500,000
Issued and fully paid:		
Balance as at 1 January/30 June/31 December	203,000	203,000

14. RESERVES

	Group		Bank	
	30-Jun-12	31-Dec-11	30-Jun-12	31-Dec-11
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	162,068	162,068	162,068	162,068
Unrealised reserves	832	1,308	832	1,308
Distributable:				
Retained earnings	161,780	162,577	158,427	160,931
	<u>400,862</u>	<u>402,135</u>	<u>397,509</u>	<u>400,489</u>

15. INTEREST INCOME

	Group/Bank	
	2nd Quarter Ended	
	30-Jun-12	30-Jun-11
	RM'000	RM'000
Loans, advances and financing	7,271	7,211
Money at call and deposit placements with financial institutions	6,787	11,464
Securities - Available-for-sale	14,520	14,594
Securities - Held-for-trading	6,190	5,250
	<u>34,768</u>	<u>38,519</u>
Amortisation of premium less accretion of discount	(2,281)	(2,427)
Total Interest Income	<u>32,487</u>	<u>36,092</u>
Of which:		
Interest income earned on impaired loans, advances and financing	<u>262</u>	<u>239</u>

16. INTEREST EXPENSE

	Group/Bank	
	2nd Quarter Ended	
	30-Jun-12	30-Jun-11
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	13,666	21,221
Deposits from other customers	10,553	12,690
Others	917	1,039
	<u>25,136</u>	<u>34,950</u>

17. OTHER OPERATING INCOME

	Group/Bank	
	2nd Quarter Ended	
	30-Jun-12	30-Jun-11
	RM'000	RM'000
Fee income:		
Commission	629	4,552
Service charges and fees	671	634
Guarantee fees	2,723	2,227
Other fee income	1,096	1,035
	<u>5,119</u>	<u>8,448</u>
Net gain arising from sale of securities:		
Securities held-for-trading	603	2,149
	<u>603</u>	<u>2,149</u>
Unrealised gain/(loss) on revaluation of securities:		
Securities held-for-trading	796	(14)
	<u>796</u>	<u>(14)</u>
Gross dividend income from:		
Securities available-for-sale	42	48
	<u>42</u>	<u>48</u>
Other income:		
Foreign exchange (loss)/gain		
Unrealised	(15,864)	287,099
Realised	(607)	(270,464)
(Loss)/Gain on derivatives trading		
Unrealised	(66,447)	(88,161)
Realised	112,247	115,459
	<u>29,329</u>	<u>43,933</u>
	<u>35,889</u>	<u>54,564</u>

18. OTHER OPERATING EXPENSES

	Group/Bank	
	2nd Quarter Ended	
	30-Jun-12	30-Jun-11
	RM'000	RM'000
Personnel costs (Note a)	11,616	14,811
Establishment costs (Note b)	29,498	11,158
Marketing expenses (Note c)	419	514
Administration and general expenses (Note d)	4,270	4,642
	<u>45,803</u>	<u>31,125</u>
(a) Personnel costs		
Salaries, bonuses and allowances	8,692	12,483
Social security costs	130	35
EPF - defined contribution plan	1,405	1,415
Rental of accomodation	-	2
Other staff related expenses	1,389	876
	<u>11,616</u>	<u>14,811</u>
(b) Establishment costs		
Share of Group costs - current year	17,788	14,613
- prior years	4,478	(10,227)
Share of information technology costs	274	686
Depreciation of property, plant and equipment	2,527	2,641
Amortisation of intangible assets	125	134
Rental of premises	1,888	1,888
Others	2,418	1,423
	<u>29,498</u>	<u>11,158</u>
(c) Marketing Expenses		
Advertising	283	279
Others	136	235
	<u>419</u>	<u>514</u>
(d) Administration and general expenses		
Legal and professional fees	621	176
Communication	1,112	1,189
Transportation	775	370
Others	1,762	2,907
	<u>4,270</u>	<u>4,642</u>

19. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group/Bank	
	2nd Quarter Ended	
	30-Jun-12	30-Jun-11
	RM'000	RM'000
Allowance for impaired loans, advances and financing:		
Individual assessment allowance:		
- Made in the financial period	169	578
- Written back in the financial period	(246)	(382)
Collective assesment allowance:		
- Written back in the financial period	-	123
	<u>(77)</u>	<u>319</u>

20. CAPITAL ADEQUACY

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

	Group		Bank	
	30-Jun-12	31-Dec-11	30-Jun-12	31-Dec-11
	RM'000	RM'000	RM'000	RM'000
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	162,068	162,068
Retained earnings	162,577	162,577	160,931	160,931
	<u>603,827</u>	<u>603,827</u>	<u>602,181</u>	<u>602,181</u>
Less :				
- Deferred tax assets	(31,699)	(31,699)	(31,699)	(31,699)
Total Tier-I capital	<u>572,128</u>	<u>572,128</u>	<u>570,482</u>	<u>570,482</u>

20. CAPITAL ADEQUACY (CONTD.)

	Group		Bank	
	30-Jun-12 RM'000	31-Dec-11 RM'000	30-Jun-12 RM'000	31-Dec-11 RM'000
Tier-II Capital				
Collective assessment allowance	5,783	5,783	5,783	5,783
Subordinated debt capital	200,000	200,000	200,000	200,000
Total Tier-II capital	205,783	205,783	205,783	205,783
Total capital funds	777,911	777,911	776,265	776,265
Less: Investment in subsidiary companies	-	-	(20)	(20)
Capital base	777,911	777,911	776,245	776,245
Capital Ratios				
Core capital ratio	12.86%	11.45%	12.84%	11.42%
Risk-weighted capital ratio	17.48%	15.57%	17.47%	15.53%

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

	Group		Bank	
	30-Jun-12 RM'000	31-Dec-11 RM'000	30-Jun-12 RM'000	31-Dec-11 RM'000
Credit Risk	2,521,432	2,987,421	2,516,402	2,984,952
Market Risk	1,758,402	1,801,076	1,758,402	1,801,076
Operational Risk	169,400	207,471	169,400	210,986
Total risk-weighted assets	4,449,234	4,995,968	4,444,204	4,997,014

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratio.

21. COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies and their related counterparty credit risk of the group and the Bank are as follows:

	30-Jun-2012			31-Dec-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
<u>Commitments and Contingent Liabilities</u>						
Direct credit substitutes	83,971	83,971	83,971	64,187	64,187	64,187
Transaction-related contingent items	593,842	296,921	285,494	553,071	276,536	219,983
Short-term self-liquidating trade-related contingencies	3,898	779	779	30,497	6,099	3,260
Irrevocable commitments to extend credit:						
- maturity less than one year	974,368	194,874	152,865	598,687	119,737	119,678
- maturity more than one year	349	174	131	356	178	133
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	9,052,707	171,655	94,383	6,996,522	137,948	73,571
- one year to less than five years	741,120	61,121	31,573	721,209	66,202	32,885
- five years and above	567,009	64,490	57,618	646,313	78,813	67,194
Interest rate related contracts:						
- less than one year	8,537,641	157,334	71,123	9,781,653	170,606	63,809
- one year to less than five years	18,258,783	895,277	454,238	18,016,709	810,498	364,123
- five years and above	6,833,885	945,222	597,036	10,147,511	1,381,729	881,937
	45,647,573	2,871,818	1,829,211	47,556,715	3,112,533	1,890,760

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