

THE ROYAL BANK OF SCOTLAND BERHAD

(Company No. 301932 - A)

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

For Period Ended

30 SEPTEMBER 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 30 SEPTEMBER 2012

	Note	Group		Bank	
		30-Sep 2012 RM'000	31-Dec 2011 RM'000	30-Sep 2012 RM'000	31-Dec 2011 RM'000
ASSETS					
Cash and short-term funds	2	1,515,521	1,596,567	1,515,521	1,596,567
Deposits and placements					
with other financial institutions		91,893	353,624	91,893	353,624
Securities held-for-trading	3	563,359	306,369	563,359	306,369
Securities available-for-sale	4	798,366	788,993	798,366	788,993
Loans, advances and financing	5	450,589	366,509	450,589	366,509
Derivatives financial assets		842,502	1,044,550	842,502	1,044,550
Other assets	6	291,744	25,616	291,744	25,616
Statutory deposits with					
Bank Negara Malaysia	7	13,500	16,000	13,500	16,000
Investments in subsidiary					
companies		-	-	20	20
Investment in associated					
company		8,235	10,149	4,718	8,503
Property, plant and equipment	8	15,040	15,834	15,040	15,834
Intangible assets	9	273	629	273	629
Deferred tax assets		15,775	31,699	15,775	31,699
TOTAL ASSETS		4,606,797	4,556,539	4,603,300	4,554,913
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	10	1,624,427	1,817,251	1,624,447	1,817,271
Deposits and placements					
from banks and other					
financial institutions	11	968,619	532,764	968,619	532,764
Derivatives financial liabilities		982,000	1,213,790	982,000	1,213,790
Other liabilities	12	225,030	180,757	225,030	180,757
Subordinated debt capital		210,375	206,842	210,375	206,842
TOTAL LIABILITIES		4,010,452	3,951,404	4,010,472	3,951,424

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2012 (CONT'D)

	Note	Group		Bank	
		30-Sep 2012 RM'000	31-Dec 2011 RM'000	30-Sep 2012 RM'000	31-Dec 2011 RM'000
Share capital	13	203,000	203,000	203,000	203,000
Reserves	14	393,346	402,135	389,829	400,489
SHAREHOLDER'S FUNDS		<u>596,346</u>	<u>605,135</u>	<u>592,829</u>	<u>603,489</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>4,606,797</u>	<u>4,556,539</u>	<u>4,603,300</u>	<u>4,554,913</u>
COMMITMENTS AND CONTINGENCIES	22	<u>42,698,185</u>	<u>47,556,715</u>	<u>42,698,185</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 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2012

	Note	Group		Bank	
		30-Sep 2012 RM'000	30-Sep 2011 RM'000	30-Sep 2012 RM'000	30-Sep 2011 RM'000
Operating revenue		<u>111,012</u>	<u>123,112</u>	<u>111,012</u>	<u>123,112</u>
Interest income	15	57,341	52,742	57,341	52,742
Interest expense	16	(46,403)	(43,836)	(46,403)	(43,836)
Net interest income		<u>10,938</u>	<u>8,906</u>	<u>10,938</u>	<u>8,906</u>
Other operating income	17	53,671	70,370	53,671	70,370
Other operating expenses	18	(64,525)	(53,098)	(64,525)	(53,098)
Allowance for impairment on loans, advances and financing	19	(803)	(530)	(803)	(530)
Share of profit of associated company		<u>1,871</u>	<u>271</u>	<u>-</u>	<u>-</u>
Profit/(Loss) before taxation		<u>1,152</u>	<u>25,919</u>	<u>(719)</u>	<u>25,648</u>
Taxation	20	(8,847)	(8,861)	(8,847)	(8,861)
(Loss)/Profit for the period attributable to equity holder of the Bank		<u>(7,695)</u>	<u>17,058</u>	<u>(9,566)</u>	<u>16,787</u>
Other comprehensive (loss)/income:					
Net loss on securities available-for-sale		<u>(1,094)</u>	<u>(2,324)</u>	<u>(1,094)</u>	<u>(2,324)</u>
Total comprehensive (loss)/income for for the period		<u>(8,789)</u>	<u>14,734</u>	<u>(10,660)</u>	<u>14,463</u>
(Loss)/Earnings per share (sen)		<u>(3.79)</u>	<u>8.40</u>	<u>(4.71)</u>	<u>8.27</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 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2012

Group	← Non-distributable Reserves →				Distributable Reserve Retained earnings RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves 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	203,000	76,182	162,068	1,308	162,577	605,135
At 1 January 2012	203,000	76,182	162,068	1,308	162,577	605,135
Loss for the period	-	-	-	-	(7,695)	(7,695)
Net loss on securities available-for-sale	-	-	-	(1,470)	-	(1,470)
Deferred tax	-	-	-	376	-	376
Other comprehensive loss	-	-	-	(1,094)	-	(1,094)
At 30 September 2012	203,000	76,182	162,068	214	154,882	596,346

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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STATEMENTS OF CHANGES IN EQUITY
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2012

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	203,000	76,182	162,068	1,308	160,931	603,489
At 1 January 2012	203,000	76,182	162,068	1,308	160,931	603,489
Loss for the period	-	-	-	-	(9,566)	(9,566)
Net loss on securities available-for-sale	-	-	-	(1,470)	-	(1,470)
Deferred tax	-	-	-	376	-	376
Other comprehensive loss	-	-	-	(1,094)	-	(1,094)
At 30 September 2012	203,000	76,182	162,068	214	151,365	592,829

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 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2012

	Group		Bank	
	30-Sep 2012 RM'000	30-Sep 2011 RM'000	30-Sep 2012 RM'000	30-Sep 2011 RM'000
Cash Flows from Operating Activities				
Profit/(Loss) before taxation	1,152	24,533	(719)	24,262
Adjustments for:				
Depreciation of property, plant and equipment	3,787	2,641	3,787	2,641
Amortisation of intangible assets	202	134	202	134
Intangible assets written off	215	-	215	-
Net allowance for impairment on loans, advances and financing	803	319	803	319
(Accretion of discount less amortisation of premium)/ Amortisation of premium less accretion of discount	(3,414)	2,427	(3,414)	2,427
Gain from sale of securities held-for-trading	(1,570)	(2,149)	(1,570)	(2,149)
Gain from sale of securities available-for-sale	(193)	-	(193)	-
Unrealised loss on revaluation of securities held-for-trading	1,036	14	1,036	14
Unrealised foreign exchange gain	(73,331)	(287,099)	(73,331)	(287,099)
Unrealised loss on derivatives trading	58,601	88,161	58,601	88,161
Amortisation of cost and premium relating to subordinated debt capital	3,533	-	3,533	-
Share of gain of associated company	(1,871)	(271)	-	-
Operating loss before working capital changes	(11,050)	(171,290)	(11,050)	(171,290)

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2012

	Group		Bank	
	30-Sep 2012 RM'000	30-Sep 2011 RM'000	30-Sep 2012 RM'000	30-Sep 2011 RM'000
Operating loss before working capital changes brought forward	(11,050)	(171,290)	(11,050)	(171,290)
(Increase)/Decrease in:				
Securities purchased under resale agreements	-	9,910	-	9,910
Securities held-for-trading	(256,456)	28,231	(256,456)	28,231
Loans, advances and financing	(84,883)	(54,525)	(84,883)	(54,525)
Other assets and derivatives financial assets	(36,090)	335,800	(36,090)	335,800
Statutory deposits with Bank Negara Malaysia	2,500	-	2,500	-
Increase/(Decrease) in:				
Deposits from customers	(192,824)	(392,055)	(192,824)	(392,055)
Deposits and placements from banks and other financial institutions	435,855	(644,959)	435,855	(644,959)
Other liabilities and derivative financial liabilities	(187,517)	194,132	(187,517)	194,132
Cash used in operations	(330,465)	(694,756)	(330,465)	(694,756)
Income taxes paid	(5,807)	(7,985)	(5,807)	(7,985)
Net cash used in operating activities	<u>(336,272)</u>	<u>(702,741)</u>	<u>(336,272)</u>	<u>(702,741)</u>
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(2,993)	-	(2,993)	-
Purchase of intangible assets	(61)	-	(61)	-
Proceeds from capital repayment of investment in associated company	3,785	-	3,785	-
Net purchase of securities available-for-sale	(7,236)	(582)	(7,236)	(582)
Net cash used in investing activities	<u>(6,505)</u>	<u>(582)</u>	<u>(6,505)</u>	<u>(582)</u>

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2012

	Group		Bank	
	30-Sep 2012 RM'000	30-Sep 2011 RM'000	30-Sep 2012 RM'000	30-Sep 2011 RM'000
NET DECREASE IN				
CASH AND CASH EQUIVALENTS				
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>1,607,414</u>	<u>2,191,983</u>	<u>1,607,414</u>	<u>2,191,983</u>

Cash and cash equivalents comprise
the following:

Cash and short-term funds	1,515,521	2,065,038	1,515,521	2,065,038
Deposits and placements with other financial institutions	<u>91,893</u>	<u>126,945</u>	<u>91,893</u>	<u>126,945</u>
	<u>1,607,414</u>	<u>2,191,983</u>	<u>1,607,414</u>	<u>2,191,983</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.

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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.

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

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 January 2013:

- MFRS 1 Government loans (Amendments to MFRS 1)
- MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- 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)
- Amendments to MFRSs contained in the documents entitled "Annual Improvements 2009-2011 Cycle"
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)

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

- 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)

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

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 9 months period ended 30 September 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 9 months period ended 30 September 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 9 months period ended 30 September 2012.

Dividend

No dividend was paid during the 9 months period ended 30 September 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 9 months period ended 30 September 2012.

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

PERFORMANCE REVIEW

The Bank reported a pre-tax loss of RM0.7m for the 9 months ended 30 September 2012, as compared to a pre-tax profit of RM25.6m for the same period in the previous year. The loss in current year was mainly due to lower fee income and trading income in 2012. There was a reversal of share of Group cost of RM11.3m recorded in 2011.

Net interest income has improved by RM2.0m, driven mainly by lower interest expense as a result of a reduction in customer deposits from RM1.87b on 30 September 2011 to RM1.62b as at the end of 30 September 2012.

In the first 9 months of 2012, the Bank reported a lower other operating income of RM53.7m as compared to RM70.4m 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 non-recurring RM3m commission income earned by the bank from the sukuk issuance exercise in 2011. Trading income had reduced by RM12.5m in 2012 as compared to the same period in 2011. This drop is mainly contributed by lower profit from the held-for-trading bonds.

Other operating expense increased by RM11.4m as compared to the same period in 2011. This increase is mainly due to one-off waiver of group costs of RM11.3m in 2011 not recurring in 2012 as well as a true-up of accruals in group cost for prior year in 2012. Impairment allowances remained relatively constant.

The Bank continues to manage its balance sheet prudently. The level of lending has grown steadily as compared to prior year. The level of cash and short-term fund has remained stable in order to support client-driven financial markets activities. RWCR has improved to 17.1% from 15.5% as at the end of last year.

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

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. 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.

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. At the same time, RBS group is also exiting 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	
	30-Sep-12	31-Dec-11
	RM'000	RM'000
At Amortised Cost		
Cash and balances with banks and other financial institutions	100,967	47,998
Money at call and deposit placements maturing within one month	1,414,554	1,548,569
	<u>1,515,521</u>	<u>1,596,567</u>

3. SECURITIES HELD-FOR-TRADING

	Group/Bank	
	30-Sep-12	31-Dec-11
	RM'000	RM'000
At Fair Value		
Money market instruments:		
Government Investment Issues	241,565	-
Malaysian Government Securities	321,794	152,245
Bank Negara Malaysia Debt Securities	-	154,124
	<u>563,359</u>	<u>306,369</u>

4. SECURITIES AVAILABLE FOR SALE

	Group/Bank	
	30-Sep-12	31-Dec-11
	RM'000	RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	761,126	270,649
Government Investment Issues	35,521	516,625
At Cost		
Unquoted shares in Malaysia	1,719	1,719
	<u>798,366</u>	<u>788,993</u>

5. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	30-Sep-12	31-Dec-11
	RM'000	RM'000
At amortised cost		
(i) By type		
Overdrafts	52,401	62,904
Term loans/financing		
Housing loans/financing	23,653	27,412
Other term loans/financing	175,546	176,102
Bills receivable	63,570	85,121
Claims on customers under acceptance credits	53,058	40,755
Staff loans	4,287	5,279
Revolving credit	127,672	18,180
Trust receipt	999	616
	<u>501,186</u>	<u>416,369</u>
Less: Allowance for impaired loans and financing :		
- Collective assessment allowance	(6,883)	(5,783)
- Individual assessment allowance	(43,714)	(44,077)
Net loans, advances and financing	<u>450,589</u>	<u>366,509</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Sep-12	31-Dec-11
	RM'000	RM'000
(ii) By type of customer		
Domestic business enterprises:		
Small medium enterprises	12,406	11,726
Others	446,897	359,967
Individuals	28,353	33,360
Foreign entity	6,969	1,488
Domestic banking institutions	6,561	9,828
	<u>501,186</u>	<u>416,369</u>
(iii) By interest rate sensitivity		
Fixed rate		
Housing loans/financing	2,455	3,127
Other fixed rate loan/financing	1,833	2,253
Variable rate		
BLR plus	77,465	91,799
Cost plus	419,433	319,190
	<u>501,186</u>	<u>416,369</u>
(iv) By residual contractual maturity		
Maturity within one year	475,766	387,686
More than one year to three years	198	379
More than three years to five years	1,056	1,057
More than five years	24,166	27,247
	<u>501,186</u>	<u>416,369</u>
(v) By geographical distribution		
Malaysia		
Kuala Lumpur	498,308	414,182
Penang	2,878	2,187
	<u>501,186</u>	<u>416,369</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Sep-12	31-Dec-11
	RM'000	RM'000
(vi) By Sector		
Electricity, Gas & Water	175,133	175,134
Manufacturing	191,839	74,051
Construction	42,473	40,431
Purchase of landed properties (Residential)	26,108	30,737
Wholesale and retail	25,770	62,576
Finance, insurance and business services	24,597	22,036
Consumption credit	259	355
Transport, storage and communication	13,021	8,782
Purchase of transport vehicles	1,986	2,267
	<u>501,186</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	4,858	1,681
Reclassified as non-impaired	(4,386)	(1,823)
Amount written off	(66)	(8)
Balance as at 30 September/31 December	<u>48,859</u>	<u>48,453</u>
Individual assessment allowance	<u>(43,714)</u>	<u>(44,077)</u>
Net impaired loans, advances and financing	<u>5,145</u>	<u>4,376</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>9.75%</u>	<u>11.64%</u>
(viii) Impaired loans, advances and financing by sector		
Purchase of landed properties (Residential)	1,644	2,249
Manufacturing	6,297	5,151
Construction	39,574	39,574
Wholesale and retail	1,344	1,479
	<u>48,859</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	
	30-Sep-12 RM'000	31-Dec-11 RM'000
Collective Assessment Allowance		
Balance as at 1 January	5,783	5,783
Allowance made during the period / year	1,100	-
Balance as at 30 September/31 December	<u>6,883</u>	<u>5,783</u>
As % of gross loans, advances and financing less individual assessment allowance	<u>1.50%</u>	<u>1.55%</u>
Individual Assessment Allowance		
Balance as at 1 January	44,077	44,266
Allowance made during the period /year	169	663
Amount written back	(466)	(844)
Amount written off	(66)	(8)
Balance as at 30 September/31 December	<u>43,714</u>	<u>44,077</u>

6. OTHER ASSETS

	Group/Bank	
	30-Sep-12 RM'000	31-Dec-11 RM'000
Tax recoverable	18,687	5,427
Other debtors, deposits and prepayments	36,495	20,189
Unsettled securities	236,562	-
	<u>291,744</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 30 September 2012						
Cost						
At 1 January 2012	388	616	6,212	21,619	16,348	45,183
Additions	-	-	46	169	2,778	2,993
At 30 September 2012	388	616	6,258	21,788	19,126	48,176
Accumulated Depreciation						
At 1 January 2012	-	144	4,397	10,692	14,116	29,349
Depreciation charge for the period	-	82	427	1,702	1,576	3,787
At 30 September 2012	-	226	4,824	12,394	15,692	33,136
Net Book Value	388	390	1,434	9,394	3,434	15,040

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	
	30-Sep-12	31-Dec-11
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	3,437	2,972
Additions	61	465
Write off	(215)	-
At 30 September/31 December	<u>3,283</u>	<u>3,437</u>
Accumulated Amortisation		
At 1 January	2,808	2,513
Amortisation for the period/year	202	295
At 30 September/31 December	<u>3,010</u>	<u>2,808</u>
Net Book Value	<u>273</u>	<u>629</u>

10. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	30-Sep-12 RM'000	31-Dec-11 RM'000	30-Sep-12 RM'000	31-Dec-11 RM'000
Demand deposits	1,116,380	1,076,615	1,116,400	1,076,635
Saving deposits	1,098	1,535	1,098	1,535
Fixed deposits	501,097	723,539	501,097	723,539
Negotiable instruments of deposits	5,852	15,562	5,852	15,562
	<u>1,624,427</u>	<u>1,817,251</u>	<u>1,624,447</u>	<u>1,817,271</u>

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

	Group/Bank	
	30-Sep-12 RM'000	31-Dec-11 RM'000
Due within six months	491,712	723,144
Six months to one year	6,755	7,088
One year to three years	8,482	20
More than three years	-	8,849
	<u>506,949</u>	<u>739,101</u>

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

	Group		Bank	
	30-Sep-12 RM'000	31-Dec-11 RM'000	30-Sep-12 RM'000	31-Dec-11 RM'000
Government and statutory bodies	67,648	38,087	67,648	38,087
Business enterprises	1,369,879	1,621,049	1,369,879	1,621,049
Individuals	14,098	15,225	14,098	15,225
Others	172,802	142,890	172,822	142,910
	<u>1,624,427</u>	<u>1,817,251</u>	<u>1,624,447</u>	<u>1,817,271</u>

11. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	30-Sep-12	31-Dec-11
	RM'000	RM'000
Licensed banks	165,608	55,673
Other financial institutions	803,011	477,091
	<u>968,619</u>	<u>532,764</u>

12. OTHER LIABILITIES

	Group/Bank	
	30-Sep-12	31-Dec-11
	RM'000	RM'000
Other liabilities	37,515	50,948
Internal settlement cost	152,098	129,809
Unsettled securities	35,417	-
	<u>225,030</u>	<u>180,757</u>

13. SHARE CAPITAL

	Group/Bank	
	30-Sep-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/30 September/31 December	203,000	203,000

14. RESERVES

	Group		Bank	
	30-Sep-12	31-Dec-11	30-Sep-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	214	1,308	214	1,308
Distributable:				
Retained earnings	154,882	162,577	151,365	160,931
	<u>393,346</u>	<u>402,135</u>	<u>389,829</u>	<u>400,489</u>

15. INTEREST INCOME

	Group/Bank	
	9 Months Period Ended	
	30-Sep-12	30-Sep-11
	RM'000	RM'000
Loans, advances and financing	11,378	11,108
Money at call and deposit placements with financial institutions	10,429	15,730
Securities - Available-for-sale	21,377	20,551
Securities - Held-for-trading	10,743	7,593
	<u>53,927</u>	<u>54,982</u>
Accretion of discount less amortisation of premium/ (Amortisation of premium less accretion of discount)	3,414	(2,240)
Total Interest Income	<u>57,341</u>	<u>52,742</u>
Of which:		
Interest income earned on impaired loans, advances and financing	<u>331</u>	<u>345</u>

16. INTEREST EXPENSE

	Group/Bank	
	9 months Period Ended	
	30-Sep-12	30-Sep-11
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	23,301	20,098
Deposits from other customers	15,467	17,475
Others	7,635	6,263
	<u>46,403</u>	<u>43,836</u>

17. OTHER OPERATING INCOME

	Group/Bank	
	9 Months Period Ended	
	30-Sep-12	30-Sep-11
	RM'000	RM'000
Fee income:		
Commission	1,245	5,323
Service charges and fees	1,032	990
Guarantee fees	4,026	3,858
Other fee income	1,353	1,670
	<u>7,656</u>	<u>11,841</u>
Net gain arising from sale of securities:		
Securities held-for-trading	1,570	5,123
Securities available for sale	193	2,923
	<u>1,763</u>	<u>8,046</u>
Unrealised loss on revaluation of securities:		
Securities held-for-trading	(1,036)	(66)
	<u>(1,036)</u>	<u>(66)</u>
Gross dividend income from:		
Securities available-for-sale	42	48
	<u>42</u>	<u>48</u>
Other income:		
Foreign exchange (loss)/gain		
Unrealised	73,331	56,055
Realised	(75,603)	(182,725)
(Loss)/Gain on derivatives trading		
Unrealised	(58,601)	(32,727)
Realised	106,119	209,898
	<u>45,246</u>	<u>50,501</u>
	<u>53,671</u>	<u>70,370</u>

18. OTHER OPERATING EXPENSES

	Group/Bank	
	9 Months Period Ended	
	30-Sep-12	30-Sep-11
	RM'000	RM'000
Personnel costs (Note a)	17,951	21,460
Establishment costs (Note b)	39,459	24,202
Marketing expenses (Note c)	530	658
Administration and general expenses (Note d)	6,585	6,778
	<u>64,525</u>	<u>53,098</u>
(a) Personnel costs		
Salaries, bonuses and allowances	12,606	17,754
Social security costs	147	51
EPF - defined contribution plan	1,959	2,092
Rental of accomodation	-	2
Other staff related expenses	3,239	1,561
	<u>17,951</u>	<u>21,460</u>
(b) Establishment costs		
Share of Group costs - current year	21,470	25,001
- prior years	4,478	(11,332)
Share of information technology costs	372	686
Depreciation of property, plant and equipment	3,787	4,048
Amortisation of intangible assets	202	195
Rental of premises	2,832	2,832
Others	6,318	2,772
	<u>39,459</u>	<u>24,202</u>
(c) Marketing Expenses		
Advertising	387	340
Others	143	318
	<u>530</u>	<u>658</u>
(d) Administration and general expenses		
Legal and professional fees	784	391
Communication	1,828	1,686
Transportation	1,158	538
Others	2,815	4,163
	<u>6,585</u>	<u>6,778</u>

19. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group/Bank	
	9 Months Period Ended	
	30-Sep-12	30-Sep-11
	RM'000	RM'000
Allowance for impaired loans, advances and financing:		
Individual assessment allowance:		
- Made during the financial period	169	640
- Written back during the financial period	(466)	(476)
Collective assesment allowance:		
- Made during the financial period	1,100	366
	<u>803</u>	<u>530</u>

20. Taxation

	Group/Bank	
	9 Months Period Ended	
	30-Sep-12	30-Sep-11
	RM'000	RM'000
Malaysian income tax based on results for period/year		
Current period	323	8,861
Overprovision in prior years	(7,776)	-
Current tax (income)/expense	<u>(7,453)</u>	<u>8,861</u>
Deferred tax:		
Relating to origination and reversal of temporary differences	16,300	-
Deferred tax expense	<u>16,300</u>	<u>-</u>
	<u>8,847</u>	<u>8,861</u>

21. CAPITAL ADEQUACY

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

	Group		Bank	
	30-Sep-12	31-Dec-11	30-Sep-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>
	Group		Bank	
	30-Sep-12	31-Dec-11	30-Sep-12	31-Dec-11
	RM'000	RM'000	RM'000	RM'000
Tier-II Capital				
Collective assessment allowance	5,783	5,783	5,783	5,783
Subordinated debt capital	190,000	200,000	190,000	200,000
Total Tier-II capital	<u>195,783</u>	<u>205,783</u>	<u>195,783</u>	<u>205,783</u>
Total capital funds	767,911	777,911	766,265	776,265
Less: Investment in subsidiary companies	-	-	(20)	(20)
Capital base	<u>767,911</u>	<u>777,911</u>	<u>766,245</u>	<u>776,245</u>
Capital Ratios				
Core capital ratio	12.78%	11.45%	12.76%	11.42%
Risk-weighted capital ratio	<u>17.16%</u>	<u>15.57%</u>	<u>17.14%</u>	<u>15.53%</u>

21. CAPITAL ADEQUACY (CONTD.)

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

	Group		Bank	
	30-Sep-12	31-Dec-11	30-Sep-12	31-Dec-11
	RM'000	RM'000	RM'000	RM'000
Credit Risk	2,558,221	2,987,421	2,552,945	2,984,952
Market Risk	1,768,664	1,801,076	1,768,664	1,801,076
Operational Risk	148,607	207,471	148,607	210,986
Total risk-weighted assets	<u>4,475,492</u>	<u>4,995,968</u>	<u>4,470,216</u>	<u>4,997,014</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:

	30-Sep-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	64,071	64,071	64,071	64,187	64,187	64,187
Transaction-related contingent items	578,599	289,300	277,962	553,071	276,536	219,983
Short-term self-liquidating trade-related contingencies	6,882	1,376	1,376	30,497	6,099	3,260
Irrevocable commitments to extend credit:						
- maturity less than one year	1,288,246	257,649	217,551	598,687	119,737	119,678
- maturity more than one year	744	372	279	356	178	133
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	6,903,113	171,485	78,846	6,996,522	137,948	73,571
- one year to less than five years	670,797	64,954	32,596	721,209	66,202	32,885
- five years and above	527,531	61,454	56,082	646,313	78,813	67,194
Interest rate related contracts:						
- less than one year	7,451,964	109,725	53,615	9,781,653	170,606	63,809
- one year to less than five years	18,502,251	915,891	458,566	18,016,709	810,498	364,123
- five years and above	6,703,987	925,414	583,666	10,147,511	1,381,729	881,937
	42,698,185	2,861,691	1,824,610	47,556,715	3,112,533	1,890,760

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