

THE ROYAL BANK OF SCOTLAND BERHAD

(Company No. 301932 - A)

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

For Period Ended

31 MARCH 2013

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

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Note	Group		Bank	
		31-Mar 2013 RM'000	31-Dec 2012 RM'000	31-Mar 2013 RM'000	31-Dec 2012 RM'000
ASSETS					
Cash and short-term funds	2	1,314,796	2,230,388	1,314,796	2,230,388
Deposits and placements with other financial institutions		400,497	400,264	400,497	400,264
Securities held-for-trading	3	92,532	29,637	92,532	29,637
Securities available-for-sale	4	804,578	797,407	804,578	797,407
Loans, advances and financing	5	305,501	299,304	305,501	299,304
Derivatives financial assets		700,380	727,362	700,380	727,362
Statutory deposits with Bank Negara Malaysia	7	33,800	28,000	33,800	28,000
Other assets	6	164,088	34,049	164,088	34,049
Investments in subsidiary companies		-	-	20	20
Investment in associated company		3,615	5,752	2,700	4,718
Property, plant and equipment	8	9,422	10,340	9,422	10,340
Intangible assets	9	508	565	508	565
Deferred tax assets		22,265	22,591	22,265	22,591
TOTAL ASSETS		3,851,982	4,585,659	3,851,087	4,584,645
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	10	1,639,780	1,759,354	1,639,800	1,759,374
Deposits and placements from banks and other financial institutions	11	330,882	1,008,634	330,882	1,008,634
Derivatives financial liabilities		817,679	878,412	817,679	878,412
Other liabilities	12	273,324	149,367	273,324	149,367
Subordinated debt capital		210,397	207,940	210,397	207,940
TOTAL LIABILITIES		3,272,063	4,003,707	3,272,083	4,003,727

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2013 (CONT'D)

	Note	Group		Bank	
		31-Mar 2013 RM'000	31-Dec 2012 RM'000	31-Mar 2013 RM'000	31-Dec 2012 RM'000
Share capital	13	203,000	203,000	203,000	203,000
Reserves	14	376,920	378,952	376,005	377,918
SHAREHOLDER'S FUNDS		<u>579,920</u>	<u>581,952</u>	<u>579,005</u>	<u>580,918</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>3,851,982</u>	<u>4,585,659</u>	<u>3,851,087</u>	<u>4,584,645</u>
COMMITMENTS AND CONTINGENCIES	21	<u>43,098,038</u>	<u>39,946,813</u>	<u>43,098,038</u>	<u>39,946,813</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2013

	Note	Group		Bank	
		31-Mar 2013 RM'000	31-Mar 2012 RM'000	31-Mar 2013 RM'000	31-Mar 2012 RM'000
Operating revenue		18,620	41,064	18,620	41,064
Interest income	15	11,141	17,778	11,141	17,778
Interest expense	16	(8,446)	(13,959)	(8,446)	(13,959)
Net interest income		2,695	3,819	2,695	3,819
Other operating income	17	7,479	23,286	7,479	23,286
Other operating expenses	18	(14,395)	(23,534)	(14,395)	(23,534)
Allowance for impairment on loans, advances and financing	19	48	75	48	75
Share of (loss)/profit of associated company		(119)	877	-	-
(Loss)/Profit before taxation		(4,292)	4,523	(4,173)	3,646
Taxation		1,282	(873)	1,282	(873)
(Loss)/Profit for the period attributable to equity holder of the Bank		(3,010)	3,650	(2,891)	2,773
Other comprehensive (loss)/income:					
Net profit/(loss) on securities available-for-sale		978	(1,048)	978	(1,048)
Total comprehensive (loss)/income for for the period		(2,032)	2,602	(1,913)	1,725
(Loss)/Earnings per share (sen)		(1.48)	1.80	(1.42)	1.37

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2013

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 2012						
- as previously restated	203,000	76,182	162,068	1,308	162,577	605,135
- effects of MFRS adoption	-	-	-	-	1,584	1,584
At 1 January 2012, as restated	203,000	76,182	162,068	1,308	164,161	606,719
Loss for the year	-	-	-	-	(24,132)	(24,132)
Net loss on securities available-for-sale	-	-	-	(847)	-	(847)
Deferred tax	-	-	-	212	-	212
Other comprehensive loss	-	-	-	(635)	-	(635)
At 31 December 2012	203,000	76,182	162,068	673	140,029	581,952
At 1 January 2013	203,000	76,182	162,068	673	140,029	581,952
Loss for the period	-	-	-	-	(3,010)	(3,010)
Net profit on securities available-for-sale	-	-	-	1,304	-	1,304
Deferred tax	-	-	-	(326)	-	(326)
Other comprehensive income	-	-	-	978	-	978
At 31 March 2013	203,000	76,182	162,068	1,651	137,019	579,920

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2013 (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 2012						
- as previously restated	203,000	76,182	162,068	1,308	160,931	603,489
- effects of MFRS adoption	-	-	-	-	1,584	1,584
At 1 January 2012, as restated	203,000	76,182	162,068	1,308	162,515	605,073
Loss for the year	-	-	-	-	(23,520)	(23,520)
Net loss on securities available-for-sale	-	-	-	(847)	-	(847)
Deferred tax	-	-	-	212	-	212
Other comprehensive loss	-	-	-	(635)	-	(635)
At 31 December 2012	203,000	76,182	162,068	673	138,995	580,918
At 1 January 2013	203,000	76,182	162,068	673	138,995	580,918
Loss for the period	-	-	-	-	(2,891)	(2,891)
Net profit on securities available-for-sale	-	-	-	1,304	-	1,304
Deferred tax	-	-	-	(326)	-	(326)
Other comprehensive income	-	-	-	978	-	978
At 31 March 2013	203,000	76,182	162,068	1,651	136,104	579,005

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2013

	Group		Bank	
	31-Mar 2013 RM'000	31-Mar 2012 RM'000	31-Mar 2013 RM'000	31-Mar 2012 RM'000
Cash Flows from Operating Activities				
(Loss)/Profit before taxation	(4,292)	4,523	(4,173)	3,646
Adjustments for:				
Depreciation of property, plant and equipment	934	1,377	934	1,377
Amortisation of intangible assets	57	55	57	55
Intangible assets written off	-	47	-	47
Net write back for impairment on loans, advances and financing	(48)	(75)	(48)	(75)
Amortisation of premium less accretion of discount	1,563	1,236	1,563	1,236
Loss from sale of securities held-for-trading	40	1,258	40	1,258
Gain from sale of securities available-for-sale	(101)	-	(101)	-
Unrealised gain on revaluation of securities held-for-trading	(56)	(297)	(56)	(297)
Unrealised foreign exchange loss/(gain)	20,693	(91,178)	20,693	(91,178)
Unrealised loss on derivatives trading	1,403	112,169	1,403	112,169
Amortisation of cost and premium relating to subordinated debt capital	2,457	2,453	2,457	2,453
Share of loss/(profit) of associated company	119	(877)	-	-
Operating profit before working capital changes	22,769	30,691	22,769	30,691

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2013 (CONT'D)

	Group		Bank	
	31-Mar 2013 RM'000	31-Mar 2012 RM'000	31-Mar 2013 RM'000	31-Mar 2012 RM'000
Operating profit before working capital changes brought forward	22,769	30,691	22,769	30,691
(Increase)/Decrease in:				
Securities held-for-trading	(62,879)	194,025	(62,879)	194,025
Loans, advances and financing	(6,149)	54,894	(6,149)	54,894
Other assets and derivatives financial assets	(121,959)	147,309	(121,959)	147,309
Statutory deposits with				
Bank Negara Malaysia	(5,800)	(22,500)	(5,800)	(22,500)
Cash collateral pledged for derivative transactions	58,507	(20,029)	58,507	(20,029)
Increase/(Decrease) in:				
Deposits from customers	(119,574)	(195,949)	(119,574)	(195,949)
Deposits and placements from banks and other financial institutions	(677,752)	119,652	(677,752)	119,652
Other liabilities and derivative financial liabilities	63,224	(85,599)	63,224	(85,599)
Cash (used in)/generated from operations	(849,613)	222,494	(849,613)	222,494
Income taxes paid	(1,912)	(1,556)	(1,912)	(1,556)
Net cash (used in)/generated from operating activities	<u>(851,525)</u>	<u>220,938</u>	<u>(851,525)</u>	<u>220,938</u>
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(16)	(52)	(16)	(52)
Purchase of intangible assets	-	(3)	-	(3)
Proceeds from capital repayment of				
Investment in associated company	2,018	-	2,018	-
Net purchase of securities available-for-sale	(7,329)	(109)	(7,329)	(109)
Net cash used in investing activities	<u>(5,327)</u>	<u>(164)</u>	<u>(5,327)</u>	<u>(164)</u>

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2013 (CONT'D)

	Group		Bank	
	31-Mar 2013 RM'000	31-Mar 2012 RM'000	31-Mar 2013 RM'000	31-Mar 2012 RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(856,852)	220,774	(856,852)	220,774
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,339,921</u>	<u>1,628,112</u>	<u>2,339,921</u>	<u>1,628,112</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,483,069</u>	<u>1,848,886</u>	<u>1,483,069</u>	<u>1,848,886</u>

Cash and cash equivalents comprise
the following:

Cash and short-term funds	1,314,796	1,802,828	1,314,796	1,802,828
Deposits and placements with other financial institutions	400,497	388,166	400,497	388,166
Cash collateral pledged	(232,224)	(342,108)	(232,224)	(342,108)
	<u>1,483,069</u>	<u>1,848,886</u>	<u>1,483,069</u>	<u>1,848,886</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
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A. NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Financial Statements

The unaudited interim financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards 134 ("MFRS 134"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual audited financial statements of the Group and the Bank for the year ended 31 December 2012. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2012.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent financial statements for the year ended 31 December 2012, except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interest in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee benefits (as amended by IASB in 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)
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)

IC Interpretation 20 is not relevant to the Group and the Bank's operations, therefore, will not have any financial impact to the Group and the Bank.

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

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

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

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

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

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

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

Effective for annual periods commencing on or after 1 January 2015:

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

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

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

The financial impact of the above MFRSs and amendments to MFRSs are still being assessed due to the complexity of these new MFRSs and Amendments to MFRSs, and their proposed changes.

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

Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2012 was not qualified.

Seasonal or cyclical factors

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

Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and of the Bank in the 3 months ended 31 March 2013.

Changes in Estimates

There were no material changes in estimates of amounts reported that have a material effect on the financial results and position of the Group and of the Bank in the 3 months ended 31 March 2013.

Issuance and Repayment of Debt and Equity Securities

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities during the 3 months ended 31 March 2013.

Dividend

No dividend was paid during the 3 months ended 31 March 2013.

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 2013.

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

PERFORMANCE REVIEW

The Bank's pre-tax loss for the 3 months ended 31 March 2013 is RM4.2m, as compared to pre-tax gain of RM3.6m of the same period in 2012.

For the first 3 months of 2013, net interest income has dropped by RM1.1m mainly due to lower interest earning assets including loans and advances and securities.

The Bank also reported a lower other operating income of RM7.5m in the first quarter of 2013 as compared to RM23.3m for the corresponding period in 2012. The lower other operating income was contributed by decrease in trading income. Trading income had reduced by RM16.5m in 2013 as compared to the same period in 2012. This drop is mainly contributed by the lower profit from the trading foreign exchange contracts.

Other operating expense reduced by RM9.1m compared to the same period in 2012. The decrease is due to a lower group cost in 2013 as compared to corresponding period in 2012. Impairment allowances were kept at a minimal level.

The Bank continues to manage its balance sheet prudently. The level of lending has remained consistent. The level of cash and short-term fund has increased in order to support client-driven financial markets activities. RWCR is at 17.99% which is above the minimum regulatory requirement of 8%.

CURRENT YEAR PROSPECT

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

2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	31-Mar-13	31-Dec-12
	RM'000	RM'000
At Amortised Cost		
Cash and balances with banks and other financial institutions	69,145	119,538
Money at call and deposit placements maturing within one month	1,245,651	2,110,850
	<u>1,314,796</u>	<u>2,230,388</u>

3. SECURITIES HELD-FOR-TRADING

	Group/Bank	
	31-Mar-13	31-Dec-12
	RM'000	RM'000
At Fair Value		
Money market instruments:		
Government Investment Issues	5,025	-
Malaysian Government Securities	87,507	29,637
	<u>92,532</u>	<u>29,637</u>

4. SECURITIES AVAILABLE FOR SALE

	Group/Bank	
	31-Mar-13	31-Dec-12
	RM'000	RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	767,529	760,252
Government Investment Issues	35,330	35,436
At Cost		
Unquoted shares in Malaysia	1,719	1,719
	804,578	797,407

5. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	31-Mar-13	31-Dec-12
	RM'000	RM'000
At amortised cost		
(i) By type		
Overdrafts	9,474	8,367
Term loans/financing		
Housing loans/financing	21,324	22,627
Other term loans/financing	280	307
Bills receivable	94,059	96,313
Claims on customers under acceptance credits	16,652	42,953
Staff loans	4,349	4,208
Revolving credit	164,404	128,802
Trust receipt	-	816
	310,542	304,393
Less: Allowance for impaired loans and financing :		
- Collective assessment allowance	(3,996)	(4,156)
- Individual assessment allowance	(1,045)	(933)
Net loans, advances and financing	305,501	299,304

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	31-Mar-13	31-Dec-12
	RM'000	RM'000
(ii) By type of customer		
Domestic business enterprises:		
Small medium enterprises	98,513	9,862
Others	180,849	256,718
Individuals	25,953	27,143
Foreign entity	4,551	6,664
Domestic banking institutions	676	4,006
	<u>310,542</u>	<u>304,393</u>
(iii) By interest rate sensitivity		
Fixed rate		
Housing loans/financing	2,383	2,325
Other fixed rate loan/financing	1,828	1,738
Variable rate		
BLR plus	31,217	32,263
Cost plus	275,114	268,067
	<u>310,542</u>	<u>304,393</u>
(iv) By residual contractual maturity		
Maturity within one year	289,986	282,804
More than one year to three years	155	168
More than three years to five years	950	972
More than five years	19,451	20,449
	<u>310,542</u>	<u>304,393</u>
(v) By geographical distribution		
Malaysia		
Kuala Lumpur	310,110	303,659
Penang	432	734
	<u>310,542</u>	<u>304,393</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	31-Mar-13	31-Dec-12
	RM'000	RM'000
(vi) By Sector		
Manufacturing	180,253	203,501
Construction	2,416	4,929
Purchase of landed properties (Residential)	23,846	25,096
Wholesale and retail	79,298	36,256
Finance, insurance and business services	9,611	17,302
Consumption credit	325	253
Transport, storage and communication	13,011	15,262
Purchase of transport vehicles	1,782	1,794
	<u>310,542</u>	<u>304,393</u>
(vii) Movements in impaired loans, advances and financing are as follows:		
At 1 January	8,458	48,453
Impaired during the period/year	805	7,608
Reclassified as non-impaired	(762)	(4,577)
Amount written off	-	(43,026)
At 31 March/31 December	<u>8,501</u>	<u>8,458</u>
Individual assessment allowance	(1,045)	(933)
Net impaired loans, advances and financing	<u>7,456</u>	<u>7,525</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>2.74%</u>	<u>2.78%</u>
(viii) Impaired loans ,advances and financing by sector		
Purchase of landed properties (Residential)	1,614	1,599
Manufacturing	6,553	6,518
Construction	-	7
Wholesale and retail	334	334
	<u>8,501</u>	<u>8,458</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group/Bank	
	31-Mar-13 RM'000	31-Dec-12 RM'000
Collective Assessment Allowance		
At 1 January		
- as previously stated	4,156	5,783
- effects of MFRS adoption	-	(1,584)
At 1 January , as restated	4,156	4,199
Amount written back	(160)	(43)
At 31 March/31 December	3,996	4,156
Individual Assessment Allowance		
At 1 January	933	44,077
Allowance made during the period/year	190	348
Amount written back	(78)	(466)
Amount written off	-	(43,026)
At 31 March/31 December	1,045	933

6. OTHER ASSETS

	Group/Bank	
	31-Mar-13 RM'000	31-Dec-12 RM'000
Tax recoverable	16,987	13,793
Other debtors, deposits and prepayments	16,132	20,256
Unsettled securities	130,969	-
	164,088	34,049

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 2013						
Cost						
At 1 January 2013	388	616	6,245	21,619	19,285	48,153
Additions	-	-	-	-	16	16
At 31 March 2013	388	616	6,245	21,619	19,301	48,169
Accumulated Depreciation						
At 1 January 2013	-	222	5,602	12,961	16,026	34,811
Depreciation charge for the period	-	31	160	467	276	934
At 31 March 2013	-	253	5,762	13,428	16,302	35,745
Accumulated Impairment Loss						
At 1 January 2013/At 31 March 2013	-	-	-	3,002	-	3,002
Net Book Value	388	363	483	5,189	2,999	9,422

8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group and Bank	Freehold Land and Building RM'000	Motor Vehicle RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment RM'000	Total RM'000
At 31 December 2012						
Cost						
At 1 January 2012	388	616	6,212	21,619	16,348	45,183
Additions	-	-	33	-	2,937	2,970
At 31 December 2012	388	616	6,245	21,619	19,285	48,153
Accumulated Depreciation						
At 1 January 2012	-	144	4,397	10,692	14,116	29,349
Depreciation charge for the year	-	78	1,205	2,269	1,910	5,462
At 31 December 2012	-	222	5,602	12,961	16,026	34,811
Accumulated Impairment Loss						
At 1 January 2012	-	-	-	-	-	-
Impairment loss for the year	-	-	-	3,002	-	3,002
At 31 December 2012	-	-	-	3,002	-	3,002
Net Book Value	388	394	643	5,656	3,259	10,340

9. INTANGIBLE ASSETS

	Group/Bank	
	31-Mar-13	31-Dec-12
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	3,640	3,437
Additions	-	203
At 31 March/31 December	<u>3,640</u>	<u>3,640</u>
Accumulated Amortisation		
At 1 January	3,075	2,808
Amortisation for the period/year	57	267
At 31 March/31 December	<u>3,132</u>	<u>3,075</u>
Net Book Value	<u>508</u>	<u>565</u>

10. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	31-Mar-13 RM'000	31-Dec-12 RM'000	31-Mar-13 RM'000	31-Dec-12 RM'000
Demand deposits	1,252,019	1,264,594	1,252,039	1,264,614
Saving deposits	1,284	1,340	1,284	1,340
Fixed deposits	383,310	487,516	383,310	487,516
Negotiable instruments of deposits	3,167	5,904	3,167	5,904
	<u>1,639,780</u>	<u>1,759,354</u>	<u>1,639,800</u>	<u>1,759,374</u>

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

	Group/Bank	
	31-Mar-13 RM'000	31-Dec-12 RM'000
Due within six months	378,441	482,670
Six months to one year	2,255	1,924
One year to three years	5,780	8,826
	<u>386,477</u>	<u>493,420</u>

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

	Group		Bank	
	31-Mar-13 RM'000	31-Dec-12 RM'000	31-Mar-13 RM'000	31-Dec-12 RM'000
Government and statutory bodies	207,825	125,917	207,825	125,917
Business enterprises	1,185,703	1,380,001	1,185,703	1,380,001
Individuals	14,889	14,782	14,889	14,782
Others	231,363	238,654	231,383	238,674
	<u>1,639,780</u>	<u>1,759,354</u>	<u>1,639,800</u>	<u>1,759,374</u>

11. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	31-Mar-13	31-Dec-12
	RM'000	RM'000
Licensed banks	191,212	198,732
Other financial institutions	139,670	809,902
	<u>330,882</u>	<u>1,008,634</u>

12. OTHER LIABILITIES

	Group/Bank	
	31-Mar-13	31-Dec-12
	RM'000	RM'000
Other liabilities	48,196	48,543
Internal settlement cost	104,290	100,824
Unsettled securities	120,838	-
	<u>273,324</u>	<u>149,367</u>

13. SHARE CAPITAL

	Group/Bank	
	31-Mar-13	31-Dec-12
	RM'000	RM'000
Authorised:		
500,000,000 ordinary shares of RM1 each	500,000	500,000
Issued and fully paid:		
Balance as at 1 January/31 March/31 December	203,000	203,000

14. RESERVES

	Group		Bank	
	31-Mar-13	31-Dec-12	31-Mar-13	31-Dec-12
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	162,068	162,068	162,068	162,068
Unrealised reserves	1,651	673	1,651	673
Distributable:				
Retained earnings	137,019	140,029	136,104	138,995
	<u>376,920</u>	<u>378,952</u>	<u>376,005</u>	<u>377,918</u>

15. INTEREST INCOME

	Group/Bank	
	1st Quarter Ended	
	31-Mar-13	31-Mar-12
	RM'000	RM'000
Loans, advances and financing	2,770	4,160
Money at call and deposit placements with financial institutions	1,306	3,792
Securities - Available-for-sale	7,685	7,380
Securities - Held-for-trading	943	3,682
	<u>12,704</u>	<u>19,014</u>
Amortisation of premium less accretion of discount	(1,563)	(1,236)
Total Interest Income	<u>11,141</u>	<u>17,778</u>
Of which:		
Interest income earned on impaired loans, advances and financing	<u>22</u>	<u>159</u>

16. INTEREST EXPENSE

	Group/Bank	
	1st Quarter Ended	
	31-Mar-13	31-Mar-12
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	2,007	8,000
Deposits from other customers	6,360	5,524
Others	79	435
	<u>8,446</u>	<u>13,959</u>

17. OTHER OPERATING INCOME

	Group/Bank	
	1st Quarter Ended	
	31-Mar-13	31-Mar-12
	RM'000	RM'000
Fee income:		
Commission	302	316
Service charges and fees	373	315
Guarantee fees	1,046	1,339
Other fee income	420	507
	<u>2,141</u>	<u>2,477</u>
Net gain/(loss) arising from sale of securities:		
Securities held-for-trading	(40)	(1,258)
Securities available for sale	101	-
	<u>61</u>	<u>(1,258)</u>
Unrealised gain on revaluation of securities:		
Securities held-for-trading	56	297
	<u>56</u>	<u>297</u>
Other income:		
Foreign exchange (loss)/gain		
Unrealised	(20,693)	91,178
Realised	29,455	(80,881)
(Loss)/Gain on derivatives trading		
Unrealised	(1,403)	(112,169)
Realised	(2,138)	123,642
	<u>5,221</u>	<u>21,770</u>
	<u>7,479</u>	<u>23,286</u>

18. OTHER OPERATING EXPENSES

	Group/Bank	
	1st Quarter Ended	
	31-Mar-13	31-Mar-12
	RM'000	RM'000
Personnel costs (Note a)	5,041	6,122
Establishment costs (Note b)	6,884	15,862
Marketing expenses (Note c)	321	274
Administration and general expenses (Note d)	2,149	1,276
	<u>14,395</u>	<u>23,534</u>
(a) Personnel costs		
Salaries, bonuses and allowances	3,379	5,002
Social security costs	14	107
EPF - defined contribution plan	651	716
Rental of accomodation	49	-
Other staff related expenses	948	297
	<u>5,041</u>	<u>6,123</u>
(b) Establishment costs		
Share of Group costs - current year	3,483	8,915
- prior years	600	2,855
Share of information technology costs	-	210
Depreciation of property, plant and equipment	934	1,377
Amortisation of intangible assets	57	55
Rental of premises	982	944
Others	828	1,506
	<u>6,884</u>	<u>15,862</u>
(c) Marketing Expenses		
Advertising	189	135
Others	132	139
	<u>321</u>	<u>274</u>
(d) Administration and general expenses		
Legal and professional fees	319	80
Communication	906	521
Transportation	152	146
Property maintenance	93	328
Others	679	201
	<u>2,149</u>	<u>1,276</u>

19. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group/Bank	
	1st Quarter Ended	
	31-Mar-13	31-Mar-12
	RM'000	RM'000
Allowance for impaired loans, advances and financing:		
Individual assessment allowance:		
- Made in the financial period	190	66
- Written back in the financial period	(78)	(141)
Collective assesment allowance:		
- Written back in the financial period	(160)	-
	<u>(48)</u>	<u>(75)</u>

20. CAPITAL ADEQUACY

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

	Group		Bank	
	31-Mar-13	31-Dec-12	31-Mar-13	31-Dec-12
	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	137,019	140,029	136,104	138,995
Unrealised reserve	743	-	743	-
	<u>579,012</u>	<u>581,279</u>	<u>578,097</u>	<u>580,245</u>
Less :				
- Deferred tax assets	(22,265)	(22,591)	(22,265)	(22,591)
Total Tier-I capital	<u>556,747</u>	<u>558,688</u>	<u>555,832</u>	<u>557,654</u>

20. CAPITAL ADEQUACY (CONTD.)

	Group		Bank	
	31-Mar-13 RM'000	31-Dec-12 RM'000	31-Mar-13 RM'000	31-Dec-12 RM'000
Tier-II Capital				
Collective assessment allowance	3,996	4,156	3,996	4,156
Subordinated debt capital	170,000	180,000	170,000	180,000
Total Tier-II capital	173,996	184,156	173,996	184,156
Total capital funds	730,743	742,844	729,828	741,810
Less: Investment in subsidiary companies	-	-	(20)	(20)
Capital base	730,743	742,844	729,808	741,790
Capital Ratios				
Core capital ratio	13.74%	14.32%	13.70%	14.30%
Risk-weighted capital ratio	18.03%	19.04%	17.99%	19.02%

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

	Group		Bank	
	31-Mar-13 RM'000	31-Dec-12 RM'000	31-Mar-13 RM'000	31-Dec-12 RM'000
Credit Risk	2,371,701	2,342,944	2,370,328	2,341,393
Market Risk	1,529,564	1,379,739	1,529,564	1,379,739
Operational Risk	151,978	177,923	156,596	179,026
Total risk-weighted assets	4,053,243	3,900,606	4,056,488	3,900,158

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-2013			31-Dec-2012		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk- weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk- weighted amount RM'000
<u>Commitments and Contingent Liabilities</u>						
Direct credit substitutes	65,819	65,819	65,819	60,000	60,000	60,000
Transaction-related contingent items	517,877	258,939	249,296	539,191	269,596	259,674
Short-term self-liquidating trade-related contingencies	13,782	2,756	2,209	20,614	4,123	3,246
Irrevocable commitments to extend credit:						
- maturity less than one year	1,399,157	279,831	248,327	763,469	152,694	132,174
- maturity more than one year	775	388	291	644	322	242
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	6,838,816	124,529	64,844	5,247,363	119,635	66,074
- one year to less than five years	1,055,501	87,242	50,121	709,519	70,827	38,638
- five years and above	337,228	37,023	34,895	441,414	50,503	47,038
Interest rate related contracts:						
- less than one year	5,744,844	46,097	20,370	6,682,579	64,956	27,116
- one year to less than five years	21,059,676	1,051,353	498,768	18,643,909	921,594	453,018
- five years and above	6,064,563	900,717	559,934	6,838,111	879,462	556,140
	43,098,038	2,854,694	1,794,874	39,946,813	2,593,712	1,643,360

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