

**THE ROYAL BANK OF SCOTLAND BERHAD**

(Company No. 301932 - A)

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements**

**30 JUNE 2011**

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 OF 30 JUNE 2011**

	Note	Group		Bank	
		30-Jun 2011 RM'000	31-Dec 2010 RM'000	30-Jun 2011 RM'000	31-Dec 2010 RM'000
<b>ASSETS</b>					
Cash and short-term funds	2	2,065,038	2,895,306	2,065,038	2,895,306
Deposits and placements with other financial institutions		126,945	-	126,945	-
Securities purchased under resale agreements	3	-	9,910	-	9,910
Securities held-for-trading	4	309,358	337,881	309,358	337,881
Securities available-for-sale	5	786,611	786,343	786,611	786,343
Loans, advances and financing	6	387,833	333,627	387,833	333,627
Derivatives financial assets		1,032,472	1,244,402	1,032,472	1,244,402
Other assets	7	158,004	78,783	158,004	78,783
Statutory deposits with Bank Negara Malaysia	8	-	-	-	-
Investments in subsidiary companies		-	-	20	20
Investment in associated company		8,599	8,328	8,503	8,503
Property, plant and equipment	9	18,426	21,067	18,426	21,067
Intangible assets	10	325	459	325	459
Deferred tax assets		25,659	25,688	25,659	25,688
<b>TOTAL ASSETS</b>		<b>4,919,270</b>	<b>5,741,794</b>	<b>4,919,194</b>	<b>5,741,989</b>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>					
Deposits from customers	11	1,573,970	1,966,025	1,573,990	1,966,045
Deposits and placements of banks and other financial institutions	12	1,071,483	1,534,985	1,071,483	1,534,985
Derivatives financial liabilities		1,186,496	1,227,391	1,186,496	1,227,391
Other liabilities	13	300,792	242,921	300,792	242,921
Subordinated debt capital		205,836	205,069	205,836	205,069
<b>TOTAL LIABILITIES</b>		<b>4,338,577</b>	<b>5,176,391</b>	<b>4,338,597</b>	<b>5,176,411</b>

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

**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS OF 30 JUNE 2011 (CONTD.)**

	Note	Group		Bank	
		30-Jun	31-Dec	30-Jun	31-Dec
		2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
Share capital	14	203,000	203,000	203,000	203,000
Reserves	15	377,693	362,403	377,597	362,578
<b>SHAREHOLDER'S FUNDS</b>		<u>580,693</u>	<u>565,403</u>	<u>580,597</u>	<u>565,578</u>
<b>TOTAL LIABILITIES</b>					
<b>AND SHAREHOLDER'S</b>					
<b>FUNDS</b>		<u>4,919,270</u>	<u>5,741,794</u>	<u>4,919,194</u>	<u>5,741,989</u>
<b>COMMITMENTS AND</b>					
<b>CONTINGENCIES</b>	22	<u>60,690,989</u>	<u>74,213,184</u>	<u>60,690,989</u>	<u>74,213,184</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 2010.

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

**UNAUDITED INCOME STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2011**

	Note	Group		Bank	
		30-Jun	30-Jun	30-Jun	30-Jun
		2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
Revenue		90,656	98,148	90,656	98,148
Interest income	16	36,092	50,811	36,092	50,811
Interest expense	17	(34,950)	(44,608)	(34,950)	(44,608)
Other operating income	18	54,564	47,337	54,564	47,337
Other operating expenses	19	(31,125)	(38,467)	(31,125)	(38,467)
Allowance for impairment on loans, advances and financing	20	(319)	519	(319)	519
Share of profit of associate		271	(2,012)	-	-
Profit before taxation		24,533	13,580	24,262	15,592
Taxation		(8,900)	(3,859)	(8,900)	(3,859)
Profit for the period attributable to equity holder of the Bank		15,633	9,721	15,362	11,733
Earnings per share (sen)		7.70	4.79	7.57	5.78

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 30 JUNE 2011**

	Note	Group		Bank	
		30-Jun	30-Jun	30-Jun	30-Jun
		2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
Profit for the period		15,633	9,721	15,362	11,733
Other comprehensive loss:					
Net loss on securities available-for-sale		(343)	(424)	(343)	(424)
Total comprehensive income for the period		15,290	9,297	15,019	11,309

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 2010.

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

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 30 JUNE 2011**

Group	Share capital		Non-distributable			Distributable		Total
	RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Retained earnings RM'000	RM'000	RM'000	
At 1 January 2010	203,000	76,182	152,463	1,427	142,203	575,275		
Loss for the year	-	-	-	-	(10,263)	(10,263)		
Net gain on securities available-for-sale	-	-	-	533	-	533		
Deferred tax	-	-	-	(142)	-	(142)		
Other comprehensive income	-	-	-	391	-	391		
At 31 December 2010	203,000	76,182	152,463	1,818	131,940	565,403		
At 1 January 2011	203,000	76,182	152,463	1,818	131,940	565,403		
Profit for the period	-	-	-	-	15,633	15,633		
Net loss on securities available-for-sale	-	-	-	(457)	-	(457)		
Deferred tax	-	-	-	114	-	114		
Other comprehensive income	-	-	-	(343)	-	(343)		
At 30 June 2011	203,000	76,182	152,463	1,475	147,573	580,693		

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 2010.

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

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 30 JUNE 2011 (CONTD.)**

Bank	Non-distributable				Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Retained earnings RM'000		
At 1 January 2010	203,000	76,182	152,463	1,427	140,084	573,156	
Loss for the year	-	-	-	-	(7,969)	(7,969)	
Net gain on securities available-for-sale	-	-	-	533	-	533	
Deferred tax	-	-	-	(142)	-	(142)	
Other comprehensive income	-	-	-	391	-	391	
At 31 December 2010	203,000	76,182	152,463	1,818	132,115	565,578	
At 1 January 2011	203,000	76,182	152,463	1,818	132,115	565,578	
Profit for the period	-	-	-	-	15,362	15,362	
Net loss on securities available-for-sale	-	-	-	(457)	-	(457)	
Deferred tax	-	-	-	114	-	114	
Other comprehensive income	-	-	-	(343)	-	(343)	
At 30 June 2011	203,000	76,182	152,463	1,475	147,477	580,597	

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 2010.

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

**CASH FLOW STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2011**

	Group		Bank	
	30-Jun 2011 RM'000	30-Jun 2010 RM'000	30-Jun 2011 RM'000	30-Jun 2010 RM'000
<b>Cash Flows from Operating Activities</b>				
Profit before taxation	24,533	14,321	24,262	16,333
Adjustments for:				
Depreciation of property, plant and equipment	2,641	3,088	2,641	3,088
Amortisation of intangible assets	134	386	134	386
Net allowance for losses on loans and financing	319	(519)	319	(519)
Amortisation of premium less accretion of discount	2,427	(2,697)	2,427	(2,697)
(Gain)/Loss from sale of securities held-for-trading	(2,149)	(2,361)	(2,149)	(2,361)
Unrealised (gain)/ loss on revaluation of securities held-for-trading	14	(832)	14	(832)
Unrealised foreign exchange (gain)/loss	(287,099)	85,527	(287,099)	85,527
Unrealised loss on derivatives trading	88,161	75,141	88,161	75,141
Share of (profit)/ loss of associate	(271)	2,012	-	-
Operating (loss)/ profit before working capital changes	(171,290)	174,066	(171,290)	174,066

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

**CASH FLOW STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2011 (CONTD.)**

	Group		Bank	
	30-Jun 2011 RM'000	30-Jun 2010 RM'000	30-Jun 2011 RM'000	30-Jun 2010 RM'000
Operating (loss)/ profit before working capital changes brought forward	(171,290)	174,066	(171,290)	174,066
(Increase)/Decrease in:				
Securities purchased under resale	9,910	-	9,910	-
Securities held-for-trading	28,231	480,283	28,231	480,283
Loans, advances and financing	(54,525)	99,204	(54,525)	99,204
Other assets and derivatives assets	335,800	(131,007)	335,800	(131,007)
Statutory deposits with Bank Negara Malaysia	-	17,400	-	17,400
Increase/(Decrease) in:				
Deposits from customers	(392,055)	(564,842)	(392,055)	(564,842)
Deposits and placements of banks and other financial institutions	(644,959)	(100,683)	(644,959)	(100,683)
Other liabilities and derivatives liabilities	194,132	9,221	194,132	9,221
Cash used in operations	(694,756)	(16,358)	(694,756)	(16,358)
Income taxes paid	(7,985)	(11,521)	(7,985)	(11,521)
Net cash used in operating activities	(702,741)	(27,879)	(702,741)	(27,879)
<b>Cash Flows from Investing Activities</b>				
Purchase of property, plant and equipment	-	(46)	-	(46)
Purchase of intangible assets	-	(208)	-	(208)
Purchase of securities available-for-sale	(582)	(467,479)	(582)	(467,479)
Net cash used in investing activities	(582)	(467,733)	(582)	(467,733)



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**CASH FLOW STATEMENTS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2011 (CONTD.)**

	Group		Bank	
	30-Jun 2011 RM'000	30-Jun 2010 RM'000	30-Jun 2011 RM'000	30-Jun 2010 RM'000
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(703,323)	(495,612)	(703,323)	(495,612)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>2,895,306</u>	<u>2,620,404</u>	<u>2,895,306</u>	<u>2,620,404</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>2,191,983</u>	<u>2,124,792</u>	<u>2,191,983</u>	<u>2,124,792</u>

Cash and cash equivalents comprise  
the following:

Cash and short-term funds	2,065,038	2,124,792	2,065,038	2,124,792
Deposits and placements with banks and other financial institutions	<u>126,945</u>	<u>-</u>	<u>126,945</u>	<u>-</u>
	<u>2,191,983</u>	<u>2,124,792</u>	<u>2,191,983</u>	<u>2,124,792</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 2010.

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**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 the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRS") in Malaysia as modified by Bank Negara Malaysia Guidelines. 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 2010.

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 2010, except for the adoption of the following Financial Reporting Standards ("FRS"), Amendments to FRSs, IC Interpretations and Technical Release ("TR"):

Amendments to FRS 132 Financial Instruments: Presentation - Classification of Rights Issues

FRS 1 First-time Adoption of Financial Reporting Standards

FRS 3 Business Combinations

FRS 127 Consolidated and Separate Financial Statements

Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters

Amendments to FRS 2 Share-based Payment

Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to FRS 7 Improving Disclosures about Financial Instruments

Amendments to FRS 138 Intangible Assets

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"

IC Interpretation 4 Determining Whether an Arrangement contains a Lease

IC Interpretation 12 Service Concession Arrangements

Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives

The adoption of the Amendments to FRS 7, which promotes enhanced disclosures on fair value measurement of financial instruments via the introduction of the concept of the fair value hierarchy, will only affect disclosures and will not have any financial impact on the results of the Group and the Bank. The adoption of the other FRSs, Amendments to FRSs, IC Interpretations and Technical Release above generally did not have any material impact on the financial results of the Group and the Bank, as they mainly deal with accounting policies affecting transactions which do not form part of the Group and the Bank's normal business operations or transactions where the Group or the Bank only has minimal exposure.

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

The following FRS 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 2011:

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

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

FRS 124 Related Party Disclosures

IC Interpretation 15 Agreements for the Construction of Real Estate

### **Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 31 December 2010 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 half year ended 30 June 2011.

### **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 half year ended 30 June 2011.

### **Issuance and Repayment of Debt and Equity Securities**

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities during the half year ended 30 June 2011.

### **Dividend**

No dividend was paid during the half year ended 30 June 2011.

### **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.

### **Changes in the composition of the Group**

There were no changes in the composition of the Group in the half year ended 30 June 2011.

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

### **PERFORMANCE REVIEW**

The Bank's pre-tax profit for the half year ending 30 June 2011 of RM24.3m is a 55% increase from that of the same period in 2010.

Total revenues declined by 8% from last year reflecting mixed results from different business units. The Global Banking and Markets ("GBM") had a healthy start of the year with several major transactions concluded in the area of debt capital markets and corporate risk hedging. Sales and trading activities have seen strong volumes especially in the first quarter of 2011, contributing to a growth of income from securities-held-for-trading and foreign exchange trading. Global Transaction Services ("GTS"), however, had a relatively slow start of the year. Given the exit of Retail and Commercial business across the region, GTS suffered from a reduced client franchise and margin squeeze due to intensified competition, resulting in a lower level of commission income and guarantee fees. The exit of Retail and Commercial business has also partially contributed to a reduction of net interest income.

Other operating expense continued to decline and has dropped 19% compared to the same period in 2010, driven by lower head office charges and the relevant expenses relating to Retail and Commercial subsequent to the wound down of the business. Impairment allowances were kept at a minimal level.

### **CURRENT YEAR PROSPECT**

The Bank is confident of a return to growth during 2011 and expects to generate increased revenues through its highly regarded GBM and GTS franchise. The Bank has been implementing a focused strategy since 2009, by exiting its Retail and Commercial business and aligning its teams to a focused set of clients and competitive products. The strategy has been beneficial as shown by a number of high profile transactions and awards won in 2010 and early 2011, in areas of debt capital markets, structured corporate finance and corporate risk solutions.

## 2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	30-Jun-11	31-Dec-10
	RM'000	RM'000
<b>At Amortised Cost</b>		
Cash and balances with banks and other financial institutions	455,681	295,257
Money at call and deposit placements maturing within one month	1,609,357	2,600,049
	<u>2,065,038</u>	<u>2,895,306</u>

## 3. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

Security purchased under resale agreements are as follows:-

	Group/Bank	
	30-Jun-11	31-Dec-10
	RM'000	RM'000
<b>At Fair Value</b>		
Reverse Repo	-	9,910

## 4. SECURITIES HELD-FOR-TRADING

	Group/Bank	
	30-Jun-11	31-Dec-10
	RM'000	RM'000
<b>At Fair Value</b>		
Money market instruments:		
Government Investment Issues	1,191	204,757
Malaysian Government Securities	20,083	123,178
Private debt securities outside Malaysia	-	9,946
BNM Bills	288,084	-
	<u>309,358</u>	<u>337,881</u>

## 5. SECURITIES AVAILABLE FOR SALE

	Group/Bank	
	30-Jun-11 RM'000	31-Dec-10 RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	363,960	378,240
Government Investment Issues	✓ 306,847	278,862
BNM Bills	✓ 114,085	112,468
Private debt securities outside Malaysia	-	15,054
Unquoted shares in Malaysia	✓ 1,719	1,719
Total securities available-for-sale	<u>786,611</u>	<u>786,343</u>

Included in securities available-for-sale of the Bank are Malaysian Government Securities that are utilised to meet the Statutory Reserve Requirement set by Bank Negara Malaysia amounting to RM90,000,000 (2010: RM25,000,000).

## 6. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	30-Jun-11 RM'000	31-Dec-10 RM'000
At amortised cost		
(i) By type		
Overdrafts	45,903	47,230
Term loans/financing		
Housing loans/financing	✓ 29,789	28,942
Other term loans/financing	178,848	182,226
Bills receivable	102,443	46,513
Claims on customers under acceptance credits	35,023	34,011
Staff loans	6,486	7,454
Revolving credit	39,700	37,300
	<u>438,192</u>	<u>383,676</u>
Less: Allowance for impaired loans and financing :		
- Collectively assessed allowance	(5,906)	(5,783)
- Individually assessed allowance	✓ (44,453)	(44,266)
Net loans, advances and financing	<u>387,833</u>	<u>333,627</u>

## 6. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Jun-11 RM'000	31-Dec-10 RM'000
<b>(ii) By type of customer</b>		
Domestic business enterprises		
Small medium enterprises	9,396	4,940
Others	391,581	338,985
Individuals	37,215	39,751
	<u>438,192</u>	<u>383,676</u>
<b>(iii) By interest rate sensitivity</b>		
Fixed rate		
Housing loans/financing	4,419	4,778
Other fixed rate loan/financing	2,786	3,450
Variable rate		
BLR plus	76,813	79,767
Cost plus	354,174	295,681
	<u>438,192</u>	<u>383,676</u>
<b>(iv) By residual contractual maturity</b>		
Maturity within one year	407,463	350,925
More than one year to three years	-	3,913
More than three years to five years	-	160
More than five years	30,729	28,678
	<u>438,192</u>	<u>383,676</u>
<b>(v) By geographical distribution</b>		
Malaysia		
Kuala Lumpur	435,901	380,323
Penang	2,146	3,189
Johor	104	115
Perak	41	49
	<u>438,192</u>	<u>383,676</u>

## 6. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Jun-11 RM'000	31-Dec-10 RM'000
<b>(vi) By Sector</b>		
Electricity, Gas & Water	175,134	173,961
Manufacturing	94,647	99,107
Construction	54,229	48,209
Purchase of landed properties (Residential)	33,948	36,082
Wholesale and retail	44,801	12,849
Finance, insurance and business services	26,048	4,849
Mining and quarrying	5,999	3,164
Consumption credit	1,947	2,512
Transport, storage and communication	-	1,601
Purchase of transport vehicles	1,439	1,342
	<u>438,192</u>	<u>383,676</u>

### (vii) Movements in impaired loans, advances and financing are as follows:

Balance as at 1 January	48,603	43,540
Impaired during the period / year	1,574	13,408
Reclassified as non-impaired	(1,344)	(8,087)
Amount written off	(9)	(258)
Balance as at 30 June / 31 December	<u>48,824</u>	<u>48,603</u>
Individually assessed allowance	(44,453)	(44,266)
Net impaired loans, advances and financing	<u>4,371</u>	<u>4,337</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>11.14%</u>	<u>12.67%</u>

### (viii) Impaired loans, advances and financing by sector

Purchase of landed properties (Residential)	2,642	2,423
Manufacturing	5,129	5,128
Construction	39,575	39,575
Wholesale and retail	1,478	1,477
	<u>48,824</u>	<u>48,603</u>



## 6. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group/Bank	
	30-Jun-11 RM'000	31-Dec-10 RM'000
<b>Collectively Assessed Allowance</b>		
Balance as at 1 January	5,783	5,783
Allowance made during the period / year	123	-
Balance as at 30 June / 31 December	<u>5,906</u>	<u>5,783</u>
As % of gross loans, advances and financing less collective assessment allowance	<u>1.50%</u>	<u>1.70%</u>
<b>Individually Assessed Allowance</b>		
Balance as at 1 January	44,266	42,334
Allowance made during the period / year	578	3,333
Amount written back	(382)	(1,143)
Amount written off	(9)	(258)
Balance as at 30 June / 31 December	<u>44,453</u>	<u>44,266</u>

## 7. OTHER ASSETS

	Group/Bank	
	30-Jun-11 RM'000	31-Dec-10 RM'000
Tax recoverable	29,127	30,042
Other debtors, deposits and prepayments	34,750	48,741
Unsettled securities	94,127	-
	<u>158,004</u>	<u>78,783</u>

## 8. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

**9. PROPERTY, PLANT AND EQUIPMENT**

<b>Group and Bank</b>	<b>Freehold Land and Building RM'000</b>	<b>Motor Vehicle RM'000</b>	<b>Office Equipments and Machinery RM'000</b>	<b>Furniture, Fixtures and Fittings RM'000</b>	<b>Computer Equipments RM'000</b>	<b>Total RM'000</b>
<b>At 30 June 2011</b>						
<b>Cost</b>						
At 1 January / 30 June 2011	388	616	6,212	21,619	16,042	44,877
<b>Accumulated Depreciation</b>						
At 1 January 2011	-	21	3,428	8,266	12,095	23,810
Depreciation charge for the period	-	62	425	1,259	895	2,641
At 30 June 2011	-	83	3,853	9,525	12,990	26,451
<b>Net Book Value</b>	388	533	2,359	12,094	3,052	18,426

9. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group and Bank	Freehold Land and Building RM'000	Motor Vehicle RM'000	Office Equipments and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipments RM'000	Total RM'000
<b>At 31 December 2010</b>						
<b>Cost</b>						
At 1 January 2010	388	563	6,767	28,647	15,787	52,152
Additions	-	616	46	14	493	1,169
Disposals	-	(563)	-	(2,127)	-	(2,690)
Write-off	-	-	(601)	(4,915)	(238)	(5,754)
At 31 December 2010	388	616	6,212	21,619	16,042	44,877
<b>Accumulated Depreciation</b>						
At 1 January 2010	-	498	2,737	7,273	10,426	20,934
Depreciation charge for the year	-	86	971	3,289	1,824	6,170
Disposals	-	(563)	-	(656)	-	(1,219)
Write-off	-	-	(280)	(1,640)	(155)	(2,075)
At 31 December 2010	-	21	3,428	8,266	12,095	23,810
<b>Net Book Value</b>	388	595	2,784	13,353	3,947	21,067

**10. INTANGIBLE ASSETS**

	<b>Group/Bank</b>	
	<b>30-Jun-11</b>	<b>31-Dec-10</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Computer Software:</u>		
<b>Cost</b>		
At 1 January	2,972	2,611
Additions	-	361
At 30 June / 31 December	<u>2,972</u>	<u>2,972</u>
<b>Accumulated Amortisation</b>		
At 1 January	2,513	1,770
Amortisation for the period/ year	134	743
At 30 June / 31 December	<u>2,647</u>	<u>2,513</u>
<b>Net Book Value</b>	<u>325</u>	<u>459</u>

## 11. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	30-Jun-11	31-Dec-10	30-Jun-11	31-Dec-10
	RM'000	RM'000	RM'000	RM'000
Demand deposits	965,398	1,171,781	965,418	1,171,801
Saving deposits	1,838	1,690	1,838	1,690
Fixed deposits	588,485	792,554	588,485	792,554
Negotiable instruments of deposit	18,249	-	18,249	-
	<u>1,573,970</u>	<u>1,966,025</u>	<u>1,573,990</u>	<u>1,966,045</u>

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

	Group/Bank	
	30-Jun-11	31-Dec-10
	RM'000	RM'000
Due within six months	579,814	709,229
Six months to one year	26,920	71,700
One year to three years	-	11,625
	<u>606,734</u>	<u>792,554</u>

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

	Group		Bank	
	30-Jun-11	31-Dec-10	30-Jun-11	31-Dec-10
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	15,415	92,996	15,415	92,996
Business enterprises	1,356,274	1,496,139	1,356,274	1,496,139
Individuals	52,067	89,136	52,067	89,136
Others	150,214	287,754	150,234	287,774
	<u>1,573,970</u>	<u>1,966,025</u>	<u>1,573,990</u>	<u>1,966,045</u>

**12. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	Group/Bank	
	30-Jun-11	31-Dec-10
	RM'000	RM'000
Licensed banks	45,000	23,000
Other financial institutions	1,026,483	1,511,985
	<u>1,071,483</u>	<u>1,534,985</u>

**13. OTHER LIABILITIES**

	Group/Bank	
	30-Jun-11	31-Dec-10
	RM'000	RM'000
Retirement benefits	22	22
Other liabilities	92,025	132,405
Internal settlement cost	123,845	110,494
Unsettled securities	84,900	-
	<u>300,792</u>	<u>242,921</u>

#### 14. SHARE CAPITAL

	Group/Bank	
	30-Jun-11 RM'000	31-Dec-10 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

#### 15. RESERVES

	Group		Bank	
	30-Jun-11 RM'000	31-Dec-10 RM'000	30-Jun-11 RM'000	31-Dec-10 RM'000
Non-distributable:				
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	152,463	152,463	152,463	152,463
Unrealised reserves	1,475	1,818	1,475	1,818
Distributable:				
Retained earnings	147,573	131,940	147,477	132,115
	<u>377,693</u>	<u>362,403</u>	<u>377,597</u>	<u>362,578</u>

## 16. INTEREST INCOME

	Group/Bank Half Year Ended	
	30-Jun-11 RM'000	30-Jun-10 RM'000
Loans, advances and financing	7,211	5,264
Money at call and deposit placements with financial institutions	11,464	28,852
Securities - Available-for-sale	14,594	11,389
Securities - Held-for-trading	5,250	2,609
	<u>38,519</u>	<u>48,114</u>
Amortisation of premium less accretion of discount	(2,427)	2,697
Total Interest Income	<u>36,092</u>	<u>50,811</u>
Of which:		
Interest income earned on impaired loans, advances and financing	<u>1,253</u>	<u>1,879</u>
	<u>1,253</u>	<u>1,879</u>

## 17. INTEREST EXPENSE

	Group/Bank Half Year Ended	
	30-Jun-11 RM'000	30-Jun-10 RM'000
Deposits and placements of banks and other financial institutions	17,082	17,899
Deposits from other customers	12,690	21,852
Others	5,178	4,857
	<u>34,950</u>	<u>44,608</u>



## 18. OTHER OPERATING INCOME

	Group/Bank	
	Half Year Ended	
	30-Jun-11	30-Jun-10
	RM'000	RM'000
Fee income:		
Commission	4,552	1,645
Service charges and fees	634	177
Guarantee fees	2,227	2,985
Other fee income	1,035	1,007
	<u>8,448</u>	<u>5,814</u>
Net gain arising from sale of securities:		
Securities held-for-trading	2,149	2,361
	<u>2,149</u>	<u>2,361</u>
Unrealised gain/ (loss) on revaluation of securities:		
Securities held-for-trading	(14)	832
	<u>(14)</u>	<u>832</u>
Gross dividend income from:		
Securities available-for-sale	48	93
	<u>48</u>	<u>93</u>
Other income:		
Foreign exchange gain/(loss)		
Unrealised	287,099	(85,527)
Realised	(270,464)	95,622
(Loss)/Gain on derivatives trading		
Unrealised	(88,161)	(75,141)
Realised	115,459	102,953
Others	-	330
	<u>43,933</u>	<u>38,237</u>
Total	<u>54,564</u>	<u>47,337</u>

## 19. OTHER OPERATING EXPENSES

	Group/Bank	
	Half Year Ended	
	30-Jun-11	30-Jun-10
	RM'000	RM'000
Personnel costs (Note a)	14,811	15,451
Establishment costs (Note b)	11,158	18,324
Marketing expenses (Note c)	514	577
Administration and general expenses (Note d)	4,642	4,115
	<u>31,125</u>	<u>38,467</u>
<b>(a) Personnel costs</b>		
Salaries, bonuses and allowances	12,483	12,536
Social security costs	35	60
EPF - defined contribution plan	1,415	1,705
Rental of accomodation	2	114
Other staff related expenses	876	1,036
	<u>14,811</u>	<u>15,451</u>
<b>(b) Establishment costs</b>		
Share of Group costs	4,386	8,353
Share of information technology costs	686	3,852
Depreciation of property, plant and equipment	2,641	3,088
Amortisation of intangible asset	134	386
Rental of premises	1,888	1,965
Others	1,423	680
	<u>11,158</u>	<u>18,324</u>
<b>(c) Marketing Expenses</b>		
Advertising	279	318
Others	235	259
	<u>514</u>	<u>577</u>
<b>(d) Administration and general expenses</b>		
Legal and professional fees	176	242
Communication	1,189	1,286
Transportation	370	430
Others	2,907	2,157
	<u>4,642</u>	<u>4,115</u>

**20. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES ANF FINANCING**

	<b>Group/Bank</b>	
	<b>Half Year Ended</b>	
	<b>30-Jun-11</b>	<b>30-Jun-10</b>
	<b>RM'000</b>	<b>RM'000</b>
Allowance for impaired loans, advances and financing:		
Individually assessed allowance		
- Made during the financial period	578	244
- Written back	(382)	(763)
Collectively assessed allowance		
- Made during the financial period	123	-
	<u>319</u>	<u>(519)</u>

**21. CAPITAL ADEQUACY**

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

	<b>Group</b>		<b>Group/Bank</b>	
	<b>30-Jun-11</b>	<b>31-Dec-10</b>	<b>30-Jun-11</b>	<b>31-Dec-10</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Tier-I capital</b>				
Paid-up share capital	203,000	203,000	203,000	203,000
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	152,463	152,463	152,463	152,463
Retained earnings	131,940	131,940	132,115	132,115
	<u>563,585</u>	<u>563,585</u>	<u>563,760</u>	<u>563,760</u>
Less :				
- Deferred tax assets	(25,688)	(25,688)	(25,688)	(25,688)
Total Tier-I capital	<u>537,897</u>	<u>537,897</u>	<u>538,072</u>	<u>538,072</u>

## 21. CAPITAL ADEQUACY (CONTD.)

	Group		Bank	
	30-Jun-11 RM'000	31-Dec-10 RM'000	30-Jun-11 RM'000	31-Dec-10 RM'000
<b>Tier-II Capital</b>				
Collectively assessed allowance	5,783	5,783	5,783	5,783
Subordinated debt capital	200,000	200,000	200,000	200,000
Total Tier-II capital	<u>205,783</u>	<u>205,783</u>	<u>205,783</u>	<u>205,783</u>
Total capital funds	743,680	743,680	743,855	743,855
Less: Investment in subsidiary companies	(20)	(20)	(20)	(20)
Capital base	<u>743,660</u>	<u>743,660</u>	<u>743,835</u>	<u>743,835</u>
<b>Capital Ratios</b>				
Core capital ratio	11.78%	11.18%	11.79%	11.18%
Risk-weighted capital ratio	<u>16.29%</u>	<u>15.45%</u>	<u>16.30%</u>	<u>15.46%</u>

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

	Group		Bank	
	30-Jun-11 RM'000	31-Dec-10 RM'000	30-Jun-11 RM'000	31-Dec-10 RM'000
Credit Risk	2,148,541	1,856,278	2,148,396	1,856,540
Market Risk	2,173,891	2,635,582	2,173,891	2,635,582
Operational Risk	242,086	320,302	242,086	320,302
Total risk-weighted assets	<u>4,564,518</u>	<u>4,812,162</u>	<u>4,564,373</u>	<u>4,812,424</u>

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). 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.

## 22 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:

	Principal amount RM'000	2011 Credit equivalent amount *	Risk- weighted amount RM'000	Principal amount RM'000	2010 Credit equivalent amount *	Risk- weighted amount RM'000
<u>Commitments and Contingent Liabilities</u>						
Direct credit substitutes	4,725	4,725	4,725	4,809	4,809	4,809
Transaction-related contingent items	632,037	316,019	249,765	596,832	298,416	258,480
Short-term self-liquidating trade-related contingencies	51,371	10,274	10,253	8,201	1,640	1,640
Irrevocable commitments to extend credit:						
- maturity less than one year	550,996	105,029	105,029	487,951	97,590	97,590
- maturity more than one year	382	191	143	451	226	169
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	14,051,604	348,117	156,362	12,505,852	373,882	91,348
- one year to less than five years	5,632,491	187,131	89,873	5,380,494	369,336	78,886
- five years and above	2,388,713	196,522	147,311	2,289,447	283,786	98,281
Interest rate related contracts:						
- less than one year	8,610,829	18,029	8,004	14,156,868	150,796	38,149
- one year to less than five years	20,969,112	518,952	245,937	28,672,741	979,551	200,931
- five years and above	7,798,729	586,904	321,329	10,059,538	1,194,486	367,677
Credit Derivative Contracts						
- less than one year	-	-	-	50,000	50	10
	<u>60,690,989</u>	<u>2,291,892</u>	<u>1,338,731</u>	<u>74,213,184</u>	<u>3,754,568</u>	<u>1,237,970</u>

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