

**THE ROYAL BANK OF SCOTLAND BERHAD (301932-A)**  
**(formerly known as ABN AMRO Bank Berhad)**  
**(Incorporated in Malaysia)**

**BALANCE SHEETS AS AT 30 JUNE 2008**

	Note	Group		Bank	
		30-Jun 2008 RM'000	31-Dec 2007 RM'000	30-Jun 2008 RM'000	31-Dec 2007 RM'000
<b>ASSETS</b>					
Cash and short-term funds	d)	4,989,013	7,598,903	4,989,013	7,598,903
Deposits and placements with banks and other financial institutions		2,530,007	10,368	2,530,007	10,368
Securities purchased under resale agreements	f) i	-	-	-	-
Securities - Held for trading	f) ii	498,503	808,528	498,503	808,528
Securities - Available for sale	f) iii	447,866	402,788	447,866	402,788
Loans, advances and financing	g) i	704,871	600,632	704,871	600,632
Other assets	r)	2,190,189	1,148,919	2,190,189	1,148,919
Deferred tax assets		36,241	34,508	36,241	34,508
Statutory deposits with Bank Negara Malaysia		119,900	200,663	119,900	200,663
Investments in subsidiary companies		-	-	20	20
Investments in an associated company		13,962	10,778	8,503	8,503
Property, plant and equipment	q)	33,683	34,008	33,683	34,008
Intangible asset	q)	1,285	958	1,285	958
<b>TOTAL ASSETS</b>		<b>11,565,520</b>	<b>10,851,053</b>	<b>11,560,081</b>	<b>10,848,798</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>					
Deposits from customers	c)	3,145,195	2,468,025	3,145,215	2,468,045
Deposits and placements of banks and other financial institutions	e)	5,061,107	6,381,547	5,061,107	6,381,547
Other liabilities	s)	2,600,373	1,341,111	2,600,373	1,341,111
Provision for taxation		30,349	5,522	30,349	5,522
Subordinated debt capital		200,000	200,000	200,000	200,000
<b>TOTAL LIABILITIES</b>		<b>11,037,024</b>	<b>10,396,205</b>	<b>11,037,044</b>	<b>10,396,225</b>

**THE ROYAL BANK OF SCOTLAND BERHAD (301932-A)**  
**(Incorporated in Malaysia)**

**BALANCE SHEETS AS AT 30 JUNE 2008 (CONTD.)**

		<b>Group</b>		<b>Bank</b>	
		<b>30-Jun 2008 RM'000</b>	<b>31-Dec 2007 RM'000</b>	<b>30-Jun 2008 RM'000</b>	<b>31-Dec 2007 RM'000</b>
Share capital	n)	203,000	203,000	203,000	203,000
Reserves		325,496	251,848	320,037	249,573
<b>SHAREHOLDERS' FUNDS</b>		<b>528,496</b>	<b>454,848</b>	<b>523,037</b>	<b>452,573</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>11,565,520</b>	<b>10,851,053</b>	<b>11,560,081</b>	<b>10,848,798</b>
		-	-	-	-
<b>COMMITMENTS AND CONTINGENCIES</b>	o)	<b>133,930,077</b>	<b>119,042,066</b>	<b>133,930,077</b>	<b>119,042,066</b>

**INCOME STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**

	Group		Bank	
	30-Jun 2008 RM'000	30-Jun 2007 RM'000	30-Jun 2008 RM'000	30-Jun 2007 RM'000
Interest income	i) 192,887	113,746	192,887	113,746
Interest expense	j) (165,023)	(77,422)	(165,023)	(77,422)
Other operating income	k) 149,671	25,788	149,671	25,788
Other operating expenses	l) (75,466)	(54,078)	(75,466)	(54,078)
Allowance for losses on loans and financing	m) 942	(10,875)	942	(10,875)
Provision for commitments and contingencies	-	-	-	-
Share of profit of an associate	3,185	-	-	-
Impairment Loss	-	-	-	-
Profit before taxation	106,196	(2,841)	103,011	(2,841)
Taxation	(27,611)	(1,693)	(27,611)	(1,693)
<b>Profit after taxation</b>	<b>78,585</b>	<b>(4,534)</b>	<b>75,400</b>	<b>(4,534)</b>

**THE ROYAL BANK OF SCOTLAND BERHAD (301932-A)**  
(formerly known as ABN AMRO Bank Berhad)  
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**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2008**

Group	← 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 2007	203,000	76,182	118,819	2,510	43,243	443,754
Profit for the year	-	-	-	-	12,109	12,109
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	(1,015)	-	(1,015)
Transfer of reserves	-	-	2,459	-	(2,459)	-
At 31 December 2007	203,000	76,182	121,278	1,495	52,893	454,848
At 1 January 2008	203,000	76,182	121,278	1,495	52,893	454,848
Profit for the year	-	-	-	-	78,585	78,585
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(4,937)	-	(4,937)
Transfer of reserves	-	-	-	-	-	-
At 30 June 2008	203,000	76,182	121,278	(3,442)	131,478	528,496

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

**THE ROYAL BANK OF SCOTLAND BERHAD (301932-A)**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2008 (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 2007	203,000	76,182	118,819	2,510	43,243	443,754
Profit for the year	-	-	-	-	9,834	9,834
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	(1,015)	-	(1,015)
Transfer of reserves	-	-	2,459	-	(2,459)	-
At 31 December 2007	203,000	76,182	121,278	1,495	50,618	452,573
At 1 January 2008	203,000	76,182	121,278	1,495	50,618	452,573
Profit for the year	-	-	-	-	75,400	75,400
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(4,936)	-	(4,936)
Transfer of reserves	-	-	-	-	-	-
At 30 June 2008	203,000	76,182	121,278	(3,441)	126,018	523,037

**THE ROYAL BANK OF SCOTLAND BERHAD (301932-A)**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	Group		Bank	
	30-Jun 2008 RM'000	30-Jun 2007 RM'000	30-Jun 2008 RM'000	30-Jun 2007 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	106,196	(2,841)	103,011	(2,841)
Adjustments for:				
Depreciation of property, plant and equipment	3,181	1,096	3,181	1,096
Amortisation of intangible asset				
Loss/ (Gain) on disposal of property, plant and equipment	-	(6)	-	(6)
Property, plant and equipment written-off				
Allowance for losses on loans and financing	(942)	10,875	(942)	10,875
Amortisation of premium less accretion of discount	(8,311)	(7,718)	(8,311)	(7,718)
Loss/(gain) from sale of securities held for trading	(38,643)	(5,228)	(38,643)	(5,228)
Unrealised (gain)/loss on revaluation of securities held-for-trading	622	402	622	402
Unrealised foreign exchange loss	(73,669)	27,430	(73,669)	27,430
Unrealised loss/(gain) on derivatives trading	148,544	(100,874)	148,544	(100,874)
(Writeback)/provision for diminution in value of shares	-	-	-	-
(Writeback)/provision for commitment and contingencies	-	-	-	-
Share of profit of an associate	(3,185)	-	-	-
	<u>27,597</u>	<u>(74,023)</u>	<u>30,782</u>	<u>(74,023)</u>
Operating profit/(loss) before working capital changes	133,793	(76,864)	133,793	(76,864)
Decrease/(Increase) in securities held-for-trading	219,598	75,359	219,598	75,359
Decrease/(Increase) in loans, advances and financing	930,718	(1,207,904)	930,718	(1,207,904)
Decrease/(Increase) in securities purchased under resale agreements	-	42,083	-	42,083
Increase in other assets	(884,055)	(807,258)	(884,055)	(807,258)
Decrease/(Increase) in statutory deposits with Bank Negara Malaysia	59,863	(127,312)	59,863	(127,312)
(Decrease)/Increase in deposits from customers	1,139,827	1,059,561	1,139,827	1,059,561
(Decrease)/Increase in deposits and placements of banks and other financial institutions	748,031	1,473,835	748,031	1,473,835
Increase in subordinated debt capital	0	200,000	0	200,000
Increase in other liabilities	1,590,880	468,255	1,590,880	468,255
Cash (used in)/generated from operations	<u>3,938,655</u>	<u>1,099,755</u>	<u>3,938,655</u>	<u>1,099,755</u>
Income taxes paid	(8,500)	(8,500)	(8,500)	(8,500)
Dividends paid	-	-	-	-
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<u>3,930,155</u>	<u>1,091,255</u>	<u>3,930,155</u>	<u>1,091,255</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				

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**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2008 (CONTD.)**

Purchase of property, plant and equipment	(3,921)	(1,233)	(3,921)	(1,233)
Purchase of intangible asset	(518)		(518)	
Proceeds from disposal of property, plant and equipment	-	-	-	-
Decrease/(Increase) in securities available-for-sale	332,745	237,568	332,745	237,568
Investment in an associated company	(8,503)		(8,503)	
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>319,803</b>	<b>236,335</b>	<b>319,803</b>	<b>236,335</b>

	<b>Group/Bank</b>		<b>Group/Bank</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,249,958</b>	<b>1,327,590</b>	<b>4,249,958</b>	<b>1,327,590</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>3,269,062</b>	<b>1,941,472</b>	<b>3,269,062</b>	<b>1,941,472</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>7,519,020</b>	<b>3,269,062</b>	<b>7,519,020</b>	<b>3,269,062</b>

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008

a) PERFORMANCE REVIEW

The financial performance for the second quarter was strong led mainly by a recovery in Derivative Trading Income. Loss positions during the first quarter have been largely reversed and the business has benefitted from a steepening yield curves for local interest rate positions, while foreign exchange trading remains strong as clients continue to hedge positions in volatile markets. The non-trading businesses continue to grow as we expand our client base, leading to higher net interest income compared to last year.

b) CURRENT YEAR PROSPECTS

Prospect remain bright for growth in our Van Gogh Preferred Banking and Business Banking, with increasing clients, revenues and balances this year. New products are being rolled out on a regular basis which cater to our client needs both in the Consumer and Corporate Banking segments. We are continuing to manage the positions in the derivatives book and have already seen some recovery of the losses through client transactions and squaring of positions. Tougher economic conditions look likely for the remainder of the year, but with the products being rolled out we believe will help our customers through these more difficult markets.

c) DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
<b>i) By type of deposit</b>				
Demand deposits	733,446	770,689	733,466	770,709
Saving deposits	5,809	5,637	5,809	5,637
Fixed deposits	2,285,940	1,661,699	2,285,940	1,661,699
Negotiable instruments of deposit	120,000	30,000	120,000	30,000
Repurchase agreements	-	-	-	-
	<b>3,145,195</b>	<b>2,468,025</b>	<b>3,145,215</b>	<b>2,468,045</b>

(ii) By type of customer

	Group		Bank	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 2008 RM'000	31 December 2007 RM'000
Government and Statutory bodies	4,286	6,807	4,286	6,807
Business enterprises	1,791,284	1,908,765	1,791,284	1,908,765
Individuals	492,420	290,137	492,420	290,137
Others	857,205	262,316	857,225	262,336
	<b>3,145,195</b>	<b>2,468,025</b>	<b>3,145,215</b>	<b>2,468,045</b>

d) CASH AND SHORT-TERM FUND

	Group/Bank	
	30 June 2008 RM'000	31 December 2007 RM'000
Cash and balances with banks and other Financial institutions	106,435	52,961
Money at call and deposit placements maturing within one month	4,882,578	7,545,942
	<b>4,989,013</b>	<b>7,598,903</b>

e) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	30 June 2008 RM'000	31 December 2007 RM'000
Licensed banks	0	37,664
Licensed finance companies	0	0
Licensed investment banks	0	0
Bank Negara Malaysia	13,691	185,344
Other financial institutions	5,047,416	6,158,539
	<u>5,061,107</u>	<u>6,381,547</u>

f) SECURITIES PORTFOLIO

i) SECURITIES PURCHASED UNDER RESALE AGREEMENTS

Securities purchased under resale agreements are as follows:

	Group/Bank	
	30 June 2008 RM'000	31 December 2007 RM'000
Reverse Repo	-	-

ii) SECURITIES - HELD FOR TRADING

	Group/Bank	
	30 June 2008 RM'000	31 December 2007 RM'000
<b>At Fair Value</b>		
Money market instruments:		
Malaysian Government securities	-	334,862
BNM Bills	498,503	-
Cagamas	-	-
Government Investment Issues (GII)	-	-
Khazanah Bonds	-	-
Private debt securities	-	473,666
<b>Total securities held-for-trading</b>	<u>498,503</u>	<u>808,528</u>



iii) SECURITIES - AVAILABLE FOR SALE

	Group/Bank	
	30 June 2008	31 December 2007
	RM'000	RM'000
<b>At Fair Value</b>		
Malaysian Government securities	90,404	91,056
Khazanah bonds	-	-
Danaharta bonds	-	-
Treasury Bills	-	-
BNM Bills	-	-
NID's Held	-	-
Bankers Acceptance	-	-
Prasarana bonds	-	-
Government Investment Issues	256,312	159,750
Private debt securities	99,431	150,263
Shares	1,719	3,615
	<u>447,866</u>	<u>404,684</u>
less: Provision for diminution in value of shares	0	(1,896)
<b>Total securities available-for-sale</b>	<b><u>447,866</u></b>	<b><u>402,788</u></b>

g) LOANS, ADVANCES AND FINANCING

	Group/Bank	
	30 June	31 December
	2008	2007
	RM'000	RM'000
<b>i) By type</b>		
Overdrafts	27,455	5,465
Term loans/financing	156,911	184,417
Housing loans/financing	43,663	46,429
Syndicated term loan/financing	-	-
Hire purchase receivables	-	-
Other term loans/financing	113,248	137,988
Bills receivable	73,913	48,793
Trust receipts	-	-
Claims on customers under acceptance credits	75,138	24,119
Staff loans	12,859	11,690
Loans/financing to banks and other financial institutions	-	-
Credit/charge cards	-	-
Revolving credit	377,248	347,691
Less: Unearned interest and income	(383)	(1,550)
Other loans/financing	-	-
Gross loans, advances and financing	<b>723,141</b>	<b>620,625</b>
Less: Allowance for bad and doubtful debts		
- general	(15,783)	(15,783)
- specific	(2,487)	(4,210)
<b>Total net loans, advances and financing</b>	<b>704,871</b>	<b>600,632</b>

ii) By type of customer

	Group/Bank	
	30 June	31 December
	2008	2007
	RM'000	RM'000
Domestic banking institutions	-	-
Domestic non-bank financial institutions		
Stockbroking companies	-	-
Domestic business enterprises		
Small medium enterprises	2,051	5,584
Others	656,172	547,724
Government and statutory bodies	-	-
Individuals	64,843	67,317
Foreign entities	75	-
	<b>723,141</b>	<b>620,625</b>

iii) By interest/profit rate sensitivity

Fixed rate		
Housing loans/financing	9,847	8,773
Other fixed rate loan/financing	7,512	8,017
Variable rate		
BLR plus	183,982	188,332
Cost plus	521,800	415,503
	<u>723,141</u>	<u>620,625</u>

Group/Bank	
30 June	31 December
2008	2007
RM'000	RM'000

iii) By sector

Mining and Quarrying	-	-
Agriculture, hunting, forestry & fishing	-	832
Electricity, Gas & Water	420	-
Manufacturing	188,117	97,288
Construction	56,714	54,302
Real estate	118,209	126,215
Purchase of landed properties (Residential)	46,648	49,984
Transport, storage and communication	84,455	85,124
Finance, insurance and business services	28,645	-
Purchase of securities	5,832	6,480
Purchase of transport vehicles	-	2
Wholesale and retail	178,593	189,547
Consumption credit	14,833	10,851
Others	675	-
	<u>723,141</u>	<u>620,625</u>

Group/Bank	
30 June	31 December
2008	2007
RM'000	RM'000

h) NON-PERFORMING LOANS/FINANCING (NLF/NPF)

i) Movements in non-performing loans, advances and financing

At beginning of year	5,362	17,879
Classified as non-performing during the year	802	115
Reclassified as performing during the year	-	-
Loans/financing converted to securities	-	-
Amount Recovered	-	(757)
Amount written off	(1,947)	(11,875)
Other adjustments	-	-
At end of year	<u>4,217</u>	<u>5,362</u>
Specific allowance	<u>(2,487)</u>	<u>(4,210)</u>
Net non-performing loans, advances and financing	<u>1,730</u>	<u>1,152</u>
Ratio of net NPLs and financing to net loans and financing	<u>0.24%</u>	<u>0.20%</u>

ii) Movements in allowance for bad and doubtful debts

	Group/Bank	
	30 June 2008 RM'000	31 December 2007 RM'000
<b>General allowance:</b>		
At beginning of year	15,783	15,783
Allowance made/ (written back) during the year	-	-
Amount transferred to specific allowance	-	-
At end of year	<u>15,783</u>	<u>15,783</u>
As % of gross loans, advances and financing less specific allowance	<u>2.19%</u>	<u>2.56%</u>
<b>Specific allowance:</b>		
At beginning of year	4,210	15,637
Allowance made during the year	420	2,359
Transferred from general allowance	-	-
Transferred from provision for commitments and contingencies	-	-
Transferred to accumulated impairment loss in value of securities	-	-
Amount recovered	(195)	(2,836)
Amount written off	(1,948)	(10,950)
Others (received from written off debtors)	-	-
At end of year	<u>2,487</u>	<u>4,210</u>

iii) NPL/NPF by sector

	Group/Bank	
	30 June 2008 RM'000	31 December 2007 RM'000
Agriculture, hunting, forestry & fishing	-	-
Mining and Quarrying	-	-
Manufacturing	-	-
Construction	-	-
Real estate	-	-
Purchase of landed properties (Residential)	4,148	5,292
Transport, storage and communication	-	-
Finance, insurance and business services	-	-
Purchase of securities	-	-
Purchase of transport vehicles	-	-
Wholesale and retail	69	70
Consumption credit	-	-
Others	-	-
	<u>4,217</u>	<u>5,362</u>

i) INTEREST INCOME

	Group/Bank	
	30 June	30 June
	2008	2007
	RM'000	RM'000
Loans, advances and financing	15,559	12,317
- Interest income other than recoveries from NPL	14,847	12,282
- Recoveries from NPL	712	35
Money at call and deposit placements with banks and other financial institutions	168,310	76,365
Securities - Available for sale	872	6,587
Securities - Held for trading	-	10,922
Others	-	-
	<u>184,741</u>	<u>106,191</u>
Amortisation of premium less accretion of discount	8,311	7,718
Interest suspended	(165)	(163)
<b>Total interest income</b>	<b><u>192,887</u></b>	<b><u>113,746</u></b>

j) INTEREST EXPENSE

	Group/Bank	
	30 June	30 June
	2008	2007
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	116,577	48,869
Deposits from other customers	48,446	28,553
Loans sold to Cagamas	-	-
Others	-	-
<b>Total interest expense</b>	<b><u>165,023</u></b>	<b><u>77,422</u></b>

k) OTHER OPERATING INCOME

	Group/Bank	
	30 June 2008 RM'000	30 June 2007 RM'000
Fee income:		
Commission	3,596	5,869
Service charges and fees	34,493	855
Guarantee fees	976	575
Other fee income	-	-
	<u>39,065</u>	<u>7,299</u>
Gain arising from sale of securities:		
Net gain from sale of securities held-for-trading	38,643	5,228
	<u>38,643</u>	<u>5,228</u>
Unrealised(loss)/gain on revaluation of securities held-for-trading	(622)	(402)
	<u>(622)</u>	<u>(402)</u>
Gross dividend income from:		
Securities available-for-sale	9	30
	<u>9</u>	<u>30</u>
Other income:		
Foreign exchange profit	39,894	16,696
Unrealised	73,669	(27,430)
Realised	(33,775)	44,126
Gain on disposal of property, plant and equipment	-	-
(Loss)/gain on derivatives trading	31,480	(3,063)
Unrealised	(148,544)	100,874
Realised	180,024	(103,937)
Premium earned from currency option trading	-	-
Writeback of restructuring costs	-	-
Writeback of provision in diminution in value of shares	-	-
Others	1,202	-
	<u>72,576</u>	<u>13,633</u>
<b>Total</b>	<b><u>149,671</u></b>	<b><u>25,788</u></b>

l) OTHER OPERATING EXPENSES

	Group/Bank	
	30 June 2008 RM'000	30 June 2007 RM'000
Personnel costs (Note a)	33,276	19,545
Establishment costs (Note b)	7,411	4,319
Marketing expenses (Note c)	2,005	2,262
Administration and general expenses (Note d)	32,774	27,952
	<u>75,466</u>	<u>54,078</u>

OTHER OPERATING EXPENSES (CONTD.)

Group/Bank	
30 June	30 June
2008	2007
RM'000	RM'000

a) Personnel costs

Salaries, bonuses and allowances	26,709	11,540
Social security costs	901	518
Pension costs-defined contribution plan	3,499	1,575
Other staff related expenses	2,167	5,912
	<u>33,276</u>	<u>19,545</u>

Group/Bank	
30 June	30 June
2008	2007
RM'000	RM'000

b) Establishment costs

Premises rental	1,699	1,569
Depreciation of property, plant and equipment	3,171	1,102
Repairs and maintenance	264	122
Others	2,277	1,526
	<u>7,411</u>	<u>4,319</u>

Group/Bank	
30 June	30 June
2008	2007
RM'000	RM'000

c) Marketing Expenses

Advertising	1,596	2,005
Others	409	257
	<u>2,005</u>	<u>2,262</u>

Group/Bank	
30 June	30 June
2008	2007
RM'000	RM'000

d) Administration and general expenses

Management fees	27,263	23,382
Communication and transportation	1,472	1,500
Others	4,039	3,070
	<u>32,774</u>	<u>27,952</u>

m) ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

Group/Bank	
30 June	30 June
2008	2007
RM'000	RM'000

Provision for bad and doubtful debts and financing:

Specific provision		
- Made in the financial year	1,223	2,167
- Written back	(2,165)	(402)

General allowance

- Made in the financial year	0	9,110
- Written back in the financial year	0	0

	<u>(942)</u>	<u>10,875</u>
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n) CAPITAL ADEQUACY

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

	Bank	
	30 June 2008 RM'000	31 December 2007 RM'000
<b>Tier-I capital</b>		
Paid-up share capital	203,000	203,000
Share premium	76,182	76,182
Statutory reserves	121,278	121,278
Retained earnings	50,618	50,618
Current unaudited unadjusted profit/(loss)	-	0
	<u>451,078</u>	<u>451,078</u>
Less : Deferred tax assets	(34,508)	(34,508)
Total Tier-I capital	<u>416,570</u>	<u>416,570</u>
<b>Tier-II Capital</b>		
General provision for bad and doubtful debts and financing	15,783	15,783
Subordinated Debt Capital	200,000	200,000
	<u>215,783</u>	<u>215,783</u>
Total Tier-II capital	<u>215,783</u>	<u>215,783</u>
Total capital funds	632,353	632,353
Less: Investment in subsidiary companies	(20)	(20)
<b>Capital base</b>	<u><b>632,333</b></u>	<u><b>632,333</b></u>
<b>Capital Ratios</b>		
Core capital ratio	7.14%	9.55%
Risk-weighted capital ratio	10.83%	14.50%

The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	2008 RM'000	2007 RM'000
0%	-	-
10%	13	-
20%	1,693,748	798,131
50%	536,647	413,822
100%	927,140	731,587
Total	<u>3,157,548</u>	<u>1,943,540</u>
<b>Total Risk Weighted Assets</b>		
Credit Risk	3,157,548	1,943,540
Market Risk	2,679,954	2,416,452
	<u>5,837,502</u>	<u>4,359,992</u>



o) COMMITMENTS AND CONTINGENCIES

Risk Weighted Exposures of the Group and the Bank as at:

	30 June 2008			31 Dec 2007		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000
Direct credit substitutes	45,969	45,969	45,969	44,983	44,983	44,983
Transaction-related contingent items	336,298	168,149	139,353	279,821	139,910	109,825
Short-term self-liquidating trade-related contingencies	28,687	5,737	4,992	10,104	2,021	1,990
Other assets sold with recourse and commitments with certain drawdown	9,302	9,302	9,302	17,868	17,868	17,868
Irrevocable commitments to extend credit:						
- maturity less than one year	257,896	-	-	132,587	-	-
- maturity more than one year	5,588	2,794	1,397	6,091	3,046	1,523
Foreign exchange related contracts:						
- Forward contracts contracts - less than one year	32,856,492	902,641	180,766	26,653,902	600,217	115,310
- Forward contracts contracts - more than one year to less than five years	6,589,869	508,490	115,778	5,517,986	426,703	91,696
- Forward contracts contracts - more than five years	3,473,435	386,880	135,574	2,922,160	316,647	100,972
- Interest rate related contracts and futures contracts - less than one year	41,105,636	223,320	45,600	34,627,551	177,000	37,853
- Interest rate related contracts and futures contracts - more than one year less to than five years	33,976,529	1,456,621	325,591	34,465,736	1,093,518	242,902
- Interest rate related contracts more than five years	15,244,376	1,730,363	524,452	14,363,277	1,515,562	457,903
	<b>133,930,077</b>	<b>5,440,266</b>	<b>1,528,774</b>	<b>119,042,066</b>	<b>4,337,474</b>	<b>1,222,825</b>

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

## p) INTEREST RATE RISK

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 30 JUNE 2008.

	Non-Trading Book							SPI-related items	Trading book	Total
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest sensitive	Provisions			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Assets</b>										
Cash and short-term funds	4,989,013	-	-	-	-	-	-	-	4,989,013	
Deposits and placements with banks and other financial institutions	-	27,108	2,502,899	-	-	-	-	-	2,530,007	
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-	
Securities - Held For Trading	-	-	-	-	-	-	-	498,503	498,503	
Securities - Available For Sale	-	-	150,102	294,916	2,848	-	-	-	447,866	
Loans, advances and financing	275,954	142,779	242,112	19,016	43,663	-	(18,653)	-	704,871	
Other assets	-	-	-	-	-	2,190,189	-	-	2,190,189	
Deferred tax assets	-	-	-	-	-	36,241	-	-	36,241	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	119,900	-	-	119,900	
Investments in subsidiary companies	-	-	-	-	-	20	-	-	20	
Investments in an associated company	-	-	-	-	-	8,503	-	-	8,503	
Property, plant and equipment	-	-	-	-	-	33,683	-	-	33,683	
Intangible asset	-	-	-	-	-	1,285	-	-	1,285	
<b>Total Assets</b>	<b>5,264,967</b>	<b>169,887</b>	<b>2,895,113</b>	<b>313,932</b>	<b>46,511</b>	<b>2,389,821</b>	<b>(18,653)</b>	<b>-</b>	<b>11,560,081</b>	
<b>Liabilities</b>										
Deposits from customers	2,629,366	248,099	188,348	79,402	-	-	-	-	3,145,215	
Deposits and placements of banks and other financial institutions	3,509,781	1,369,377	74,610	107,339	-	-	-	-	5,061,107	
Subordinated debt capital	-	-	-	-	-	200,000	-	-	200,000	
Other liabilities	-	-	-	-	-	2,600,373	-	-	2,600,373	
Provision for taxation	-	-	-	-	-	30,349	-	-	30,349	
<b>Total Liabilities</b>	<b>6,139,147</b>	<b>1,617,476</b>	<b>262,958</b>	<b>186,741</b>	<b>-</b>	<b>2,830,722</b>	<b>-</b>	<b>-</b>	<b>11,037,044</b>	
On balance sheet interest rate gap	(874,180)	(1,447,589)	2,632,155	127,191	46,511	(440,901)	(18,653)	-	523,037	
Off balance sheet interest rate gap	-	-	-	-	-	-	-	(113,000)	-	
<b>Net interest rate gap</b>	<b>(874,180)</b>	<b>(1,447,589)</b>	<b>2,632,155</b>	<b>127,191</b>	<b>46,511</b>	<b>(440,901)</b>	<b>(18,653)</b>	<b>-</b>	<b>523,037</b>	

**p. INTEREST RATE RISK**

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

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

Group/Bank	
30 June	31 Dec
2008	2007
RM'000	RM'000

**r) OTHER ASSETS**

Other debtors, deposits and prepayments	191,547	133,072
Revaluation on derivatives and foreign exchange contracts	1,998,642	1,015,847
	<u>2,190,189</u>	<u>1,148,919</u>

**s) OTHER LIABILITIES**

Retirement benefits	22	22
Short Selling Securities	138,853	0
Other liabilities	336,358	274,267
Revaluation on derivatives and foreign exchange contracts	2,125,140	1,066,822
	<u>2,600,373</u>	<u>1,341,111</u>

