

THE ROYAL BANK OF SCOTLAND BERHAD
(Company No. 301932 - A)
(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements
30 SEPTEMBER 2011

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 OF 30 SEPTEMBER 2011

| | Note | Group | | Bank | |
|---|------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | 30-Sep 2011 RM'000 | 31-Dec 2010 RM'000 | 30-Sep 2011 RM'000 | 31-Dec 2010 RM'000 |
| ASSETS | | | | | |
| Cash and short-term funds | 2 | 1,206,087 | 2,895,306 | 1,206,087 | 2,895,306 |
| Deposits and placements with other financial institutions | | 367,191 | - | 367,191 | - |
| Securities purchased under resale agreements | 3 | - | 9,910 | - | 9,910 |
| Securities held-for-trading | 4 | 609,498 | 337,881 | 609,498 | 337,881 |
| Securities available-for-sale | 5 | 756,724 | 786,343 | 756,724 | 786,343 |
| Loans, advances and financing | 6 | 403,758 | 333,627 | 403,758 | 333,627 |
| Derivatives financial assets | | 1,221,873 | 1,244,402 | 1,221,873 | 1,244,402 |
| Other assets | 7 | 224,891 | 78,783 | 224,891 | 78,783 |
| Statutory deposits with Bank Negara Malaysia | 8 | - | - | - | - |
| Investments in subsidiary companies | | - | - | 20 | 20 |
| Investment in associated company | | 8,599 | 8,328 | 8,503 | 8,503 |
| Property, plant and equipment | 9 | 17,455 | 21,067 | 17,455 | 21,067 |
| Intangible assets | 10 | 363 | 459 | 363 | 459 |
| Deferred tax assets | | 26,320 | 25,688 | 26,320 | 25,688 |
| TOTAL ASSETS | | 4,842,759 | 5,741,794 | 4,842,683 | 5,741,989 |
| LIABILITIES AND SHAREHOLDER'S FUNDS | | | | | |
| Deposits from customers | 11 | 1,871,415 | 1,966,025 | 1,871,435 | 1,966,045 |
| Deposits and placements of banks and other financial institutions | 12 | 471,865 | 1,534,985 | 471,865 | 1,534,985 |
| Derivatives financial liabilities | | 1,437,754 | 1,227,391 | 1,437,754 | 1,227,391 |
| Other liabilities | 13 | 273,090 | 242,921 | 273,090 | 242,921 |
| Subordinated debt capital | | 208,498 | 205,069 | 208,498 | 205,069 |
| TOTAL LIABILITIES | | 4,262,622 | 5,176,391 | 4,262,642 | 5,176,411 |

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2011 (CONT'D)

| | Note | Group | | Bank | |
|--|------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | 30-Sep 2011 RM'000 | 31-Dec 2010 RM'000 | 30-Sep 2011 RM'000 | 31-Dec 2010 RM'000 |
| Share capital | 14 | 203,000 | 203,000 | 203,000 | 203,000 |
| Reserves | 15 | 377,137 | 362,403 | 377,041 | 362,578 |
| SHAREHOLDER'S FUNDS | | <u>580,137</u> | <u>565,403</u> | <u>580,041</u> | <u>565,578</u> |
| TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS | | <u>4,842,759</u> | <u>5,741,794</u> | <u>4,842,683</u> | <u>5,741,989</u> |
| COMMITMENTS AND CONTINGENCIES | 22 | <u>55,121,718</u> | <u>74,213,184</u> | <u>55,121,718</u> | <u>74,213,184</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 2010.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED INCOME STATEMENTS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2011

| | Note | Group | | Bank | |
|---|------|----------|----------|----------|----------|
| | | 30-Sep | 30-Sep | 30-Sep | 30-Sep |
| | | 2011 | 2010 | 2011 | 2010 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 123,112 | 140,019 | 123,112 | 140,019 |
| Interest income | 16 | 52,742 | 70,048 | 52,742 | 70,048 |
| Interest expense | 17 | (43,836) | (56,182) | (43,836) | (56,182) |
| Other operating income | 18 | 70,370 | 69,971 | 70,370 | 69,971 |
| Other operating expenses | 19 | (53,098) | (60,768) | (53,098) | (60,768) |
| Allowance for impairment on loans, advances and financing | 20 | (530) | 376 | (530) | 376 |
| Share of profit of associate | | 271 | (2,688) | - | - |
| Profit before taxation | | 25,919 | 20,757 | 25,648 | 23,445 |
| Taxation | | (8,861) | (5,189) | (8,861) | (5,189) |
| Profit for the period attributable to equity holder of the Bank | | 17,058 | 15,568 | 16,787 | 18,256 |
| Earnings per share (sen) | | 8.40 | 7.67 | 8.27 | 8.99 |

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2011

| | Note | Group | | Bank | |
|--|------|---------|--------|---------|--------|
| | | 30-Sep | 30-Sep | 30-Sep | 30-Sep |
| | | 2011 | 2010 | 2011 | 2010 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the period | | 17,058 | 15,568 | 16,787 | 18,256 |
| Other comprehensive loss: | | | | | |
| Net (loss)/gain on securities available-for-sale | | (2,324) | 653 | (2,324) | 653 |
| Total comprehensive income for the period | | 14,734 | 16,221 | 14,463 | 18,909 |

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 2010.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2011

| Group | ← Non-distributable → | | | | Distributable | Total RM'000 |
|---|----------------------------|----------------------------|---------------------------------|----------------------------------|--------------------------------|-----------------|
| | Share capital RM'000 | Share premium RM'000 | Statutory reserves RM'000 | Unrealised reserves RM'000 | Retained earnings RM'000 | |
| At 1 January 2010 | 203,000 | 76,182 | 152,463 | 1,427 | 142,203 | 575,275 |
| Loss for the year | - | - | - | - | (10,263) | (10,263) |
| Net gain on securities available-for-sale | - | - | - | 533 | - | 533 |
| Deferred tax | - | - | - | (142) | - | (142) |
| Other comprehensive income | - | - | - | 391 | - | 391 |
| At 31 December 2010 | 203,000 | 76,182 | 152,463 | 1,818 | 131,940 | 565,403 |
| At 1 January 2011 | 203,000 | 76,182 | 152,463 | 1,818 | 131,940 | 565,403 |
| Profit for the period | - | - | - | - | 17,058 | 17,058 |
| Net loss on securities available-for-sale | - | - | - | (176) | - | (176) |
| Deferred tax | - | - | - | (2,923) | - | (2,923) |
| Other comprehensive income | - | - | - | 775 | - | 775 |
| Other comprehensive income | - | - | - | (2,324) | - | (2,324) |
| At 30 September 2011 | 203,000 | 76,182 | 152,463 | (506) | 148,998 | 580,137 |

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 2010.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2011 (CONT'D)

| 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 2010 | 203,000 | 76,182 | 152,463 | 1,427 | 140,084 | 573,156 |
| Loss for the year | - | - | - | - | (7,969) | (7,969) |
| Net gain on securities available-for-sale | - | - | - | 533 | - | 533 |
| Deferred tax | - | - | - | (142) | - | (142) |
| Other comprehensive income | - | - | - | 391 | - | 391 |
| At 31 December 2010 | 203,000 | 76,182 | 152,463 | 1,818 | 132,115 | 565,578 |
| At 1 January 2011 | 203,000 | 76,182 | 152,463 | 1,818 | 132,115 | 565,578 |
| Profit for the period | - | - | - | - | 16,787 | 16,787 |
| Net loss on securities available-for-sale | - | - | - | (176) | - | (176) |
| Realised gain on securities available-for-sale | - | - | - | (2,923) | - | (2,923) |
| Deferred tax | - | - | - | 775 | - | 775 |
| Other comprehensive income | - | - | - | (2,324) | - | (2,324) |
| At 30 September 2011 | 203,000 | 76,182 | 152,463 | (506) | 148,902 | 580,041 |

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 2010.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2011

| | Group | | Bank | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 30-Sep 2011 RM'000 | 30-Sep 2010 RM'000 | 30-Sep 2011 RM'000 | 30-Sep 2010 RM'000 |
| Cash Flows from Operating Activities | | | | |
| Profit before taxation | 25,919 | 20,757 | 25,648 | 23,445 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 4,048 | 4,618 | 4,048 | 4,618 |
| Amortisation of intangible assets | 195 | 580 | 195 | 580 |
| Net allowance for losses on loans and financing | 530 | (376) | 530 | (376) |
| Amortisation of premium less accretion of discount | 2,240 | (1,717) | 2,240 | (1,717) |
| Gain from sale of securities held-for-trading | (5,123) | (4,863) | (5,123) | (4,863) |
| Gain from sale of securities available-for-sale | (2,923) | - | (2,923) | - |
| Unrealised (gain)/ loss on revaluation of securities held-for-trading | 66 | (467) | 66 | (467) |
| Unrealised foreign exchange (gain)/loss | (56,055) | 11,017 | (56,055) | 11,017 |
| Unrealised loss on derivatives trading | 32,727 | 137,825 | 32,727 | 137,825 |
| Share of (profit)/ loss of associate | (271) | 2,688 | - | - |
| Operating profit before working capital changes | 1,353 | 170,062 | 1,353 | 170,062 |

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2011 (CONT'D)

| | Group | | Bank | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 30-Sep 2011 RM'000 | 30-Sep 2010 RM'000 | 30-Sep 2011 RM'000 | 30-Sep 2010 RM'000 |
| Operating profit before working capital changes brought forward | 1,353 | 170,062 | 1,353 | 170,062 |
| (Increase)/Decrease in: | | | | |
| Securities purchased under resale | 9,910 | - | 9,910 | - |
| Securities held-for-trading | (266,560) | 401,767 | (266,560) | 401,767 |
| Loans, advances and financing | (70,661) | 142,686 | (70,661) | 142,686 |
| Other assets and derivatives assets | (99,928) | (118,054) | (99,928) | (118,054) |
| Increase/(Decrease) in: | | | | |
| Deposits from customers | (94,610) | (1,043,358) | (94,610) | (1,043,358) |
| Deposits and placements of banks and other financial institutions | (1,063,120) | (193,248) | (1,063,120) | (193,248) |
| Other liabilities and derivatives liabilities | 243,961 | 374,089 | 243,961 | 374,089 |
| Cash used in operations | (1,339,655) | (266,056) | (1,339,655) | (266,056) |
| Income taxes paid | (9,184) | (16,827) | (9,184) | (16,827) |
| Net cash used in operating activities | <u>(1,348,839)</u> | <u>(282,883)</u> | <u>(1,348,839)</u> | <u>(282,883)</u> |
| Cash Flows from Investing Activities | | | | |
| Purchase of property, plant and equipment | (436) | (302) | (436) | (302) |
| Purchase of intangible assets | (99) | (361) | (99) | (361) |
| Net sale/(purchase) of securities available-for-sale | 27,346 | (455,691) | 27,346 | (455,691) |
| Net cash generated from/(used in) investing activities | <u>26,811</u> | <u>(456,354)</u> | <u>26,811</u> | <u>(456,354)</u> |

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENTS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2011 (CONT'D)

| | Group | | Bank | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 30-Sep 2011 RM'000 | 30-Sep 2010 RM'000 | 30-Sep 2011 RM'000 | 30-Sep 2010 RM'000 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,322,028) | (739,237) | (1,322,028) | (739,237) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>2,895,306</u> | <u>3,119,721</u> | <u>2,895,306</u> | <u>3,119,721</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>1,573,278</u> | <u>2,380,484</u> | <u>1,573,278</u> | <u>2,380,484</u> |

Cash and cash equivalents comprise
the following:

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Cash and short-term funds | 1,206,087 | 2,380,484 | 1,206,087 | 2,380,484 |
| Deposits and placements with banks and other financial institutions | <u>367,191</u> | <u>-</u> | <u>367,191</u> | <u>-</u> |
| | <u>1,573,278</u> | <u>2,380,484</u> | <u>1,573,278</u> | <u>2,380,484</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 2010.

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 unaudited interim 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. 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 2010.

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 2010, except for the adoption of the following Financial Reporting Standards ("FRS"), Amendments to FRSs, IC Interpretations and Technical Release ("TR"):

Amendments to FRS 132 Financial Instruments: Presentation - Classification of Rights Issues
FRS 1 First-time Adoption of Financial Reporting Standards
FRS 3 Business Combinations
FRS 127 Consolidated and Separate Financial Statements
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters
Amendments to FRS 2 Share-based Payment
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7 Improving Disclosures about Financial Instruments
Amendments to FRS 138 Intangible Assets
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"
IC Interpretation 4 Determining Whether an Arrangement contains a Lease
IC Interpretation 12 Service Concession Arrangements
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives

The adoption of the Amendments to FRS 7, which promotes enhanced disclosures on fair value measurement of financial instruments via the introduction of the concept of the fair value hierarchy, will only affect disclosures and will not have any financial impact on the results of the Group and the Bank. Any annual or interim financial statements prepared with an annual comparative period ending before 31 December 2011 need not provide the disclosures required by this Amendments to FRS 7.

The adoption of the other FRSs, Amendments to FRSs, IC Interpretations and Technical Release above generally did not have any material impact on the financial results of the Group and the Bank, as they mainly deal with accounting policies affecting transactions which do not form part of the Group and the Bank's normal business operations or transactions where the Group or the Bank only has minimal exposure.

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

The following FRS 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 2011:

IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

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

FRS 124 Related Party Disclosures

IC Interpretation 15 Agreements for the Construction of Real Estate

Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2010 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 9 months ended 30 September 2011.

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 9 months ended 30 September 2011.

Issuance and Repayment of Debt and Equity Securities

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities during the 9 months ended 30 September 2011.

Dividend

No dividend was paid during the 9 months ended 30 September 2011.

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.

Net Changes in the composition of the Group

There were no changes in the composition of the Group in the 9 months ended 30 September 2011.
Net cash generated from/(used in) investing activities

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

PERFORMANCE REVIEW

The Bank's pre-tax profit for the 9 months ending 30 September 2011 of RM25.6m is a 9.4% increase from that of the same period in 2010.

Total revenue has decreased by 12.1% from last year, driven by lower net interest income as a result of reduction in intergroup deposits and hence a lower placements during the period. Nonetheless, the underlying business of the Bank have seen healthy growth in 2011. Interest income from loans, advances and financing, and securities has increased by 36.6% and 9.1% respectively.

Fee income has also increased by 33.8% as the Bank had recorded a number of sizeable capital market and corporate risk hedging transactions during the period. Derivative and foreign exchange transactions, on the other hand, remained volatile due to the uncertainty and volatility in the markets arising from the US and European sovereign debt crisis.

Other operating expense continued to decline and has dropped 12.6% compared to the same period in 2010, driven by lower head office charges and expenses relating to Retail and Commercial subsequent to the wound down of the business. Impairment allowances were kept at a minimal level.

CURRENT YEAR PROSPECT

The Bank have seen growth to the profit before tax in 2011, driven by business growth from its highly regarded Global banking and Markets ("GBM") and Global Transaction Services ("GTS") franchise. The Bank has been implementing a focused strategy since 2009, by exiting its Retail and Commercial business and aligning its teams to a focused set of clients and competitive products. The strategy has been beneficial as shown by a number of high profile transactions and awards won in 2010 and early 2011, in areas of debt capital markets, structured corporate finance and corporate risk solutions.

2. CASH AND SHORT-TERM FUNDS

| | Group/Bank | |
|--|------------------|------------------|
| | 30-Sep-11 | 31-Dec-10 |
| | RM'000 | RM'000 |
| At Amortised Cost | | |
| Cash and balances with banks and other financial institutions | 562,090 | 295,257 |
| Money at call and deposit placements maturing within one month | 643,997 | 2,600,049 |
| | <u>1,206,087</u> | <u>2,895,306</u> |

3. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

Security purchased under resale agreements are as follows:-

| | Group/Bank | |
|----------------------|------------|--------------|
| | 30-Sep-11 | 31-Dec-10 |
| | RM'000 | RM'000 |
| At Fair Value | | |
| Reverse Repo | - | 9,910 |
| | <u>-</u> | <u>9,910</u> |

4. SECURITIES HELD-FOR-TRADING

| | Group/Bank | |
|--|----------------|----------------|
| | 30-Sep-11 | 31-Dec-10 |
| | RM'000 | RM'000 |
| At Fair Value | | |
| Money market instruments: | | |
| Government Investment Issues | 91,125 | 204,757 |
| Malaysian Government Securities | 508,394 | 123,178 |
| Private debt securities outside Malaysia | - | 9,946 |
| Treasury Bills | 9,979 | - |
| | <u>609,498</u> | <u>337,881</u> |

5. SECURITIES AVAILABLE FOR SALE

| | Group/Bank | |
|--|---------------------|---------------------|
| | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 |
| At Fair Value | | |
| Quoted securities: | | |
| Malaysian Government Securities | 153,955 | 378,240 |
| Government Investment Issues | 516,350 | 278,862 |
| BNM Bills | 84,700 | 112,468 |
| Private debt securities outside Malaysia | - | 15,054 |
| Unquoted shares in Malaysia | 1,719 | 1,719 |
| Total securities available-for-sale | <u>756,724</u> | <u>786,343</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 RM90,000,000 (2010: RM25,000,000).

6. LOANS, ADVANCES AND FINANCING

| | Group/Bank | |
|--|---------------------|---------------------|
| | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 |
| At amortised cost | | |
| (i) By type | | |
| Overdrafts | 62,903 | 47,230 |
| Term loans/financing | | |
| Housing loans/financing | 28,853 | 28,942 |
| Other term loans/financing | 177,641 | 182,226 |
| Bills receivable | 114,853 | 46,513 |
| Claims on customers under acceptance credits | 39,365 | 34,011 |
| Staff loans | 5,613 | 7,454 |
| Revolving credit | 25,100 | 37,300 |
| | <u>454,328</u> | <u>383,676</u> |
| Less: Allowance for impaired loans and financing : | | |
| - Collectively assessed allowance | (6,149) | (5,783) |
| - Individually assessed allowance | (44,421) | (44,266) |
| Net loans, advances and financing | <u>403,758</u> | <u>333,627</u> |

6. LOANS, ADVANCES AND FINANCING (CONTD.)

| | Group/Bank | |
|--|-------------------|------------------|
| | 30-Sep-11 | 31-Dec-10 |
| | RM'000 | RM'000 |
| (ii) By type of customer | | |
| Domestic business enterprises | | |
| Small medium enterprises | 13,083 | 4,940 |
| Others | 383,683 | 338,985 |
| Individuals | 35,436 | 39,751 |
| Foreign entities | 22,126 | - |
| | <u>454,328</u> | <u>383,676</u> |
| (iii) By interest rate sensitivity | | |
| Fixed rate | | |
| Housing loans/financing | 3,680 | 4,778 |
| Other fixed rate loan/financing | 2,332 | 3,450 |
| Variable rate | | |
| BLR plus | 92,927 | 79,767 |
| Cost plus | 355,389 | 295,681 |
| | <u>454,328</u> | <u>383,676</u> |
| (iv) By residual contractual maturity | | |
| Maturity within one year | 427,200 | 350,925 |
| More than one year to three years | - | 3,913 |
| More than three years to five years | - | 160 |
| More than five years | 27,128 | 28,678 |
| | <u>454,328</u> | <u>383,676</u> |
| (v) By geographical distribution | | |
| Malaysia | | |
| Kuala Lumpur | 452,050 | 380,323 |
| Penang | 2,147 | 3,189 |
| Johor | 96 | 115 |
| Perak | 35 | 49 |
| | <u>454,328</u> | <u>383,676</u> |

6. LOANS, ADVANCES AND FINANCING (CONTD.)

| | Group/Bank | |
|--|---------------------|---------------------|
| | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 |
| (vi) By Sector | | |
| Electricity, Gas & Water | 176,133 | 173,961 |
| Manufacturing | 88,734 | 99,107 |
| Construction | 50,873 | 48,209 |
| Purchase of landed properties (Residential) | 32,735 | 36,082 |
| Wholesale and retail | 62,312 | 12,849 |
| Finance, insurance and business services | 22,126 | 4,849 |
| Mining and quarrying | 3,738 | 3,164 |
| Consumption credit | 314 | 2,512 |
| Transport, storage and communication | - | 1,601 |
| Purchase of transport vehicles | 2,388 | 1,342 |
| Community, social and personal services | 14,975 | - |
| | 454,328 | 383,676 |
| (vii) Movements in impaired loans, advances and financing are as follows: | | |
| Balance as at 1 January | 48,603 | 43,540 |
| Impaired during the period / year | 1,649 | 13,408 |
| Reclassified as non-impaired | (1,311) | (8,087) |
| Amount written off | (9) | (258) |
| Balance as at 30 September / 31 December | 48,932 | 48,603 |
| Individually assessed allowance | (44,421) | (44,266) |
| Net impaired loans, advances and financing | 4,511 | 4,337 |
| Gross impaired loans as a percentage of gross loans, advances and financing | 10.77% | 12.67% |
| (viii) Impaired loans ,advances and financing by sector | | |
| Purchase of landed properties (Residential) | 2,760 | 2,423 |
| Manufacturing | 2,147 | 5,128 |
| Construction | 39,574 | 39,575 |
| Wholesale and retail | 1,479 | 1,477 |
| Mining | 2,972 | - |
| | 48,932 | 48,603 |

6. LOANS, ADVANCES AND FINANCING (CONTD.)

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

| | Group/Bank | |
|---|---------------------|---------------------|
| | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 |
| Collectively Assessed Allowance | | |
| Balance as at 1 January | 5,783 | 5,783 |
| Allowance made during the period / year | 366 | - |
| Balance as at 30 September / 31 December | <u>6,149</u> | <u>5,783</u> |
| | | |
| As % of gross loans, advances and financing less individually assessed allowance | <u>1.50%</u> | <u>1.70%</u> |
| | | |
| Individually Assessed Allowance | | |
| Balance as at 1 January | 44,266 | 42,334 |
| Allowance made during the period / year | 640 | 3,333 |
| Amount written back | (476) | (1,143) |
| Amount written off | (9) | (258) |
| Balance as at 30 September / 31 December | <u>44,421</u> | <u>44,266</u> |

7. OTHER ASSETS

| | Group/Bank | |
|---|---------------------|---------------------|
| | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 |
| Tax recoverable | 30,365 | 30,042 |
| Other debtors, deposits and prepayments | 32,740 | 48,741 |
| Unsettled securities | 161,786 | - |
| | <u>224,891</u> | <u>78,783</u> |

8. 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.

9. PROPERTY, PLANT AND EQUIPMENT

| Group and Bank | Freehold Land and Building RM'000 | Motor Vehicle RM'000 | Office Equipments and Machinery RM'000 | Furniture, Fixtures and Fittings RM'000 | Computer Equipments RM'000 | Total RM'000 |
|------------------------------------|--|-------------------------------------|---|--|---|-------------------------|
| At 30 September 2011 | | | | | | |
| Cost | | | | | | |
| At 1 January 2011 | 388 | 616 | 6,212 | 21,619 | 16,042 | 44,877 |
| Additions | - | - | - | - | 436 | 436 |
| At 30 September 2011 | 388 | 616 | 6,212 | 21,619 | 16,478 | 45,313 |
| Accumulated Depreciation | | | | | | |
| At 1 January 2011 | - | 21 | 3,428 | 8,266 | 12,095 | 23,810 |
| Depreciation charge for the period | - | 92 | 637 | 1,888 | 1,431 | 4,048 |
| At 30 September 2011 | - | 113 | 4,065 | 10,154 | 13,526 | 27,858 |
| Net Book Value | 388 | 503 | 2,147 | 11,465 | 2,952 | 17,455 |

9. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

| Group and Bank | Freehold Land and Building RM'000 | Motor Vehicle RM'000 | Office Equipments and Machinery RM'000 | Furniture, Fixtures and Fittings RM'000 | Computer Equipments RM'000 | Total RM'000 |
|----------------------------------|--|-------------------------------------|---|--|---|-------------------------|
| At 31 December 2010 | | | | | | |
| Cost | | | | | | |
| At 1 January 2010 | 388 | 563 | 6,767 | 28,647 | 15,787 | 52,152 |
| Additions | - | 616 | 46 | 14 | 493 | 1,169 |
| Disposals | - | (563) | - | (2,127) | - | (2,690) |
| Write-off | - | - | (601) | (4,915) | (238) | (5,754) |
| At 31 December 2010 | 388 | 616 | 6,212 | 21,619 | 16,042 | 44,877 |
| Accumulated Depreciation | | | | | | |
| At 1 January 2010 | - | 498 | 2,737 | 7,273 | 10,426 | 20,934 |
| Depreciation charge for the year | - | 86 | 971 | 3,289 | 1,824 | 6,170 |
| Disposals | - | (563) | - | (656) | - | (1,219) |
| Write-off | - | - | (280) | (1,640) | (155) | (2,075) |
| At 31 December 2010 | - | 21 | 3,428 | 8,266 | 12,095 | 23,810 |
| Net Book Value | 388 | 595 | 2,784 | 13,353 | 3,947 | 21,067 |

10. INTANGIBLE ASSETS

| | Group/Bank | |
|-----------------------------------|--------------|--------------|
| | 30-Sep-11 | 31-Dec-10 |
| | RM'000 | RM'000 |
| <u>Computer Software:</u> | | |
| Cost | | |
| At 1 January | 2,972 | 2,611 |
| Additions | 99 | 361 |
| At 30 September / 31 December | <u>3,071</u> | <u>2,972</u> |
| Accumulated Amortisation | | |
| At 1 January | 2,513 | 1,770 |
| Amortisation for the period/ year | 195 | 743 |
| At 30 September / 31 December | <u>2,708</u> | <u>2,513</u> |
| Net Book Value | <u>363</u> | <u>459</u> |

11. DEPOSITS FROM CUSTOMERS

| Type | Group | | Bank | |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 |
| Demand deposits | 1,125,946 | 1,171,781 | 1,125,966 | 1,171,801 |
| Saving deposits | 1,245 | 1,690 | 1,245 | 1,690 |
| Fixed deposits | 728,421 | 792,554 | 728,421 | 792,554 |
| Negotiable instruments of deposit | 15,803 | - | 15,803 | - |
| | <u>1,871,415</u> | <u>1,966,025</u> | <u>1,871,435</u> | <u>1,966,045</u> |

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

| | Group/Bank | |
|-------------------------|---------------------|---------------------|
| | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 |
| Due within six months | 719,292 | 709,229 |
| Six months to one year | 15,783 | 71,700 |
| One year to three years | - | 11,625 |
| More than three years | 9,149 | - |
| | <u>744,224</u> | <u>792,554</u> |

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

| | Group | | Bank | |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 |
| Government and statutory bodies | 41,817 | 92,996 | 41,817 | 92,996 |
| Business enterprises | 1,697,422 | 1,496,139 | 1,697,422 | 1,496,139 |
| Individuals | 23,464 | 89,136 | 23,464 | 89,136 |
| Others | 108,712 | 287,754 | 108,732 | 287,774 |
| | <u>1,871,415</u> | <u>1,966,025</u> | <u>1,871,435</u> | <u>1,966,045</u> |

12. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Group/Bank | |
|------------------------------|-------------------|------------------|
| | 30-Sep-11 | 31-Dec-10 |
| | RM'000 | RM'000 |
| Licensed banks | 90,340 | 23,000 |
| Other financial institutions | 381,525 | 1,511,985 |
| | <u>471,865</u> | <u>1,534,985</u> |

13. OTHER LIABILITIES

| | Group/Bank | |
|--------------------------|-------------------|------------------|
| | 30-Sep-11 | 31-Dec-10 |
| | RM'000 | RM'000 |
| Retirement benefits | 22 | 22 |
| Other liabilities | 77,225 | 132,405 |
| Internal settlement cost | 127,033 | 110,494 |
| Unsettled securities | 68,810 | - |
| | <u>273,090</u> | <u>242,921</u> |

14. SHARE CAPITAL

| Net sale/(purchase) of securities available-for-sale | Group/Bank | |
|--|---------------------|---------------------|
| | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 |
| Net cash generated from/(used in) investing activities | | |
| Authorised: | | |
| 500,000,000 ordinary shares of RM1 each | 500,000 | 500,000 |
| Issued and fully paid: | | |
| Balance as at 1 January/ 30 September/ 31 December | 203,000 | 203,000 |

15. RESERVES

| | Group | | Bank | |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 | 30-Sep-11 RM'000 | 31-Dec-10 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 | (506) | 1,818 | (506) | 1,818 |
| Distributable: | | | | |
| Retained earnings | 148,998 | 131,940 | 148,902 | 132,115 |
| | <u>377,137</u> | <u>362,403</u> | <u>377,041</u> | <u>362,578</u> |

16. INTEREST INCOME

| | Group/Bank | |
|---|--------------------------|------------------|
| | 3rd Quarter Ended | |
| | 30-Sep-11 | 30-Sep-10 |
| | RM'000 | RM'000 |
| Loans, advances and financing | 11,108 | 8,129 |
| Money at call and deposit placements with financial institutions | 15,730 | 38,175 |
| Securities - Available-for-sale | 20,551 | 17,546 |
| Securities - Held-for-trading | 7,593 | 4,481 |
| | <u>54,982</u> | <u>68,331</u> |
| Amortisation of premium less accretion of discount | (2,240) | 1,717 |
| Total Interest Income | <u>52,742</u> | <u>70,048</u> |
| Of which: | | |
| Interest income earned on impaired loans, advances and financing | <u>1,221</u> | <u>2,871</u> |

17. INTEREST EXPENSE

| | Group/Bank | |
|--|--------------------------|------------------|
| | 3rd Quarter Ended | |
| | 30-Sep-11 | 30-Sep-10 |
| | RM'000 | RM'000 |
| Deposits and placements of banks and other financial institutions | 20,098 | 18,703 |
| Deposits from other customers | 17,475 | 31,271 |
| Others | 6,263 | 6,208 |
| | <u>43,836</u> | <u>56,182</u> |

18. OTHER OPERATING INCOME

| | Group/Bank | |
|---|--------------------------|------------------|
| | 3rd Quarter Ended | |
| | 30-Sep-11 | 30-Sep-10 |
| | RM'000 | RM'000 |
| Fee income: | | |
| Commission | 5,323 | 2,328 |
| Service charges and fees | 990 | 428 |
| Guarantee fees | 3,858 | 4,633 |
| Other fee income | 1,670 | 1,461 |
| | <u>11,841</u> | <u>8,850</u> |
| Net gain arising from sale of securities: | | |
| Securities held-for-trading | 5,123 | 4,863 |
| Securities available for sale | 2,923 | - |
| | <u>8,046</u> | <u>4,863</u> |
| Unrealised (loss)/ gain on revaluation of securities: | | |
| Securities held-for-trading | (66) | 467 |
| | <u>(66)</u> | <u>467</u> |
| Gross dividend income from: | | |
| Securities available-for-sale | 48 | 93 |
| | <u>48</u> | <u>93</u> |
| Other income: | | |
| Foreign exchange gain/(loss) | | |
| Unrealised | 56,055 | (11,017) |
| Realised | (182,725) | 27,932 |
| (Loss)/Gain on derivatives trading | | |
| Unrealised | (32,727) | (137,825) |
| Realised | 209,898 | 175,548 |
| Others | - | 1,060 |
| | <u>50,501</u> | <u>55,698</u> |
| Total | <u>70,370</u> | <u>69,971</u> |

19. OTHER OPERATING EXPENSES

| | Group/Bank | |
|--|--------------------------|------------------|
| | 3rd Quarter Ended | |
| | 30-Sep-11 | 30-Sep-10 |
| | RM'000 | RM'000 |
| Personnel costs (Note a) | 21,460 | 23,889 |
| Establishment costs (Note b) | 24,202 | 28,973 |
| Marketing expenses (Note c) | 658 | 889 |
| Administration and general expenses (Note d) | 6,778 | 7,017 |
| | <u>53,098</u> | <u>60,768</u> |
| | | |
| (a) Personnel costs | | |
| Salaries, bonuses and allowances | 17,754 | 18,507 |
| Social security costs | 51 | 88 |
| EPF - defined contribution plan | 2,092 | 2,660 |
| Rental of accomodation | 2 | 188 |
| Other staff related expenses | 1,561 | 2,446 |
| | <u>21,460</u> | <u>23,889</u> |
| | | |
| (b) Establishment costs | | |
| Share of Group costs | 13,669 | 15,203 |
| Share of information technology costs | 686 | 4,540 |
| Depreciation of property, plant and equipment | 4,048 | 5,199 |
| Amortisation of intangible asset | 195 | - |
| Rental of premises | 2,832 | 3,063 |
| Others | 2,772 | 968 |
| | <u>24,202</u> | <u>28,973</u> |
| | | |
| (c) Marketing Expenses | | |
| Advertising | 340 | 480 |
| Others | 318 | 409 |
| | <u>658</u> | <u>889</u> |
| | | |
| (d) Administration and general expenses | | |
| Legal and professional fees | 391 | 301 |
| Communication | 1,686 | 1,915 |
| Transportation | 538 | 689 |
| Others | 4,163 | 4,112 |
| | <u>6,778</u> | <u>7,017</u> |

20. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

| | Group/Bank | |
|---|--------------------------|------------------|
| | 3rd Quarter Ended | |
| | 30-Sep-11 | 30-Sep-10 |
| | RM'000 | RM'000 |
| Allowance for impaired loans, advances and financing: | | |
| Individually assessed allowance | | |
| - Made during the financial period | 640 | 767 |
| - Written back | (476) | (1,143) |
| Collectively assessed allowance | | |
| - Made during the financial period | 366 | - |
| | <u>530</u> | <u>(376)</u> |

21. CAPITAL ADEQUACY

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

| | Group | | Bank | |
|-----------------------|------------------|------------------|------------------|------------------|
| | 30-Sep-11 | 31-Dec-10 | 30-Sep-11 | 31-Dec-10 |
| | 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 | 152,463 | 152,463 | 152,463 | 152,463 |
| Retained earnings | 131,940 | 131,940 | 132,115 | 132,115 |
| | <u>563,585</u> | <u>563,585</u> | <u>563,760</u> | <u>563,760</u> |
| Less : | | | | |
| - Deferred tax assets | (25,688) | (25,688) | (25,688) | (25,688) |
| Total Tier-I capital | <u>537,897</u> | <u>537,897</u> | <u>538,072</u> | <u>538,072</u> |

21. CAPITAL ADEQUACY (CONTD.)

| | Group | | Bank | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 |
| Tier-II Capital | | | | |
| Collectively assessed allowance | 5,783 | 5,783 | 5,783 | 5,783 |
| Subordinated debt capital | 200,000 | 200,000 | 200,000 | 200,000 |
| Total Tier-II capital | <u>205,783</u> | <u>205,783</u> | <u>205,783</u> | <u>205,783</u> |
| Total capital funds | 743,680 | 743,680 | 743,855 | 743,855 |
| Less: Investment in subsidiary companies | (20) | (20) | (20) | (20) |
| Capital base | <u>743,660</u> | <u>743,660</u> | <u>743,835</u> | <u>743,835</u> |
| Capital Ratios | | | | |
| Core capital ratio | 10.27% | 11.18% | 10.27% | 11.18% |
| Risk-weighted capital ratio | <u>14.19%</u> | <u>15.45%</u> | <u>14.20%</u> | <u>15.46%</u> |

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

| | Group | | Bank | |
|----------------------------|---------------------|---------------------|---------------------|---------------------|
| | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 | 30-Sep-11 RM'000 | 31-Dec-10 RM'000 |
| Credit Risk | 2,918,122 | 1,856,278 | 2,917,977 | 1,856,540 |
| Market Risk | 2,088,723 | 2,635,582 | 2,088,723 | 2,635,582 |
| Operational Risk | 233,173 | 320,302 | 233,173 | 320,302 |
| Total risk-weighted assets | <u>5,240,018</u> | <u>4,812,162</u> | <u>5,239,873</u> | <u>4,812,424</u> |

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

22 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:

| | Principal amount RM'000 | 2011 Credit equivalent amount * RM'000 | Risk- weighted amount RM'000 | Principal amount RM'000 | 2010 Credit equivalent amount * RM'000 | Risk- weighted amount RM'000 |
|--|-------------------------------|--|---------------------------------------|-------------------------------|--|---------------------------------------|
| <u>Commitments and Contingent Liabilities</u> | | | | | | |
| Direct credit substitutes | 64,557 | 64,557 | 64,557 | 4,809 | 4,809 | 4,809 |
| Transaction-related contingent items | 553,218 | 276,609 | 215,030 | 596,832 | 298,416 | 258,480 |
| Short-term self-liquidating trade-related contingencies | 50,546 | 10,109 | 10,084 | 8,201 | 1,640 | 1,640 |
| Irrevocable commitments to extend credit: | | | | | | |
| - maturity less than one year | 542,700 | 108,540 | 107,920 | 487,951 | 97,590 | 97,590 |
| - maturity more than one year | 367 | 184 | 138 | 451 | 226 | 169 |
| <u>Derivative Financial Contracts</u> | | | | | | |
| Foreign exchange related contracts: | | | | | | |
| - less than one year | 12,608,427 | 417,133 | 213,974 | 12,505,852 | 373,882 | 91,348 |
| - one year to less than five years | 5,063,416 | 400,198 | 210,550 | 5,380,494 | 369,336 | 78,886 |
| - five years and above | 2,455,869 | 375,245 | 305,228 | 2,289,447 | 283,786 | 98,281 |
| Interest rate related contracts: | | | | | | |
| - less than one year | 7,325,757 | 33,717 | 16,753 | 14,156,868 | 150,796 | 38,149 |
| - one year to less than five years | 18,204,390 | 622,157 | 319,667 | 28,672,741 | 979,551 | 200,931 |
| - five years and above | 8,252,471 | 1,120,019 | 700,992 | 10,059,538 | 1,194,486 | 367,677 |
| Credit Derivative Contracts | | | | | | |
| - less than one year | - | - | - | 50,000 | 50 | 10 |
| | <u>55,121,718</u> | <u>3,428,468</u> | <u>2,164,893</u> | <u>74,213,184</u> | <u>3,754,568</u> | <u>1,237,970</u> |

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