

Company No. 301932-A

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

**UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS OF 31 MARCH 2010**

	Note	Group		Bank	
		31-Mar 2010 RM'000	31-Dec 2009 RM'000	31-Mar 2010 RM'000	31-Dec 2009 RM'000
ASSETS					
Cash and short-term funds	2	3,943,660	3,164,663	3,943,660	3,164,663
Deposits and placements with other financial institutions		1,141	1,028,674	1,141	1,028,674
Securities held-for-trading	3	17,540	10,152	17,540	10,152
Securities available-for-sale	4	915,929	917,000	915,929	917,000
Loans, advances and financing	5	283,308	299,435	283,308	299,435
Derivatives financial assets		1,335,297	1,072,279	1,335,297	1,072,279
Other assets	6	56,355	70,313	56,355	70,313
Statutory deposits with Bank Negara Malaysia	7	-	-	-	-
Investments in subsidiary companies			-	20	20
Investment in associated company		12,797	10,622	8,503	8,503
Property, plant and equipment	8	29,708	31,218	29,708	31,218
Intangible asset	9	644	841	644	841
Deferred tax assets		21,775	22,392	21,775	22,392
TOTAL ASSETS		6,618,154	6,627,589	6,613,880	6,625,490
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	10	2,259,291	3,105,751	2,259,311	3,105,771
Deposits and placements of banks and other financial institutions	11	1,955,945	1,442,558	1,955,945	1,442,558
Derivatives financial liabilities		1,303,777	987,693	1,303,777	987,693
Other liabilities	12	300,170	312,224	300,170	312,224
Provision for taxation		595	-	595	-
Subordinated debt capital		200,000	200,000	200,000	200,000
TOTAL LIABILITIES		6,019,778	6,048,226	6,019,798	6,048,246

**THE ROYAL BANK OF SCOTLAND BERHAD
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**UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS OF 31 MARCH 2010 (CONTD.)**

	Note	Group		Bank	
		31-Mar	31-Dec	31-Mar	31-Dec
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Share capital	13	203,000	203,000	203,000	203,000
Reserves	14	395,376	376,363	391,082	374,244
SHAREHOLDER'S FUNDS		<u>598,376</u>	<u>579,363</u>	<u>594,082</u>	<u>577,244</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>6,618,154</u>	<u>6,627,589</u>	<u>6,613,880</u>	<u>6,625,490</u>
COMMITMENTS AND CONTINGENCIES	22	<u>81,075,221</u>	<u>86,338,032</u>	<u>81,075,221</u>	<u>86,338,032</u>

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

Company No. 301932-A

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED INCOME STATEMENTS
FOR THE 1ST QUARTER ENDED 31 MARCH 2010

	Note	Group		Bank	
		31-Mar	31-Mar	31-Mar	31-Mar
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Revenue		68,631	70,669	68,631	70,669
Interest income	15	27,412	31,296	27,412	31,296
Interest expense	16	(24,482)	(23,034)	(24,482)	(23,034)
Other operating income	17	41,219	39,373	41,219	39,373
Other operating expenses	18	(21,012)	(22,184)	(21,012)	(22,184)
Allowance for impairment on loans, advances and financing	19	438	(102)	438	(102)
Share of profit of associate		2,175	110	-	-
Profit before taxation		25,750	25,459	23,575	25,349
Taxation		(6,066)	(6,365)	(6,066)	(6,365)
Profit for the year attributable to equity holder of the Bank		19,684	19,094	17,509	18,984
Earnings per share (sen)		9.70	9.41	8.63	9.35

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 1ST QUARTER ENDED 31 MARCH 2010

	Note	Group		Bank	
		31-Mar	31-Mar	31-Mar	31-Mar
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
Profit for the period		19,684	19,094	17,509	18,984
Other comprehensive income:					
Unrealised net gain/(loss) on revaluation securities available for sale		(671)	695	(671)	695
Total comprehensive income for for the period		19,013	19,789	16,838	19,679

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE 1ST QUARTER ENDED 31 MARCH 2010**

Group	Share capital RM'000	Non-distributable			Distributable		Total RM'000
		Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Retained earnings RM'000		
At 1 January 2009	203,000	76,182	150,739	2,524	143,637	576,082	
Profit for the year	-	-	-	-	4,378	4,378	
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(1,461)	-	(1,461)	
Deferred tax	-	-	1,724	364	(1,724)	364	
Transfer of reserves	-	-	152,463	1,427	146,291	579,363	
At 31 December 2009	203,000	76,182	152,463	1,427	146,291	579,363	
At 1 January 2010	203,000	76,182	152,463	1,427	146,291	579,363	
Profit for the year	-	-	-	-	19,684	19,684	
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	(671)	-	(671)	
Deferred tax	-	-	-	-	-	-	
Transfer of reserves	-	-	152,463	756	165,975	598,376	
At 31 March 2010	203,000	76,182	152,463	756	165,975	598,376	

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE 1ST QUARTER ENDED 31 MARCH 2010 (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 2009	203,000	76,182	150,739	2,524	138,999		571,444
Profit for the year	-	-	-	-	6,897		6,897
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(1,461)	-		(1,461)
Deferred tax	-	-	1,724	364	(1,724)		364
Transfer of reserves	-	-	152,463	1,427	144,172		577,244
At 31 December 2009	203,000	76,182	152,463	1,427	144,172		577,244
At 1 January 2010	203,000	76,182	152,463	1,427	144,172		577,244
Profit for the year	-	-	-	-	17,509		17,509
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	(671)	-		(671)
Deferred tax	-	-	-	-	-		-
Transfer of reserves	-	-	152,463	756	161,681		594,082
At 31 March 2010	203,000	76,182	152,463	756	161,681		594,082

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

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THE ROYAL BANK OF SCOTLAND BERHAD
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CASH FLOW STATEMENTS
FOR THE 1ST QUARTER ENDED 31 MARCH 2010

	Group		Bank	
	31-Mar 2010 RM'000	31-Mar 2009 RM'000	31-Mar 2010 RM'000	31-Mar 2009 RM'000
Cash Flows from Operating Activities				
Profit before taxation	25,750	25,459	23,575	25,349
Adjustments for:				
Depreciation of property, plant and equipment	1,544	1,416	1,544	1,416
Amortisation of intangible asset	197	216	197	216
Property, plant and equipment written-off	-	-	-	-
Allowance for losses on loans and financing	(438)	102	(438)	102
Amortisation of premium less accretion of discount	(895)	(49)	(895)	(49)
(Gain)/loss from sale of securities held-for-trading	(1,360)	(7,615)	(1,360)	(7,615)
Unrealised gain on revaluation of securities held-for-trading	58	1,930	58	1,930
Unrealised foreign exchange (gain)/loss	(29,512)	31,229	(29,512)	31,229
Unrealised loss on derivatives trading	75,242	(15,296)	75,242	(15,296)
Write back of provision for diminution for value in shares	-	-	-	-
Share of profit of associate	(2,175)	(110)	-	-
Operating profit before working capital changes	68,411	37,282	68,411	37,282

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**THE ROYAL BANK OF SCOTLAND BERHAD
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**CASH FLOW STATEMENTS
FOR THE 1ST QUARTER ENDED 31 MARCH 2010 (CONTD.)**

	Group		Bank	
	31-Mar 2010 RM'000	31-Mar 2009 RM'000	31-Mar 2010 RM'000	31-Mar 2009 RM'000
(Increase)/Decrease in:				
Securities purchased under resale	247,302	-	247,302	-
Securities held-for-trading	992,104	(650,221)	992,104	(650,221)
Loans, advances and financing	229,275	163,970	229,275	163,970
Other assets	544,606	(121,293)	544,606	(121,293)
Statutory deposits with Bank Negara Malaysia	6,900	243,100	6,900	243,100
Increase/(Decrease) in:				
Deposits from customers	(369,382)	69,740	(369,382)	69,740
Deposits and placements of banks and other financial institutions	1,396,289	(7,630,967)	1,396,289	(7,630,967)
Other liabilities	(764,070)	37,517	(764,070)	37,517
Cash (used in)/generated from operations	2,351,435	(7,850,872)	2,351,435	(7,850,872)
Income taxes paid	(9,616)	(5,000)	(9,616)	(5,000)
Net cash (used in)/generated from operating activities	2,341,819	(7,855,872)	2,341,819	(7,855,872)

Cash Flows from Investing Activities

Purchase of property, plant and equipment	(34)	(2,176)	(34)	(2,176)
Purchase of intangible asset	-	(101)	-	(101)
(Purchase) / Proceeds from redemption of securities available-for-sale	(458,988)	(76,458)	(458,988)	(76,458)
Investment in associated company	-	-	-	-
Net cash (used in)/generated from investing activities	(459,022)	(78,735)	(459,022)	(78,735)

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CASH FLOW STATEMENTS
FOR THE 1ST QUARTER ENDED 31 MARCH 2010 (CONTD.)

	Group		Bank	
	31-Mar 2010 RM'000	31-Mar 2009 RM'000	31-Mar 2010 RM'000	31-Mar 2009 RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	1,882,797	(7,934,607)	1,882,797	(7,934,607)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,062,004</u>	<u>9,996,611</u>	<u>2,062,004</u>	<u>9,996,611</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>3,944,801</u>	<u>2,062,004</u>	<u>3,944,801</u>	<u>2,062,004</u>

Cash and cash equivalents comprise
the following:

Cash and short-term funds	3,943,660	1,410,606	3,943,660	1,410,606
Deposits and placements with banks and other financial institutions	1,141	651,398	1,141	651,398
	<u>3,944,801</u>	<u>2,062,004</u>	<u>3,944,801</u>	<u>2,062,004</u>

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

A. NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Financial Statements

The 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.

2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	2010	2009
	RM'000	RM'000
Cash and balances with banks and other financial institutions	53,623	103,124
Money at call and deposit placements maturing within one month	3,890,037	3,061,539
	3,943,660	3,164,663

3. SECURITIES - HELD FOR TRADING

	Group/Bank	
	2010	2009
	RM'000	RM'000
At Fair Value		
Money market instruments:		
Malaysian Government Securities	12,978	10,152
BNM Bills	2,777	-
Treasury Bills	1,785	-
Government Investment Issues	-	-
Private debt securities	-	-
Total securities held-for-trading	17,540	10,152

4. SECURITIES - AVAILABLE FOR SALE

	Group/Bank	
	2010	2009
	RM'000	RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	641,768	642,725
Government Investment Issues	207,134	207,084
Private debt securities	65,308	65,472
Shares	1,719	1,719
Total securities available-for-sale	<u>915,929</u>	<u>917,000</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 RM25,000,000 (2009: RM50,000,000).

5. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	2010	2009
	RM'000	RM'000
At amortised cost		
(i) By type		
Overdrafts	59,569	64,450
Term loans/financing		
Housing loans/financing	33,024	34,244
Other term loans/financing	49,188	63,614
Bills receivable	44,749	48,827
Claims on customers under acceptance credits	84,289	85,981
Staff loans	9,916	11,091
Revolving credit	52,192	40,500
Less: Unearned interest and income	-	(1,155)
Gross loans, advances and financing	<u>332,927</u>	<u>347,552</u>
Less: Allowance for impaired loans and financing :		
- Collective assessment allowance	(5,783)	-
- Individual assessment allowance	(43,836)	-
- General allowance	-	(5,783)
- Specific allowance	-	(42,334)
Total net loans, advances and financing	<u>283,308</u>	<u>299,435</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	2010	2009
	RM'000	RM'000
(ii) By type of customer		
Domestic business enterprises		
Small medium enterprises	23,249	26,834
Others	262,830	269,907
Domestic Non-bank Financial institutions	-	-
Individuals	46,848	50,811
Other domestic entities	-	-
Foreign entities	-	-
	<u>332,927</u>	<u>347,552</u>
	-	-
(iii) By interest/profit rate sensitivity		
Fixed rate		
Housing loans/financing	7,584	8,506
Other fixed rate loan/financing	4,732	5,285
Variable rate		
BLR plus	94,611	100,528
Cost plus	226,000	233,233
	<u>332,927</u>	<u>347,552</u>
	-	-
(iv) By residual contractual maturity		
Maturity within one year	294,769	309,119
More than one year to three years	2,334	4,739
More than three years to five years	1,460	479
More than five years	34,364	33,215
	<u>332,927</u>	<u>347,552</u>
	-	-
(v) By geographical distribution		
Malaysia		
Penang	3,159	3,530
Kuala Lumpur	324,003	341,715
Johor	5,765	2,307
	<u>332,927</u>	<u>347,552</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	2010	2009
	RM'000	RM'000
(vi) By Sector		
Agriculture, hunting, forestry & fishing	2,444	1,178
Mining and Quarrying	15,266	10,483
Electricity, Gas & Water	2,700	650
Manufacturing	118,971	112,172
Construction	50,783	51,736
Real estate	39,253	67,126
Purchase of landed properties (Residential)	41,930	45,204
Transport, storage and communication	671	795
Finance, insurance and business services	21,452	16,522
Purchase of securities	-	-
Purchase of transport vehicles	1,875	2,416
Wholesale and retail	34,539	36,079
Consumption credit	3,043	3,191
	<u>332,927</u>	<u>347,552</u>
(vii) Movements in impaired loans, advances and financing are as follows:		
Balance as at 1 January	43,540	2,195
- effect of adopting FRS 139	2,011	-
Impaired during the year	456	41,817
Reclassified as non-impaired	(594)	-
Recoveries	-	-
Amount written off	(71)	(472)
Balance as at 31 December	<u>45,342</u>	<u>43,540</u>
Individual Assessment allowance	<u>(43,836)</u>	<u>(42,334)</u>
Net impaired loans, advances and financing	<u>1,506</u>	<u>1,206</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>13.62%</u>	<u>12.53%</u>
(viii) Movements in allowance for impaired loans, advances and financing are as follows:		
Collective Assessment Allowance		
Balance as at 1 January	5,783	-
Amount written back	-	-
Balance as at 31 March	<u>5,783</u>	<u>-</u>
As % of gross loans, advances and financing less collective assessment allowance	<u>2.00%</u>	<u>-</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	2010 RM'000	2009 RM'000
General allowance:		
Balance as at 1 January	-	15,783
Allowance written back during the year	-	(10,000)
Balance as at 31 December	-	5,783
As % of gross loans, advances and financing less collective assessment allowance	-	1.89%
Individual Assessment allowance		
Balance as at 1 January	42,334	-
- effect of adopting FRS 139	2,011	-
Allowance made during the year	223	-
Amount written back	(661)	-
Amount written off	(71)	-
Balance as at 31 March	43,836	-
Specific allowance		
Balance as at 1 January	-	1,271
Allowance made during the year	-	41,786
Amount written back	-	(251)
Amount written off	-	(472)
Balance as at 31 December	-	42,334
(ix) Impaired loans ,advances and financing by sector		
Purchase of landed properties (Residential)	2,322	2,399
Construction	41,300	39,574
Wholesale and retail	1,720	1,567
	45,342	43,540

6 OTHER ASSETS

Tax recoverable	18,156	16,577
Other debtors, deposits and prepayments	38,199	53,736
	56,355	70,313

7. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

8. PROPERTY, PLANT AND EQUIPMENT

Group and Bank	Freehold Land and Buildings RM'000	Motor Vehicles RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment RM'000	Total RM'000
At 31 March 2010						
Cost						
At 1 January 2010	388	563	6,767	28,647	15,787	52,152
Additions	-	-	-	12	22	34
Write-off	-	-	-	-	-	-
At 31 March 2010	388	563	6,767	28,659	15,809	52,186
Accumulated Depreciation						
At 1 January 2010	-	498	2,737	7,273	10,426	20,934
Depreciation charge for the year	-	28	244	822	450	1,544
Write-off	-	-	-	-	-	-
At 31 March 2010	-	526	2,981	8,095	10,876	22,478
Net	388	37	3,786	20,564	4,933	29,708

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group and Bank	Freehold Land and Buildings RM'000	Motor Vehicles RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment RM'000	Total RM'000
At 31 December 2009						
Cost						
At 1 January 2009	388	563	6,350	26,151	14,270	47,722
Additions	-	-	417	2,496	1,517	4,430
At 31 December 2009	388	563	6,767	28,647	15,787	52,152
Accumulated Depreciation						
At 1 January 2009	-	385	1,781	4,039	8,729	14,934
Depreciation charge for the year	-	113	956	3,234	1,697	6,000
At 31 December 2009	-	498	2,737	7,273	10,426	20,934
Net	388	65	4,030	21,374	5,361	31,218

9. INTANGIBLE ASSET

	Group/Bank	
	2010	2009
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	2,611	2,442
Additions	-	259
Write Off	-	(90)
At 31 March	<u>2,611</u>	<u>2,611</u>
Accumulated Amortisation		
At 1 January	1,770	929
Amortisation for the year	197	866
Write-off	-	(25)
At 31 December	<u>1,967</u>	<u>1,770</u>
Net	<u>644</u>	<u>841</u>

10 DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Demand deposits	789,826	872,442	789,846	872,462
Saving deposits	6,006	5,802	6,006	5,802
Fixed deposits	1,463,459	2,227,507	1,463,459	2,227,507
Other deposits	-	-	-	-
Negotiable instruments of deposit	-	-	-	-
	<u>2,259,291</u>	<u>3,105,751</u>	<u>2,259,311</u>	<u>3,105,771</u>

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

	Group/Bank	
	2010 RM'000	2009 RM'000
Due within six months	1,295,618	2,044,662
Six months to one year	54,170	84,706
One year to three years	113,671	98,139
More than three years	-	-
	<u>1,463,459</u>	<u>2,227,507</u>

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Government and statutory bodies	24,568	20,370	24,568	20,370
Business enterprises	1,536,134	1,853,457	1,536,134	1,853,457
Individuals	482,758	514,163	482,758	514,163
Others	215,831	717,761	215,851	717,781
	<u>2,259,291</u>	<u>3,105,751</u>	<u>2,259,311</u>	<u>3,105,771</u>

11 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	2010	2009
	RM'000	RM'000
Licensed banks	67,000	22,000
Bank Negara Malaysia	-	-
Other financial institutions	1,888,945	1,420,558
	<u>1,955,945</u>	<u>1,442,558</u>

12 OTHER LIABILITIES

	Group/Bank	
	2010	2009
	RM'000	RM'000
Retirement benefits	22	22
Other liabilities	300,148	312,202
	<u>300,170</u>	<u>312,224</u>

13 SHARE CAPITAL

	Group/Bank	
	2010	2009
	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/31 December	203,000	203,000

14 RESERVES

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	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	756	1,427	756	1,427
Distributable:				
Retained earnings	165,975	146,291	161,681	144,172
	<u>395,376</u>	<u>376,363</u>	<u>391,082</u>	<u>374,244</u>

15 INTEREST INCOME

	Group/Bank	
	2010	2009
	RM'000	RM'000
Loans, advances and financing	3,633	7,728
Money at call and deposit placements with financial institutions	16,757	17,030
Securities - Available-for-sale	6,127	6,489
Securities - Held-for-trading	-	-
	<u>26,517</u>	<u>31,247</u>
Amortisation of premium less accretion of discount	895	49
Total Interest Income	<u>27,412</u>	<u>31,296</u>
Of which:		
Interest income earned on impaired loans, advances and financing	<u>870</u>	<u>-</u>
	<u>870</u>	<u>-</u>

16 INTEREST EXPENSE

	Group/Bank	
	2010	2009
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	13,776	7,579
Deposits from other customers	10,706	15,455
Others	-	-
	<u>24,482</u>	<u>23,034</u>

17 OTHER OPERATING INCOME

	Group/Bank	
	2010	2009
	RM'000	RM'000
Fee income:		
Commission	1,092	3,814
Service charges and fees	76	1,750
Guarantee fees	1,504	989
Advisory fees	-	-
Other fee income	603	-
	<u>3,275</u>	<u>6,553</u>
Net Gain arising from sale of securities:		
Securities held-for-trading	1,360	7,615
	<u>1,360</u>	<u>7,615</u>
Unrealised gain on revaluation of securities:		
Securities held-for-trading	(58)	(1,930)
	<u>(58)</u>	<u>(1,930)</u>
Gross dividend income from:		
Securities available-for-sale	11	-
	<u>11</u>	<u>-</u>
Other income:		
Foreign exchange gain/(loss)		
Unrealised	29,512	(31,229)
Realised	(24,900)	41,234
(Loss)/gain on derivatives trading		
Unrealised	(75,242)	15,296
Realised	106,143	(4,611)
Write back of provision in diminution in value of shares	-	-
Others	1,118	6,445
	<u>36,631</u>	<u>27,135</u>
Total	<u>41,219</u>	<u>39,373</u>

18 OTHER OPERATING EXPENSES

	Group/Bank	
	2010	2009
	RM'000	RM'000
Personnel costs (Note a)	9,235	9,377
Establishment costs (Note b)	9,728	9,447
Marketing expenses (Note c)	352	1,079
Administration and general expenses (Note d)	1,697	2,281
	<u>21,012</u>	<u>22,184</u>
(a) Personnel costs		
Salaries, bonuses and allowances	7,251	7,747
Social security costs	31	177
EPF - defined contribution plan	1,000	1,071
Rental of accomodation	63	200
Other staff related expenses	890	182
	<u>9,235</u>	<u>9,377</u>
(b) Establishment costs		
Share of Group costs	4,726	4,347
Share of information technology costs	2,058	1,271
Depreciation of property, plant and equipment	1,544	1,416
Amortization of intangible asset	197	212
Rental of premises	918	895
Others	285	1,306
	<u>9,728</u>	<u>9,447</u>
(c) Marketing Expenses		
Advertising	225	978
Others	127	101
	<u>352</u>	<u>1,079</u>
(d) Administration and general expenses		
Legal and professional fees	36	57
Communication and transportation	630	845
Others	1,031	1,379
	<u>1,697</u>	<u>2,281</u>

19 ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES ANF FINANCING

	Group/Bank	
	2010	2009
	RM'000	RM'000
Allowance for impaired loans, advances and financing:		
Individual assessment allowance		
- Made in the financial year	223	159
- Written back	(661)	(57)
Collective Assessment allowance		
- Written back in the financial year	-	-
	<u>(438)</u>	<u>102</u>

20 CAPITAL ADEQUACY

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

	Bank	
	2010	2009
	RM'000	RM'000
Tier-I capital		
Paid-up share capital	203,000	203,000
Share premium	76,182	76,182
Statutory reserves	152,463	152,463
Retained earnings	144,172	144,172
	<u>575,817</u>	<u>575,817</u>
Less :		
- Deferred tax assets	(22,392)	(22,392)
Total Tier-I capital	<u>553,425</u>	<u>553,425</u>

20 CAPITAL ADEQUACY (CONTD.)

	Bank	
	2010	2009
	RM'000	RM'000
Tier-II Capital		
General provision for bad and and doubtful debts and financing	5,783	5,783
Subordinated debt capital	200,000	200,000
Total Tier-II capital	<u>205,783</u>	<u>205,783</u>
Total capital funds	759,208	759,208
Less: Investment in subsidiary companies	(20)	(20)
Capital base	<u>759,188</u>	<u>759,188</u>
Capital Ratios		
Core capital ratio	11.21%	10.39%
Risk-weighted capital ratio	<u>15.38%</u>	<u>14.26%</u>

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

	2010	2009
Credit Risk	1,545,670	2,446,272
Market Risk	3,021,223	2,877,773
Operational Risk	367,835	-
Total risk-weighted assets	<u>4,934,728</u>	<u>5,324,045</u>

21 CHANGE IN ACCOUNTING POLICIES

Change in Accounting Policies

The adoption of new FRSs, amendments to FRSs during the financial period have resulted in the following changes in accounting policies:

- i) FRS 139 Financial Instruments: Recognition and Measurement
- ii) Amendment to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures

Impairment of Loans and Advances

The adoption of FRS 139 has resulted in a change in the accounting policy relating to the assessment for impairment of financial assets, particularly loans and advances. The existing accounting policies relating to the assessment of impairment of other financial assets of Group and the Bank are already largely in line with those of FRS 139. Prior to adoption of FRS 139, allowances for impaired loans and advances (previously referred to as non-performing loans) were computed in conformity with the BNM/GP3 Guidelines on Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts. Upon the adoption of FRS 139, the Group and Bank assesses at the end of each reporting period whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loans (an incurred "loss event") and that the loss event has an impact on future estimated cash flows of the loan or group of loans that can be reliably estimated.

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The collective assessment impairment allowance of the Bank and its domestic banking subsidiaries as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

Comparative Figures

FRS 101 Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statements of the Group and the Bank for the comparative financial period ended 31 March 2009 have been re-presented as two separate statements i.e. an income statement displaying components of profit and loss and a statements of comprehensive income.

FRS 7 Financial Instruments: Disclosures

The adoption of FRS 7 during the financial period has resulted in some changes to the disclosure of financial instruments, whereby the disclosures are now made by categories of financial assets and liabilities.

22 COMMITMENTS AND CONTINGENCIES

In the normal course of business, 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:

	2010			2009		
	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	10,082	10,082	10,082	10,131	10,131	10,131
Transaction-related contingent items	594,060	301,839	254,444	603,678	301,839	254,444
Short-term self-liquidating trade-related contingencies	42,743	8,549	25,451	127,622	25,524	25,451
Other assets sold with recourse and commitments with certain drawdown	194	194	730	730	730	730
Irrevocable commitments to extend credit:						
- maturity less than one year	508,899	-	-	542,720	-	-
- maturity more than one year	494	247	124	495	248	124
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	14,874,343	403,698	96,248	11,739,867	257,136	66,403
- one year to less than five years	7,826,551	537,339	115,551	8,844,242	638,305	163,630
- five years and above	2,499,453	293,647	82,399	2,189,178	247,896	73,582
Interest rate related contracts:						
- less than one year	11,838,650	119,514	24,682	15,502,299	146,946	31,386
- one year to less than five years	30,869,403	1,093,909	240,597	35,775,342	1,236,496	309,766
- five years and above	12,010,349	1,403,958	59,037	11,001,728	1,258,579	350,843
	81,075,221	4,172,976	909,345	86,338,032	4,123,830	1,286,490

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

B. NOTES TO THE FINANCIAL STATEMENTS

1 PERFORMANCE REVIEW

The Bank's pre-tax profit for the 1st quarter ended 31 March 2010 of RM 23.0 million was slightly lower than the previous corresponding quarter of RM 25.3million. The slight reduction was mainly due to a lower interest income (15.2%) , offset by slightly higher interest expense (6.2%) and other operating income.

The Bank has continued to grow in Q1 , from the last year's disappointing results. Net Interest Income continues to remain well below 2009 YTD comparatives. Trading income is higher than last year as a result of improving market conditions and higher market volatility. Fees, commission and others were also lower as the market is still recovering from the subdued advisory activities, in particular debt capital and mergers and acquisitions.

Costs remain under control in 2010 with the cost control measures being implemented. Balance sheet size has remained the same as the bank continue to manage its balance sheet over 2010.

2 CURRENT YEAR PROSPECT

The Bank is confident of a return to more normalised activity during 2010 and expects to generate increased revenues through its highly regarded Global Banking & Markets, and Global Transaction Services franchise. The Bank remains well placed to serve its clients with innovative and customised solutions. The Bank's focused strategy is clear, in place, and beginning to pay dividends as the Bank's key clients recognise the Bank's commitment to the Malaysian marketplace.

In 2010, the Bank expects to conclude the divestment of its Retail & Commercial business. This business remains a small part of the Malaysian franchise, and its divestment is in line with the strategic ambitions of The Royal Bank of Scotland Group.