

THE ROYAL BANK OF SCOTLAND BERHAD

(Company No. 301932 - A)

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

For Period Ended

30 June 2013

Domiciled in Malaysia
Registered office
Level 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 2013

	Note	Group		Bank	
		30-Jun 2013 RM'000	31-Dec 2012 RM'000	30-Jun 2013 RM'000	31-Dec 2012 RM'000
ASSETS					
Cash and short-term funds	2	1,873,940	2,230,388	1,873,940	2,230,388
Deposits and placements with other financial institutions		400	400,264	400	400,264
Securities held-for-trading	3	2,720	29,637	2,720	29,637
Securities available-for-sale	4	676,915	797,407	676,915	797,407
Loans, advances and financing	5	355,613	299,304	355,613	299,304
Derivatives financial assets		626,748	727,362	626,748	727,362
Statutory deposits with Bank Negara Malaysia	6	37,800	28,000	37,800	28,000
Other assets	7	142,122	34,049	142,122	34,049
Investments in subsidiary companies		-	-	20	20
Investment in associated company		3,411	5,752	2,700	4,718
Property, plant and equipment	8	8,549	10,340	8,549	10,340
Intangible assets	9	455	565	455	565
Deferred tax assets		23,095	22,591	23,095	22,591
TOTAL ASSETS		3,751,768	4,585,659	3,751,077	4,584,645
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	10	1,740,335	1,759,354	1,740,355	1,759,374
Deposits and placements from banks and other financial institutions	11	298,817	1,008,634	298,817	1,008,634
Derivatives financial liabilities		671,282	878,412	671,282	878,412
Other liabilities	12	275,722	149,367	275,722	149,367
Subordinated debt capital		208,198	207,940	208,198	207,940
TOTAL LIABILITIES		3,194,354	4,003,707	3,194,374	4,003,727

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2013 (CONT'D)

	Note	Group		Bank	
		30-Jun	31-Dec	30-Jun	31-Dec
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Share capital	13	203,000	203,000	203,000	203,000
Reserves	14	354,414	378,952	353,703	377,918
SHAREHOLDER'S FUNDS		<u>557,414</u>	<u>581,952</u>	<u>556,703</u>	<u>580,918</u>
TOTAL LIABILITIES					
AND SHAREHOLDER'S					
FUNDS		<u>3,751,768</u>	<u>4,585,659</u>	<u>3,751,077</u>	<u>4,584,645</u>
COMMITMENTS AND					
CONTINGENCIES	21	<u>43,998,544</u>	<u>39,946,813</u>	<u>43,998,544</u>	<u>39,946,813</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 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

	Note	Group		Bank	
		30-Jun 2013 RM'000	30-Jun 2012 RM'000	30-Jun 2013 RM'000	30-Jun 2012 RM'000
Operating revenue		<u>35,056</u>	<u>68,376</u>	<u>35,056</u>	<u>68,376</u>
Interest income	15	23,257	32,487	23,257	32,487
Interest expense	16	(15,204)	(25,136)	(15,204)	(25,136)
Net interest income		<u>8,053</u>	<u>7,351</u>	<u>8,053</u>	<u>7,351</u>
Other operating income	17	11,799	35,889	11,799	35,889
Other operating expenses	18	(44,458)	(45,803)	(44,458)	(45,803)
Write back for impairment on loans, advances and financing	19	620	77	620	77
Share of (loss)/profit of associated company		<u>(323)</u>	<u>1,707</u>	<u>-</u>	<u>-</u>
Loss before taxation		<u>(24,309)</u>	<u>(779)</u>	<u>(23,986)</u>	<u>(2,486)</u>
Taxation		<u>1,282</u>	<u>(18)</u>	<u>1,282</u>	<u>(18)</u>
Loss for the period attributable to equity holder of the Bank		<u>(23,027)</u>	<u>(797)</u>	<u>(22,704)</u>	<u>(2,504)</u>
Other comprehensive loss:					
Net loss on securities available-for-sale		<u>(1,511)</u>	<u>(476)</u>	<u>(1,511)</u>	<u>(476)</u>
Total comprehensive loss for for the period		<u>(24,538)</u>	<u>(1,273)</u>	<u>(24,215)</u>	<u>(2,980)</u>
Loss per share (sen)		<u>(11.34)</u>	<u>(0.39)</u>	<u>(11.18)</u>	<u>(1.23)</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 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

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 2012						
- as previously restated	203,000	76,182	162,068	1,308	162,577	605,135
- effects of MFRS adoption	-	-	-	-	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	-	-	-	212	-	212
Other comprehensive loss	-	-	-	(635)	-	(635)
At 31 December 2012	203,000	76,182	162,068	673	140,029	581,952
At 1 January 2013	203,000	76,182	162,068	673	140,029	581,952
Loss for the period	-	-	-	-	(23,027)	(23,027)
Net loss on securities available-for-sale	-	-	-	(2,015)	-	(2,015)
Deferred tax	-	-	-	504	-	504
Other comprehensive loss	-	-	-	(1,511)	-	(1,511)
At 30 June 2013	203,000	76,182	162,068	(838)	117,002	557,414

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 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

Bank	← 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 2012						
- as previously restated	203,000	76,182	162,068	1,308	160,931	603,489
- effects of MFRS adoption	-	-	-	-	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	-	-	-	212	-	212
Other comprehensive loss	-	-	-	(635)	-	(635)
At 31 December 2012	203,000	76,182	162,068	673	138,995	580,918
At 1 January 2013	203,000	76,182	162,068	673	138,995	580,918
Loss for the period	-	-	-	-	(22,704)	(22,704)
Net loss on securities available-for-sale	-	-	-	(2,015)	-	(2,015)
Deferred tax	-	-	-	504	-	504
Other comprehensive loss	-	-	-	(1,511)	-	(1,511)
At 30 June 2013	203,000	76,182	162,068	(838)	116,291	556,703

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 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

	Group		Bank	
	30-Jun	30-Jun	30-Jun	30-Jun
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash Flows from Operating Activities				
Loss before taxation	(24,309)	(779)	(23,986)	(2,486)
Adjustments for:				
Depreciation of property, plant and equipment	1,886	2,527	1,886	2,527
Amortisation of intangible assets	110	125	110	125
Intangible assets written off	-	215	-	215
Net write back for impairment on loans, advances and financing	(620)	(77)	(620)	(77)
Amortisation of premium less accretion of discount	3,023	2,281	3,023	2,281
Loss/(Gain) from sale of securities held-for-trading	212	(603)	212	(603)
Loss from sale of securities available-for-sale	40	-	40	-
Unrealised gain on revaluation of securities held-for-trading	(28)	(796)	(28)	(796)
Unrealised foreign exchange (gain)/loss	(34,674)	15,864	(34,674)	15,864
Unrealised loss on derivatives trading	29,432	66,447	29,432	66,447
Amortisation of cost and premium relating to subordinated debt capital	258	717	258	717
Share of loss/(profit) of associated company	323	(1,707)	-	-
Operating (loss)/profit before working capital changes	(24,347)	84,214	(24,347)	84,214

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STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

	Group		Bank	
	30-Jun 2013 RM'000	30-Jun 2012 RM'000	30-Jun 2013 RM'000	30-Jun 2012 RM'000
Operating (loss)/profit before working capital changes brought forward	(24,347)	84,214	(24,347)	84,214
(Increase)/Decrease in:				
Securities held-for-trading	26,733	(19,502)	26,733	(19,502)
Loans, advances and financing	(55,689)	9,063	(55,689)	9,063
Other assets and derivatives financial assets	2,890	83,180	2,890	83,180
Statutory deposits with				
Bank Negara Malaysia	(9,800)	8,100	(9,800)	8,100
Cash collateral pledged for derivative transactions	232,548	123,446	232,548	123,446
Increase/(Decrease) in:				
Deposits from customers	(19,019)	(103,879)	(19,019)	(103,879)
Deposits and placements from banks and other financial institutions	(709,817)	284,022	(709,817)	284,022
Other liabilities and derivative financial liabilities	(80,775)	(152,647)	(80,775)	(152,647)
Cash (used in)/generated from operations	(637,276)	315,997	(637,276)	315,997
Income taxes paid	(3,825)	(4,389)	(3,825)	(4,389)
Net cash (used in)/generated from operating activities	(641,101)	311,608	(641,101)	311,608

Cash Flows from Investing Activities

Purchase of property, plant and equipment	(95)	(2,749)	(95)	(2,749)
Purchase of intangible assets	-	(40)	-	(40)
Proceeds from capital repayment of				
Investment in associated company	2,018	3,785	2,018	3,785
Net sale of securities available-for-sale	115,414	-	115,414	-
Net cash generated from investing activities	117,337	996	117,337	996

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STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2013

	Group		Bank	
	30-Jun 2013 RM'000	30-Jun 2012 RM'000	30-Jun 2013 RM'000	30-Jun 2012 RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(523,764)	312,604	(523,764)	312,604
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,339,921</u>	<u>1,628,112</u>	<u>2,339,921</u>	<u>1,628,112</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,816,157</u>	<u>1,940,716</u>	<u>1,816,157</u>	<u>1,940,716</u>

Cash and cash equivalents comprise
the following:

Cash and short-term funds	1,873,940	1,590,838	1,873,940	1,590,838
Deposits and placements with other financial institutions	400	548,511	400	548,511
Cash collateral pledged	(58,183)	(198,633)	(58,183)	(198,633)
	<u>1,816,157</u>	<u>1,940,716</u>	<u>1,816,157</u>	<u>1,940,716</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 2012.

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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 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 2012. 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 2012.

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 2012, except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

- 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 by IASB in Jun 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)
- MFRS 3 Business Combination (IFRS 3 Business Combinations issued by IASB in Mar 2004)
- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine Government Loans (Amendments to MFRS 1)
- Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other

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 adoption of all the other MFRS and amendments to MFRSs generally did not have any financial impact on the results of the Group and the Bank.

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

On 28 November 2012, Bank Negara Malaysia (BNM) issued revised guidelines for its Capital Adequacy Framework (Capital Components and Basel II – Risk-weighted Assets) (“the Framework”), which became effective beginning 1 January 2013. The Framework outlines the general requirements on regulatory capital adequacy ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. These guidelines are largely in line with the package of measures finalised by the Basel Committee in December 2010, which include enhancing the definition of capital, raising minimum capital requirements and introducing capital buffers, as well as introducing liquidity standards and a leverage cap. Under the revised Framework, the minimum capital adequacy ratios are progressively increased from 1 January 2013 to 1 January 2019, and include a phased introduction of a new capital conservation buffer of 2.5%. Additional capital requirements, including a new counter-cyclical buffer ranging from 0% to 2.5% will be detailed out at a later stage.

On 28 June 2013, BNM issued policy document on Financial Reporting ("Policy Document") to replace the policy document on Financial Reporting for Banking Institutions. The Policy Document sets out minimum expectation for the application the MFRS and aims to ensure adequate disclosures in the financial statements of banking institutions. The Bank has adopted the Policy Document with effect from 30 June 2013. The adoption of the Policy Document only affect disclosures in the financial statements with no financial impact on the financial results of the Group and the Bank.

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 January 2014:

Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)

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)

Mandatory Effective Date of MFRS 9 and transition Disclosures (Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7)

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.

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

Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2012 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 2013.

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 2013.

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 2013.

Dividend

No dividend was paid during the 6 months ended 30 June 2013.

Material Events Subsequent to the Balance Sheet Date

During the period ended 30 Jun 2013, The Royal Bank of Scotland Group plc ("RBS Group") announced new strategy for the market business whereby RBS Group plan to exit all structured retail investor products and equity derivatives, as well as peripheral market-making activities which resulted a run-off organisation managed within Markets, where they will be divested through a combination of restructuring, asset sales and business sales where possible. These changes will create a simpler and sustainable business that focuses on the RBS Group core strengths and serving the RBS Group clients well.

Changes in the composition of the Group

There were no changes in the composition of the Group in the 6 months ended 30 June 2013.

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

PERFORMANCE REVIEW

The Bank's pre-tax loss for the 6 months ended 30 June 2013 is RM24m, as compared to pre-tax loss of RM2.5m of the same period in 2012.

For the first 6 months of 2013, interest income has decreased by RM9m mainly due to reduction in placements with other banks and lower interest earning from securities. Interest expense has also reduced by RM10m due to reduction in customer deposits and bank placements.

The Bank also reported a lower other operating income of RM11.8m in the 6 months ended 30 June 2013 as compared to RM35.9m for the corresponding period in 2012 mainly contributed by lower trading income. Trading income had reduced by RM22.8m in 2013 as compared to the same period in 2012 due to the RM72m loss from the derivatives trading offset by higher income from the trading of foreign exchange contracts of RM51m .

Other operating expense reduced by RM1.3m compared to the same period in 2012. Generally, lower cost of operation in 2013 as compared to 2012. Impairment allowances were kept at a minimal level.

The Bank continues to manage its balance sheet prudently. The level of lending has increased marginally. The level of cash and short-term fund has remained stable in order to support client-driven financial markets activities. Total capital ratio of the Bank is at 17.549% which is above the minimum regulatory requirement of 8%.

CURRENT YEAR PROSPECT

The Malaysian's economic is expected to grow at a steady pace of 5% - 6% in 2013, back by strong domestic demand, robust private investment and better global outlook. While domestic catalysts will continue to anchor growth, the cyclical upturn in exports should improve economic prospects.

2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	30-Jun-13	31-Dec-12
	RM'000	RM'000
At Amortised Cost		
Cash and balances with banks and other financial institutions	156,742	119,538
Money at call and deposit placements maturing within one month	1,717,198	2,110,850
	<u>1,873,940</u>	<u>2,230,388</u>

3. SECURITIES HELD-FOR-TRADING

	Group/Bank	
	30-Jun-13	31-Dec-12
	RM'000	RM'000
At Fair Value		
Money market instruments:		
Malaysian Government Securities	2,207	29,637
Bank Negara Malaysia Debt Securities	513	-
	<u>2,720</u>	<u>29,637</u>

4. SECURITIES AVAILABLE-FOR-SALE

	Group/Bank	
	30-Jun-13	31-Dec-12
	RM'000	RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	639,950	760,252
Government Investment Issues	35,246	35,436
At Cost		
Unquoted shares in Malaysia	1,719	1,719
	<u>676,915</u>	<u>797,407</u>

5. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	30-Jun-13	31-Dec-12
	RM'000	RM'000
At amortised cost		
(i) By type		
Overdrafts	13,655	8,367
Term loans/financing		
Housing loans/financing	20,706	22,627
Other term loans/financing	304	307
Factoring receivable	53,555	49,795
Bills receivable	50,216	46,518
Claims on customers under acceptance credits	28,336	42,953
Staff loans	4,364	4,208
Revolving credit	171,949	128,802
Trust receipt	881	816
Other loans	16,116	-
	<u>360,082</u>	<u>304,393</u>
Less: Allowance for impaired loans and financing :		
- Collective assessment allowance	(3,452)	(4,156)
- Individual assessment allowance	(1,017)	(933)
Net loans, advances and financing	<u>355,613</u>	<u>299,304</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Jun-13	31-Dec-12
	RM'000	RM'000
(ii) By type of customer		
Domestic business enterprises:		
Small medium enterprises	8,918	9,862
Others	322,093	256,718
Individuals	25,374	27,143
Foreign entity	1,375	6,664
Domestic banking institutions	2,322	4,006
	<u>360,082</u>	<u>304,393</u>
(iii) By interest rate sensitivity		
Fixed rate		
Housing loans/financing	2,505	2,325
Other fixed rate loan/financing	17,808	1,738
Variable rate		
BLR plus	35,712	32,263
Cost plus	304,057	268,067
	<u>360,082</u>	<u>304,393</u>
(iv) By residual contractual maturity		
Maturity within one year	334,759	282,804
More than one year to three years	487	168
More than three years to five years	963	972
More than five years	23,873	20,449
	<u>360,082</u>	<u>304,393</u>
(v) By geographical distribution		
Malaysia		
Kuala Lumpur	359,586	303,659
Penang	496	734
	<u>360,082</u>	<u>304,393</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Jun-13	31-Dec-12
	RM'000	RM'000
(vi) By Sector		
Manufacturing	191,222	205,348
Construction	4,039	4,929
Purchase of landed properties (Residential)	23,375	25,096
Wholesale and retail	88,947	28,434
Finance, insurance and business services	3,697	10,670
Mining and quarrying	28,957	27,692
Consumption credit	261	172
Transport, storage and communication	17,846	178
Purchase of transport vehicles	1,738	1,874
	<u>360,082</u>	<u>304,393</u>
(vii) Movements in impaired loans, advances and financing are as follows:		
At 1 January	8,458	48,453
Impaired during the period/year	1,000	7,608
Reclassified as non-impaired	(7,257)	(4,577)
Amount written off	-	(43,026)
At 30 June/31 December	<u>2,201</u>	<u>8,458</u>
Individual assessment allowance	(1,017)	(933)
Net impaired loans, advances and financing	<u>1,184</u>	<u>7,525</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.61%</u>	<u>2.78%</u>
(viii) Impaired loans ,advances and financing by sector		
Purchase of landed properties (Residential)	1,867	1,599
Manufacturing	-	6,518
Construction	-	7
Wholesale and retail	334	334
	<u>2,201</u>	<u>8,458</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group/Bank	
	30-Jun-13	31-Dec-12
	RM'000	RM'000
Collective Assessment Allowance		
At 1 January		
- as previously stated	4,156	5,783
- effects of MFRS adoption	-	(1,584)
At 1 January, as restated	4,156	4,199
Amount written back	(704)	(43)
At 30 June/31 December	3,452	4,156
Individual Assessment Allowance		
At 1 January	933	44,077
Allowance made during the period/year	306	348
Amount written back	(222)	(466)
Amount written off	-	(43,026)
At 30 June/31 December	1,017	933

6. 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.

7. OTHER ASSETS

	Group/Bank	
	30-Jun-13	31-Dec-12
	RM'000	RM'000
Tax recoverable	18,900	13,793
Other debtors, deposits and prepayments	22,492	20,256
Unsettled securities	100,730	-
	142,122	34,049

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 2013						
Cost						
At 1 January 2013	388	616	6,245	21,619	19,285	48,153
Additions	-	-	-	-	95	95
At 30 June 2013	388	616	6,245	21,619	19,380	48,248
Accumulated Depreciation						
At 1 January 2013	-	222	5,602	12,961	16,026	34,811
Depreciation charge for the period	-	62	316	929	579	1,886
At 30 June 2013	-	284	5,918	13,890	16,605	36,697
Accumulated Impairment Loss						
At 1 January 2013/At 30 June 2013	-	-	-	3,002	-	3,002
Net Book Value	388	332	327	4,727	2,775	8,549

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 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
Net Book Value	388	394	643	5,656	3,259	10,340

9. INTANGIBLE ASSETS

	Group/Bank	
	30-Jun-13	31-Dec-12
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	3,640	3,437
Additions	-	203
At 30 June/31 December	<u>3,640</u>	<u>3,640</u>
Accumulated Amortisation		
At 1 January	3,075	2,808
Amortisation for the period/year	<u>110</u>	<u>267</u>
At 30 June/31 December	<u>3,185</u>	<u>3,075</u>
Net Book Value	<u>455</u>	<u>565</u>

10. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	30-Jun-13 RM'000	31-Dec-12 RM'000	30-Jun-13 RM'000	31-Dec-12 RM'000
Demand deposits	1,304,523	1,264,594	1,304,543	1,264,614
Saving deposits	2,407	1,340	2,407	1,340
Fixed deposits	430,209	487,516	430,209	487,516
Negotiable instruments of deposits	3,196	5,904	3,196	5,904
	<u>1,740,335</u>	<u>1,759,354</u>	<u>1,740,355</u>	<u>1,759,374</u>

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

	Group/Bank	
	30-Jun-13 RM'000	31-Dec-12 RM'000
Due within six months	427,250	482,670
Six months to one year	345	1,924
One year to three years	5,810	8,826
	<u>433,405</u>	<u>493,420</u>

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

	Group		Bank	
	30-Jun-13 RM'000	31-Dec-12 RM'000	30-Jun-13 RM'000	31-Dec-12 RM'000
Government and statutory bodies	174,734	125,917	174,734	125,917
Business enterprises	1,287,034	1,380,001	1,287,034	1,380,001
Individuals	17,029	14,782	17,029	14,782
Others	261,538	238,654	261,558	238,674
	<u>1,740,335</u>	<u>1,759,354</u>	<u>1,740,355</u>	<u>1,759,374</u>

11. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	30-Jun-13	31-Dec-12
	RM'000	RM'000
Licensed banks	167,628	198,732
Other financial institutions	131,189	809,902
	<u>298,817</u>	<u>1,008,634</u>

12. OTHER LIABILITIES

	Group/Bank	
	30-Jun-13	31-Dec-12
	RM'000	RM'000
Other liabilities	52,192	48,543
Internal settlement cost	123,600	100,824
Unsettled securities	99,930	-
	<u>275,722</u>	<u>149,367</u>

13. SHARE CAPITAL

	Group/Bank	
	30-Jun-13	31-Dec-12
	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-13	31-Dec-12	30-Jun-13	31-Dec-12
	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	(838)	673	(838)	673
Distributable:				
Retained earnings	117,002	140,029	116,291	138,995
	<u>354,414</u>	<u>378,952</u>	<u>353,703</u>	<u>377,918</u>

15. INTEREST INCOME

	Group/Bank	
	2nd Quarter Ended	
	30-Jun-13	30-Jun-12
	RM'000	RM'000
Loans, advances and financing	6,924	7,271
Money at call and deposit placements with financial institutions	2,900	6,787
Securities - Available-for-sale	15,020	14,520
Securities - Held-for-trading	1,436	6,190
	<u>26,280</u>	<u>34,768</u>
Amortisation of premium less accretion of discount	(3,023)	(2,281)
Total Interest Income	<u>23,257</u>	<u>32,487</u>
Of which:		
Interest income earned on impaired loans, advances and financing	95	262

16. INTEREST EXPENSE

	Group/Bank	
	2nd Quarter Ended	
	30-Jun-13	30-Jun-12
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	2,928	9,346
Deposits from other customers	7,369	10,553
Subordinated debt capital	4,612	4,320
Others	295	917
	<u>15,204</u>	<u>25,136</u>

17. OTHER OPERATING INCOME

	Group/Bank	
	2nd Quarter Ended	
	30-Jun-13	30-Jun-12
	RM'000	RM'000
Fee income:		
Commission	588	629
Service charges and fees	741	671
Guarantee fees	1,824	2,723
Other fee income	926	1,096
	<u>4,079</u>	<u>5,119</u>
Net (loss)/ gain arising from sale of securities:		
Securities held-for-trading	(212)	603
Securities available for sale	(40)	-
	<u>(252)</u>	<u>603</u>
Unrealised gain on revaluation of securities:		
Securities held-for-trading	28	796
	<u>28</u>	<u>796</u>
Gross dividend income from:		
Securities available-for-sale	34	42
	<u>34</u>	<u>42</u>
Other income:		
Foreign exchange (loss)/gain		
Unrealised	34,674	(15,864)
Realised	(409)	(607)
(Loss)/Gain on derivatives trading		
Unrealised	(29,432)	(66,447)
Realised	3,077	112,247
	<u>7,910</u>	<u>29,329</u>
	<u>11,799</u>	<u>35,889</u>

18. OTHER OPERATING EXPENSES

	Group/Bank	
	2nd Quarter Ended	
	30-Jun-13	30-Jun-12
	RM'000	RM'000
Personnel costs (Note a)	10,130	11,616
Establishment costs (Note b)	28,234	29,498
Marketing expenses (Note c)	444	419
Administration and general expenses (Note d)	5,650	4,270
	<u>44,458</u>	<u>45,803</u>
(a) Personnel costs		
Salaries, bonuses and allowances	7,577	8,692
Social security costs	129	130
EPF - defined contribution plan	1,395	1,405
Rental of accomodation	104	-
Other staff related expenses	925	1,389
	<u>10,130</u>	<u>11,616</u>
(b) Establishment costs		
Share of Group costs - current year	16,443	18,062
- prior years	4,477	4,478
Depreciation of property, plant and equipment	1,886	2,527
Amortisation of intangible assets	110	125
Rental of premises	1,449	1,888
Others	3,869	2,418
	<u>28,234</u>	<u>29,498</u>
(c) Marketing Expenses		
Advertising	222	283
Others	222	136
	<u>444</u>	<u>419</u>
(d) Administration and general expenses		
Legal and professional fees	880	621
Communication	1,404	1,112
Transportation	725	775
Property maintenance	559	-
Others	2,082	1,762
	<u>5,650</u>	<u>4,270</u>

19. WRITE BACK FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group/Bank	
	2nd Quarter Ended	
	30-Jun-13	30-Jun-12
	RM'000	RM'000
Allowance/(Write back) for impaired loans, advances and financing:		
Individual assessment allowance:		
- Made in the financial period	306	169
- Written back in the financial period	(222)	(246)
Collective assesment allowance:		
- Written back in the financial period	(704)	-
	<u>(620)</u>	<u>(77)</u>

20. CAPITAL ADEQUACY

The components of Common Equity Tier-I ("CET I"), Tier I and Tier II capital are as follows:

	Group		Bank	
	30-Jun-13	31-Dec-12	30-Jun-13	31-Dec-12
	RM'000	RM'000	RM'000	RM'000
CET I/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	117,002	140,029	116,291	138,995
Unrealised reserve	(377)	-	(377)	-
	<u>557,875</u>	<u>581,279</u>	<u>557,164</u>	<u>580,245</u>
Less :				
- Deferred tax assets	(23,095)	(22,591)	(23,095)	(22,591)
Total CET I/Tier-I capital	<u>534,780</u>	<u>558,688</u>	<u>534,069</u>	<u>557,654</u>

20. CAPITAL ADEQUACY (CONTD.)

	Group		Bank	
	30-Jun-13 RM'000	31-Dec-12 RM'000	30-Jun-13 RM'000	31-Dec-12 RM'000
Tier-II Capital				
Collective assessment allowance	3,452	4,156	3,452	4,156
Subordinated debt capital	160,000	180,000	160,000	180,000
Total Tier-II capital	<u>163,452</u>	<u>184,156</u>	<u>163,452</u>	<u>184,156</u>
Total capital funds	698,232	742,844	697,521	741,810
Less: Investment in subsidiary companies	-	-	-	(20)
Capital base	<u>698,232</u>	<u>742,844</u>	<u>697,521</u>	<u>741,790</u>
Capital Ratios				
CET I capital ratio	13.463%	N/A	13.437%	N/A
Tier 1 capital ratio	13.463%	14.323%	13.437%	14.298%
Total capital ratio	<u>17.578%</u>	<u>19.044%</u>	<u>17.549%</u>	<u>19.019%</u>

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

	Group		Bank	
	30-Jun-13 RM'000	31-Dec-12 RM'000	30-Jun-13 RM'000	31-Dec-12 RM'000
Credit Risk	2,346,649	2,342,944	2,345,583	2,341,393
Market Risk	1,475,763	1,379,739	1,475,763	1,379,739
Operational Risk	149,750	177,923	153,264	179,026
Total risk-weighted assets	<u>3,972,162</u>	<u>3,900,606</u>	<u>3,974,610</u>	<u>3,900,158</u>

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 remain at 8% for total 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-2013			31-Dec-2012		
	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	66,680	66,680	66,680	60,000	60,000	60,000
Transaction-related contingent items	511,363	255,682	243,839	539,191	269,596	259,674
Short-term self-liquidating trade-related contingencies	3,352	670	670	20,614	4,123	3,246
Irrevocable commitments to extend credit:						
- maturity less than one year	589,226	117,845	112,787	763,469	152,694	132,174
- maturity more than one year	563	282	211	644	322	242
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	8,836,583	235,202	112,003	5,247,363	119,635	66,074
- one year to less than five years	577,526	45,781	18,574	709,519	70,827	38,638
- five years and above	32,096	3,430	1,715	441,414	50,503	47,038
Interest rate related contracts:						
- less than one year	6,159,248	41,958	19,200	6,682,579	64,956	27,116
- one year to less than five years	20,470,007	1,016,789	488,979	18,643,909	921,594	453,018
- five years and above	6,751,900	948,157	617,721	6,838,111	879,462	556,140
	43,998,544	2,732,476	1,682,379	39,946,813	2,593,712	1,643,360

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