

THE ROYAL BANK OF SCOTLAND BERHAD

(Company No. 301932 - A)

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

31 MARCH 2012

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2012

	Note	Group		Bank	
		31-Mar 2012 RM'000	31-Dec 2011 RM'000	31-Mar 2012 RM'000	31-Dec 2011 RM'000
ASSETS					
Cash and short-term funds	2	1,802,828	1,596,567	1,802,828	1,596,567
Deposits and placements with other financial institutions		388,166	353,624	388,166	353,624
Securities held-for-trading	3	111,383	306,369	111,383	306,369
Securities available-for-sale	4	786,465	788,993	786,465	788,993
Loans, advances and financing	5	311,690	366,509	311,690	366,509
Derivatives financial assets		824,566	1,044,550	824,566	1,044,550
Other assets	6	77,983	25,616	77,983	25,616
Statutory deposits with Bank Negara Malaysia	7	38,500	16,000	38,500	16,000
Investments in subsidiary companies		-	-	20	20
Investment in associated company		11,026	10,149	8,503	8,503
Property, plant and equipment	8	14,509	15,834	14,509	15,834
Intangible assets	9	530	629	530	629
Deferred tax assets		32,052	31,699	32,052	31,699
TOTAL ASSETS		4,399,698	4,556,539	4,397,195	4,554,913
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	10	1,621,302	1,817,251	1,621,322	1,817,271
Deposits and placements from banks and other financial institutions	11	652,416	532,764	652,416	532,764
Derivatives financial liabilities		1,047,050	1,213,790	1,047,050	1,213,790
Other liabilities	12	261,898	180,757	261,898	180,757
Subordinated debt capital		209,295	206,842	209,295	206,842
TOTAL LIABILITIES		3,791,961	3,951,404	3,791,981	3,951,424

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS OF 31 MARCH 2012 (CONT'D)

	Note	Group		Bank	
		31-Mar 2012 RM'000	31-Dec 2011 RM'000	31-Mar 2012 RM'000	31-Dec 2011 RM'000
Share capital	13	203,000	203,000	203,000	203,000
Reserves	14	404,737	402,135	402,214	400,489
SHAREHOLDER'S FUNDS		<u>607,737</u>	<u>605,135</u>	<u>605,214</u>	<u>603,489</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>4,399,698</u>	<u>4,556,539</u>	<u>4,397,195</u>	<u>4,554,913</u>
COMMITMENTS AND CONTINGENCIES	21	<u>44,574,968</u>	<u>47,556,715</u>	<u>44,574,968</u>	<u>47,556,715</u>

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 1ST QUARTER ENDED 31 MARCH 2012

	Note	Group		Bank	
		31-Mar 2012 RM'000	31-Mar 2011 RM'000	31-Mar 2012 RM'000	31-Mar 2011 RM'000
Operating revenue		<u>41,064</u>	<u>56,861</u>	<u>41,064</u>	<u>56,861</u>
Interest income	15	17,778	18,100	17,778	18,100
Interest expense	16	(13,959)	(18,086)	(13,959)	(18,086)
Net interest income		<u>3,819</u>	<u>14</u>	<u>3,819</u>	<u>14</u>
Other operating income	17	23,286	38,761	23,286	38,761
Other operating expenses	18	(23,534)	(13,370)	(23,534)	(13,370)
Write back/ (allowance) for impairment on loans, advances and financing	19	75	(51)	75	(51)
Share of profit of associated company		<u>877</u>	<u>3,146</u>	<u>-</u>	<u>-</u>
Profit before taxation		<u>4,523</u>	<u>28,500</u>	<u>3,646</u>	<u>25,354</u>
Taxation		<u>(873)</u>	<u>(7,218)</u>	<u>(873)</u>	<u>(7,218)</u>
Profit for the period attributable to equity holder of the Bank		<u>3,650</u>	<u>21,282</u>	<u>2,773</u>	<u>18,136</u>
Other comprehensive loss:					
Net loss on securities available-for-sale		<u>(1,048)</u>	<u>(905)</u>	<u>(1,048)</u>	<u>(905)</u>
Total comprehensive income for for the period		<u>2,602</u>	<u>20,377</u>	<u>1,725</u>	<u>17,231</u>
Earnings per share (sen)		<u>1.80</u>	<u>10.48</u>	<u>1.37</u>	<u>8.93</u>

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 1ST QUARTER ENDED 31 MARCH 2012

Group	← Non-distributable Reserves →				Distributable	Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Reserve Retained earnings RM'000	
At 1 January 2011	203,000	76,182	152,463	1,818	131,940	565,403
Profit for the year	-	-	-	-	40,242	40,242
Net loss on securities available-for-sale	-	-	-	(693)	-	(693)
Deferred tax	-	-	-	183	-	183
Other comprehensive loss	-	-	-	(510)	-	(510)
Transfer of reserves	-	-	9,605	-	(9,605)	-
At 31 December 2011	<u>203,000</u>	<u>76,182</u>	<u>162,068</u>	<u>1,308</u>	<u>162,577</u>	<u>605,135</u>
At 1 January 2012	203,000	76,182	162,068	1,308	162,577	605,135
Profit for the period	-	-	-	-	3,650	3,650
Net loss on securities available-for-sale	-	-	-	(1,401)	-	(1,401)
Deferred tax	-	-	-	353	-	353
Other comprehensive loss	-	-	-	(1,048)	-	(1,048)
At 31 March 2012	<u>203,000</u>	<u>76,182</u>	<u>162,068</u>	<u>260</u>	<u>166,227</u>	<u>607,737</u>

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 1ST QUARTER ENDED 31 MARCH 2012 (CONT'D)

Bank	← Non-distributable Reserves →				Distributable	Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Reserve Retained earnings RM'000	
At 1 January 2011	203,000	76,182	152,463	1,818	132,115	565,578
Profit for the year	-	-	-	-	38,421	38,421
Net loss on securities available-for-sale	-	-	-	(693)	-	(693)
Deferred tax	-	-	-	183	-	183
Other comprehensive loss	-	-	-	(510)	-	(510)
Transfer of reserves	-	-	9,605	-	(9,605)	-
At 31 December 2011	<u>203,000</u>	<u>76,182</u>	<u>162,068</u>	<u>1,308</u>	<u>160,931</u>	<u>603,489</u>
At 1 January 2012	203,000	76,182	162,068	1,308	160,931	603,489
Profit for the period	-	-	-	-	2,773	2,773
Net loss on securities available-for-sale	-	-	-	(1,401)	-	(1,401)
Deferred tax	-	-	-	353	-	353
Other comprehensive loss	-	-	-	(1,048)	-	(1,048)
At 31 March 2012	<u>203,000</u>	<u>76,182</u>	<u>162,068</u>	<u>260</u>	<u>163,704</u>	<u>605,214</u>

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 1ST QUARTER ENDED 31 MARCH 2012

	Group		Bank	
	31-Mar 2012 RM'000	31-Mar 2011 RM'000	31-Mar 2012 RM'000	31-Mar 2011 RM'000
Cash Flows from Operating Activities				
Profit before taxation	4,523	28,500	3,646	25,354
Adjustments for:				
Depreciation of property, plant and equipment	1,377	1,285	1,377	1,285
Amortisation of intangible assets	55	20	55	20
Intangible assets written off	47	-	47	-
Net (write back)/allowance for impairment on loans, advances and financing	(75)	51	(75)	51
Amortisation of premium less accretion of discount	1,236	365	1,236	365
Loss from sale of securities held-for-trading	1,258	1,084	1,258	1,084
Unrealised gain on revaluation of securities held-for-trading	(297)	-	(297)	-
Unrealised foreign exchange (gain)/loss	(91,178)	1,784	(91,178)	1,784
Unrealised loss/(gain) on derivatives trading	112,169	(169,645)	112,169	(169,645)
Amortisation of cost and premium relating to subordinated debt capital	2,453	-	2,453	-
Share of gain of associated company	(877)	(3,146)	-	-
Operating profit/(loss) before working capital changes	<u>30,691</u>	<u>(139,702)</u>	<u>30,691</u>	<u>(139,702)</u>

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 1ST QUARTER ENDED 31 MARCH 2012 (CONT'D)

	Group		Bank	
	31-Mar 2012 RM'000	31-Mar 2011 RM'000	31-Mar 2012 RM'000	31-Mar 2011 RM'000
Operating profit/(loss) before working capital changes brought forward	30,691	(139,702)	30,691	(139,702)
(Increase)/Decrease in:				
Securities purchased under resale agreements	-	(2,035)	-	(2,035)
Securities held-for-trading	194,025	(99,863)	194,025	(99,863)
Loans, advances and financing	54,894	(36,278)	54,894	(36,278)
Other assets and derivatives financial assets	147,309	155,929	147,309	155,929
Statutory deposits with Bank Negara Malaysia	(22,500)	-	(22,500)	-
Increase/(Decrease) in:				
Deposits from customers	(195,949)	(291,607)	(195,949)	(291,607)
Deposits and placements from banks and other financial institutions	119,652	958,932	119,652	958,932
Other liabilities and derivative financial liabilities	(85,599)	67,591	(85,599)	67,591
Cash generated from operations	242,523	612,967	242,523	612,967
Income taxes paid	(1,556)	(3,764)	(1,556)	(3,764)
Net cash from operating activities	240,967	609,203	240,967	609,203
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(52)	-	(52)	-
Purchase of intangible assets	(3)	-	(3)	-
Net purchase of securities available-for-sale	(109)	(204)	(109)	(204)
Net cash used in investing activities	(164)	(204)	(164)	(204)

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE 1ST QUARTER ENDED 31 MARCH 2012 (CONT'D)

	Group		Bank	
	31-Mar 2012 RM'000	31-Mar 2011 RM'000	31-Mar 2012 RM'000	31-Mar 2011 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	240,803	608,999	240,803	608,999
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,950,191</u>	<u>2,895,306</u>	<u>1,950,191</u>	<u>2,895,306</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,190,994</u>	<u>3,504,305</u>	<u>2,190,994</u>	<u>3,504,305</u>

Cash and cash equivalents comprise
the following:

Cash and short-term funds	1,802,828	2,959,535	1,802,828	2,959,535
Deposits and placements with other financial institutions	<u>388,166</u>	<u>544,770</u>	<u>388,166</u>	<u>544,770</u>
	<u>2,190,994</u>	<u>3,504,305</u>	<u>2,190,994</u>	<u>3,504,305</u>

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

THE ROYAL BANK OF SCOTLAND BERHAD
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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 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2011.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MFRS 10 Consolidated Financial Statements

MFRS 11 Joint Arrangements

MFRS 12 Disclosure of Interest in Other Entities

MFRS 13 Fair Value Measurement

MFRS 119 Employee benefits (as amended in June 2011)

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

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

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

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

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

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

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

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

Auditors' report on preceding annual financial statements

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

Seasonal or cyclical factors

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

Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and of the Bank in the 3 months ended 31 March 2012.

Changes in Estimates

There were no material changes in estimates of amounts reported that have a material effect on the financial results and position of the Group and of the Bank in the 3 months ended 31 March 2012.

Issuance and Repayment of Debt and Equity Securities

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities during the 3 months ended 31 March 2012.

Dividend

No dividend was paid during the 3 months ended 31 March 2012.

Material Events Subsequent to the Balance Sheet Date

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

Changes in the composition of the Group

There were no changes in the composition of the Group in the 3 months ended 31 March 2012.

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

PERFORMANCE REVIEW

The Bank's pre-tax profit for the 3 months ended 31 March 2012 of RM4.6m, an 81.7% decrease from that of the same period in 2011.

Net interest income has improved by RM3.8m, driven mainly by lower interest expense as a result of a reduction in the deposits and placements of banks and other financial institutions from RM2.49 billion to RM0.65 billion, as part of management's effort to reduce the balance sheet size.

For the first 3 months of 2012, the Bank reported a lower other operating income of RM23.3m as compared to RM38.8m in 2011. The lower other operating income was contributed by decrease in both fee income and trading income. The higher fee income in 2011 is mainly due to a RM3m non-recurring commission income earned by the bank from the sukuk issuance exercise in 2011. Trading income had reduced by RM12.1m in 2012 as compared to the same period in 2011. This drop is mainly contributed by the lower earnings from the trading foreign exchange contracts due to the uncertainty and volatility in the markets.

Other operating expense increased by RM10.2m compared to the same period in 2011. This increase is mainly due to the higher share of group costs of RM11.8m in 2012 as compared to a reversal of RM0.5m in 2011. The significant increase is due to a one-off waiver of group costs of RM8.3m in 2011 as well as a marginal increase in group cost in 2012 as compared to corresponding period in 2011. Impairment allowances were kept at a minimal level.

The Bank continues to manage its balance sheet prudently. The level of lending decreased only marginally. That of cash and short-term fund has increased in order to support client-driven financial markets activities. RWCR has improved to 19.1% from 15.5% as at the end of last year.

CURRENT YEAR PROSPECT

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

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

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

CURRENT YEAR PROSPECT (CONTD.)

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

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

2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	31-Mar-12	31-Dec-11
	RM'000	RM'000
At Amortised Cost		
Cash and balances with banks and other financial institutions	59,462	47,998
Money at call and deposit placements maturing within one month	1,743,366	1,548,569
	<u>1,802,828</u>	<u>1,596,567</u>

3. SECURITIES HELD-FOR-TRADING

	Group/Bank	
	31-Mar-12	31-Dec-11
	RM'000	RM'000
At Fair Value		
Money market instruments:		
Malaysian Government Securities	12,184	152,245
Bank Negara Malaysia Debt Securities	99,199	154,124
	<u>111,383</u>	<u>306,369</u>

4. SECURITIES AVAILABLE FOR SALE

	Group/Bank	
	31-Mar-12	31-Dec-11
	RM'000	RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	269,149	270,649
Government Investment Issues	515,597	516,625
At Cost		
Unquoted shares in Malaysia	1,719	1,719
	<u>786,465</u>	<u>788,993</u>

5. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	31-Mar-12	31-Dec-11
	RM'000	RM'000
At amortised cost		
(i) By type		
Overdrafts	62,704	62,904
Term loans/financing		
Housing loans/financing	25,771	27,412
Other term loans/financing	175,606	176,102
Bills receivable	38,569	85,121
Claims on customers under acceptance credits	27,809	40,755
Staff loans	5,250	5,279
Revolving credit	25,700	18,180
Trust receipt	-	616
	<u>361,409</u>	<u>416,369</u>
Less: Allowance for impaired loans and financing :		
- Collective assessment allowance	(5,783)	(5,783)
- Individual assessment allowance	(43,936)	(44,077)
Net loans, advances and financing	<u>311,690</u>	<u>366,509</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	31-Mar-12	31-Dec-11
	RM'000	RM'000
(ii) By type of customer		
Domestic business enterprises:		
Small medium enterprises	12,083	11,726
Others	317,230	359,967
Individuals	31,494	33,360
Foreign entity	304	1,488
Domestic banking institutions	298	9,828
	<u>361,409</u>	<u>416,369</u>
(iii) By interest rate sensitivity		
Fixed rate		
Housing loans/financing	3,126	3,127
Other fixed rate loan/financing	1,940	2,253
Variable rate		
BLR plus	89,131	91,799
Cost plus	267,212	319,190
	<u>361,409</u>	<u>416,369</u>
(iv) By residual contractual maturity		
Maturity within one year	308,385	387,686
More than one year to three years	259	379
More than three years to five years	1,203	1,057
More than five years	51,562	27,247
	<u>361,409</u>	<u>416,369</u>
(v) By geographical distribution		
Malaysia		
Kuala Lumpur	358,034	414,182
Penang	3,375	2,187
	<u>361,409</u>	<u>416,369</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	31-Mar-12	31-Dec-11
	RM'000	RM'000
(vi) By Sector		
Electricity, Gas & Water	175,134	175,134
Manufacturing	66,029	74,051
Construction	40,826	40,431
Purchase of landed properties (Residential)	29,081	30,737
Wholesale and retail	27,100	62,576
Finance, insurance and business services	10,785	22,036
Consumption credit	331	355
Transport, storage and communication	10,042	8,782
Purchase of transport vehicles	2,081	2,267
	<u>361,409</u>	<u>416,369</u>
(vii) Movements in impaired loans, advances and financing are as follows:		
Balance as at 1 January	48,453	48,603
Impaired during the period / year	650	1,681
Reclassified as non-impaired	(1,073)	(1,823)
Amount written off	(66)	(8)
Balance as at 31 March / 31 December	<u>47,964</u>	<u>48,453</u>
Individual assessment allowance	(43,936)	(44,077)
Net impaired loans, advances and financing	<u>4,028</u>	<u>4,376</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>13.27%</u>	<u>11.64%</u>
(viii) Impaired loans ,advances and financing by sector		
Purchase of landed properties (Residential)	1,771	2,249
Manufacturing	5,140	5,151
Construction	39,574	39,574
Wholesale and retail	1,479	1,479
	<u>47,964</u>	<u>48,453</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group/Bank	
	31-Mar-12	31-Dec-11
	RM'000	RM'000
Collective Assessment Allowance		
Balance as at 1 January / 31 March / 31 December	<u>5,783</u>	<u>5,783</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>1.82%</u>	<u>1.55%</u>
Individual Assessment Allowance		
Balance as at 1 January	44,077	44,266
Allowance made during the period / year	66	663
Amount written back	(141)	(844)
Amount written off	(66)	(8)
Balance as at 31 March / 31 December	<u>43,936</u>	<u>44,077</u>

6. OTHER ASSETS

	Group/Bank	
	31-Mar-12	31-Dec-11
	RM'000	RM'000
Tax recoverable	6,110	5,427
Other debtors, deposits and prepayments	3,583	20,189
Unsettled securities	68,290	-
	<u>77,983</u>	<u>25,616</u>

7. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

8. PROPERTY, PLANT AND EQUIPMENT

Group and Bank	Freehold Land and Building RM'000	Motor Vehicle RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment RM'000	Total RM'000
At 31 March 2012						
Cost						
At 1 January 2012	388	616	6,212	21,619	16,348	45,183
Additions	-	-	13	-	39	52
At 31 March 2012	388	616	6,225	21,619	16,387	45,235
Accumulated Depreciation						
At 1 January 2012	-	144	4,397	10,692	14,116	29,349
Depreciation charge for the period	-	31	93	659	594	1,377
At 31 March 2012	-	175	4,490	11,351	14,710	30,726
Net Book Value	388	441	1,735	10,268	1,677	14,509

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group and Bank	Freehold Land and Building RM'000	Motor Vehicle RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment RM'000	Total RM'000
At 31 December 2011						
Cost						
At 1 January 2011	388	616	6,212	21,619	16,042	44,877
Additions	-	-	-	-	542	542
Write-off	-	-	-	-	(236)	(236)
At 31 December 2011	<u>388</u>	<u>616</u>	<u>6,212</u>	<u>21,619</u>	<u>16,348</u>	<u>45,183</u>
Accumulated Depreciation						
At 1 January 2011	-	21	3,428	8,266	12,095	23,810
Depreciation charge for the year	-	123	969	2,426	2,252	5,770
Write-off	-	-	-	-	(231)	(231)
At 31 December 2011	<u>-</u>	<u>144</u>	<u>4,397</u>	<u>10,692</u>	<u>14,116</u>	<u>29,349</u>
Net Book Value	<u>388</u>	<u>472</u>	<u>1,815</u>	<u>10,927</u>	<u>2,232</u>	<u>15,834</u>

9. INTANGIBLE ASSETS

	Group/Bank	
	31-Mar-12	31-Dec-11
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	3,437	2,972
Additions	3	465
Write off	(47)	-
At 31 March / 31 December	<u>3,393</u>	<u>3,437</u>
Accumulated Amortisation		
At 1 January	2,808	2,513
Amortisation for the period/ year	55	295
At 31 March / 31 December	<u>2,863</u>	<u>2,808</u>
Net Book Value	<u>530</u>	<u>629</u>

10. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	31-Mar-12 RM'000	31-Dec-11 RM'000	31-Mar-12 RM'000	31-Dec-11 RM'000
Demand deposits	1,020,886	1,076,615	1,020,906	1,076,635
Saving deposits	1,259	1,535	1,259	1,535
Fixed deposits	584,022	723,539	584,022	723,539
Negotiable instruments of deposits	15,135	15,562	15,135	15,562
	<u>1,621,302</u>	<u>1,817,251</u>	<u>1,621,322</u>	<u>1,817,271</u>

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

	Group/Bank	
	31-Mar-12 RM'000	31-Dec-11 RM'000
Due within six months	588,198	723,144
Six months to one year	1,982	7,088
One year to three years	6,364	20
More than three years	2,613	8,849
	<u>599,157</u>	<u>739,101</u>

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

	Group		Bank	
	31-Mar-12 RM'000	31-Dec-11 RM'000	31-Mar-12 RM'000	31-Dec-11 RM'000
Government and statutory bodies	60,663	38,087	60,663	38,087
Business enterprises	1,421,379	1,621,049	1,421,379	1,621,049
Individuals	14,753	15,225	14,753	15,225
Others	124,507	142,890	124,527	142,910
	<u>1,621,302</u>	<u>1,817,251</u>	<u>1,621,322</u>	<u>1,817,271</u>

11. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	31-Mar-12	31-Dec-11
	RM'000	RM'000
Licensed banks	71,893	55,673
Other financial institutions	580,523	477,091
	<u>652,416</u>	<u>532,764</u>

12. OTHER LIABILITIES

	Group/Bank	
	31-Mar-12	31-Dec-11
	RM'000	RM'000
Other liabilities	60,578	50,948
Internal settlement cost	121,234	129,809
Unsettled securities	80,086	-
	<u>261,898</u>	<u>180,757</u>

13. SHARE CAPITAL

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

14. RESERVES

	Group		Bank	
	31-Mar-12	31-Dec-11	31-Mar-12	31-Dec-11
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	162,068	162,068	162,068	162,068
Unrealised reserves	260	1,308	260	1,308
Distributable:				
Retained earnings	166,227	162,577	163,704	160,931
	<u>404,737</u>	<u>402,135</u>	<u>402,214</u>	<u>400,489</u>

15. INTEREST INCOME

	Group/Bank	
	1st Quarter Ended	
	31-Mar-12	31-Mar-11
	RM'000	RM'000
Loans, advances and financing	4,160	3,558
Money at call and deposit placements with financial institutions	3,792	5,012
Securities - Available-for-sale	7,380	6,510
Securities - Held-for-trading	3,682	3,385
	<u>19,014</u>	<u>18,465</u>
Amortisation of premium less accretion of discount	(1,236)	(365)
Total Interest Income	<u>17,778</u>	<u>18,100</u>
Of which:		
Interest income earned on impaired loans, advances and financing	<u>159</u>	<u>121</u>

16. INTEREST EXPENSE

	Group/Bank	
	1st Quarter Ended	
	31-Mar-12	31-Mar-11
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	8,000	11,170
Deposits from other customers	5,524	6,410
Others	435	507
	<u>13,959</u>	<u>18,086</u>

17. OTHER OPERATING INCOME

	Group/Bank	
	1st Quarter Ended	
	31-Mar-12	31-Mar-11
	RM'000	RM'000
Fee income:		
Commission	316	4,154
Service charges and fees	315	308
Guarantee fees	1,339	1,206
Other fee income	507	183
	<u>2,477</u>	<u>5,851</u>
Net loss arising from sale of securities:		
Securities held-for-trading	(1,258)	(1,082)
	<u>(1,258)</u>	<u>(1,082)</u>
Unrealised gain/(loss) on revaluation of securities:		
Securities held-for-trading	297	(2)
	<u>297</u>	<u>(2)</u>
Other income:		
Foreign exchange gain/(loss)		
Unrealised	91,178	(1,784)
Realised	(80,881)	22,631
(Loss)/Gain on derivatives trading		
Unrealised	(112,169)	169,645
Realised	123,642	(156,498)
Others	-	-
	<u>21,770</u>	<u>33,994</u>
	<u>23,286</u>	<u>38,761</u>

18. OTHER OPERATING EXPENSES

	Group/Bank	
	1st Quarter Ended	
	31-Mar-12	31-Mar-11
	RM'000	RM'000
Personnel costs (Note a)	6,122	7,899
Establishment costs (Note b)	15,862	2,708
Marketing expenses (Note c)	274	302
Administration and general expenses (Note d)	1,276	2,461
	<u>23,534</u>	<u>13,370</u>
(a) Personnel costs		
Salaries, bonuses and allowances	5,002	6,673
Social security costs	107	17
EPF - defined contribution plan	716	671
Rental of accomodation	-	2
Other staff related expenses	297	535
	<u>6,122</u>	<u>7,899</u>
(b) Establishment costs		
Share of Group costs - current year	8,915	7,806
- prior years	2,855	(8,322)
Share of information technology costs	210	370
Depreciation of property, plant and equipment	1,377	1,285
Amortisation of intangible assets	55	20
Rental of premises	944	944
Others	1,506	605
	<u>15,862</u>	<u>2,708</u>
(c) Marketing Expenses		
Advertising	135	214
Others	139	88
	<u>274</u>	<u>302</u>
(d) Administration and general expenses		
Legal and professional fees	80	103
Communication	521	676
Transportation	146	230
Property maintenance	328	446
Others	201	1,006
	<u>1,276</u>	<u>2,461</u>

19. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group/Bank	
	1st Quarter Ended	
	31-Mar-12	31-Mar-11
	RM'000	RM'000
Allowance for impaired loans, advances and financing:		
Individual assessment allowance:		
- Made in the financial period	66	200
- Written back in the financial period	(141)	(149)
	<u>(75)</u>	<u>51</u>

20. CAPITAL ADEQUACY

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

	Group		Bank	
	31-Mar-12	31-Dec-11	31-Mar-12	31-Dec-11
	RM'000	RM'000	RM'000	RM'000
Tier-I capital				
Paid-up share capital	203,000	203,000	203,000	203,000
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	162,068	162,068	162,068	162,068
Retained earnings	162,577	162,577	160,931	160,931
	<u>603,827</u>	<u>603,827</u>	<u>602,181</u>	<u>602,181</u>
Less :				
- Deferred tax assets	(31,699)	(31,699)	(31,699)	(31,699)
Total Tier-I capital	<u>572,128</u>	<u>572,128</u>	<u>570,482</u>	<u>570,482</u>

20. CAPITAL ADEQUACY (CONTD.)

	Group		Bank	
	31-Mar-12 RM'000	31-Dec-11 RM'000	31-Mar-12 RM'000	31-Dec-11 RM'000
Tier-II Capital				
Collective assessment allowance	5,783	5,783	5,783	5,783
Subordinated debt capital	200,000	200,000	200,000	200,000
Total Tier-II capital	205,783	205,783	205,783	205,783
Total capital funds	777,911	777,911	776,265	776,265
Less: Investment in subsidiary companies	-	-	(20)	(20)
Capital base	777,911	777,911	776,245	776,245
Capital Ratios				
Core capital ratio	14.07%	11.45%	14.04%	11.42%
Risk-weighted capital ratio	19.14%	15.57%	19.10%	15.53%

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

	Group		Bank	
	31-Mar-12 RM'000	31-Dec-11 RM'000	31-Mar-12 RM'000	31-Dec-11 RM'000
Credit Risk	2,277,020	2,987,421	2,273,235	2,984,952
Market Risk	1,595,707	1,801,076	1,595,707	1,801,076
Operational Risk	192,142	207,471	195,657	210,986
Total risk-weighted assets	4,064,868	4,995,968	4,064,599	4,997,014

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

21. COMMITMENTS AND CONTINGENCIES

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

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

	31-Mar-2012			31-Dec-2011		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk-weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk-weighted amount RM'000
<u>Commitments and Contingent Liabilities</u>						
Direct credit substitutes	84,215	84,215	84,215	64,187	64,187	64,187
Transaction-related contingent items	511,784	255,892	198,243	553,071	276,536	219,983
Short-term self-liquidating trade-related contingencies	38,511	7,702	5,032	30,497	6,099	3,260
Irrevocable commitments to extend credit:						
- maturity less than one year	698,415	139,683	137,379	598,687	119,737	119,678
- maturity more than one year	356	178	133	356	178	133
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	8,092,786	112,671	62,117	6,996,522	137,948	73,571
- one year to less than five years	687,424	70,302	33,220	721,209	66,202	32,885
- five years and above	606,567	74,726	63,205	646,313	78,813	67,194
Interest rate related contracts:						
- less than one year	9,110,003	141,812	55,391	9,781,653	170,606	63,809
- one year to less than five years	17,104,893	859,430	436,825	18,016,709	810,498	364,123
- five years and above	7,640,014	961,746	595,647	10,147,511	1,381,729	881,937
Credit Derivative Contracts						
- less than one year	-	-	-	-	-	-
	<u>44,574,968</u>	<u>2,708,357</u>	<u>1,671,407</u>	<u>47,556,715</u>	<u>3,112,533</u>	<u>1,890,760</u>

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