

**THE ROYAL BANK OF SCOTLAND BERHAD**

(Company No. 301932 - A)

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements**

**For Period Ended**

**30 June 2016**

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 30 JUNE 2016**

	Note	Group		Bank	
		30-Jun 2016 RM'000	31-Dec 2015 RM'000	30-Jun 2016 RM'000	31-Dec 2015 RM'000
<b>ASSETS</b>					
Cash and short-term funds	2	1,028,106	2,136,446	1,028,106	2,136,446
Securities available-for-sale	3	383,695	240,465	383,695	240,465
Loans, advances and financing	4	299,944	414,350	299,944	414,350
Derivatives financial assets		189,772	531,672	189,772	531,672
Statutory deposits with Bank Negara Malaysia	5	1,337	1,337	1,337	1,337
Other assets	6	37,560	63,615	37,560	63,615
Investments in subsidiary companies		-	-	-	10
Investment in associated company		1,300	1,300	1,300	1,300
Property, plant and equipment	7	4,411	5,367	4,411	5,367
Intangible assets	8	851	1,127	851	1,127
Deferred tax assets		10,137	11,876	10,137	11,876
<b>TOTAL ASSETS</b>		<b>1,957,113</b>	<b>3,407,555</b>	<b>1,957,113</b>	<b>3,407,565</b>
<b>LIABILITIES AND SHAREHOLDER'S FUNDS</b>					
Deposits from customers	9	587,939	1,165,590	587,939	1,165,600
Deposits and placements from banks and other financial institutions	10	40,158	329,488	40,158	329,488
Derivatives financial liabilities		502,825	1,086,749	502,825	1,086,749
Other liabilities	11	33,897	55,002	33,897	55,002
<b>TOTAL LIABILITIES</b>		<b>1,164,819</b>	<b>2,636,829</b>	<b>1,164,819</b>	<b>2,636,839</b>

**THE ROYAL BANK OF SCOTLAND BERHAD**  
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**UNAUDITED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016 (CONT'D)**

	Note	Group		Bank	
		30-Jun 2016 RM'000	31-Dec 2015 RM'000	30-Jun 2016 RM'000	31-Dec 2015 RM'000
Share capital	12	343,000	343,000	343,000	343,000
Reserves	13	449,294	427,726	449,294	427,726
<b>SHAREHOLDER'S FUNDS</b>		<u>792,294</u>	<u>770,726</u>	<u>792,294</u>	<u>770,726</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS</b>		<u>1,957,113</u>	<u>3,407,555</u>	<u>1,957,113</u>	<u>3,407,565</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	20	<u>9,427,148</u>	<u>18,461,580</u>	<u>9,427,148</u>	<u>18,461,580</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 2015.

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

**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016**

	Note	Group		Bank	
		30-Jun 2016 RM'000	30-Jun 2015 RM'000	30-Jun 2016 RM'000	30-Jun 2015 RM'000
Operating revenue		36,634	51,745	36,634	51,745
Interest income	14	28,324	37,741	28,324	37,741
Interest expense	15	(3,006)	(5,082)	(3,006)	(5,082)
Net interest income		25,318	32,659	25,318	32,659
Other operating income	16	8,310	14,004	8,310	14,004
Other operating expenses	17	(11,271)	(17,880)	(11,271)	(17,880)
Writeback/(Allowance) for impairment on loans, advances and financing	18	1,507	(1,326)	1,507	(1,326)
Profit before taxation		23,864	27,457	23,864	27,457
Taxation		(1,777)	(3,019)	(1,777)	(3,019)
Profit for the period attributable to equity holder of the Bank		22,087	24,438	22,087	24,438
Other comprehensive profit:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net (loss)/profit on securities available-for-sale		(519)	1,126	(519)	1,126
Total comprehensive profit for for the period		21,568	25,564	21,568	25,564
Earnings per share (sen)		6.44	7.12	6.44	7.12

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 2015.

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun 2016 RM'000</b>	<b>30-Jun 2015 RM'000</b>	<b>30-Jun 2016 RM'000</b>	<b>30-Jun 2015 RM'000</b>
<b>Cash Flows from Operating Activities</b>				
Profit before taxation	23,864	27,457	23,864	27,457
Adjustments for:				
Depreciation of property, plant and equipment	975	1,415	975	1,415
Net gain on disposal of property and equipment	-	(15,345)	-	(15,345)
Amortisation of intangible assets	282	108	282	108
Net allowance for impairment on loans, advances and financing	(1,507)	1,326	(1,507)	1,326
Amortisation of premium less accretion of discount	65	1,230	65	1,230
Unrealised foreign exchange gain	(63,435)	(45,903)	(63,435)	(45,903)
Unrealised (gain)/loss on derivatives trading	(9,034)	159,080	(9,034)	159,080
Dividends received	(45)	(45)	(45)	(45)
Operating profit before working capital changes	(48,835)	129,323	(48,835)	129,323

**THE ROYAL BANK OF SCOTLAND BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun 2016 RM'000</b>	<b>30-Jun 2015 RM'000</b>	<b>30-Jun 2016 RM'000</b>	<b>30-Jun 2015 RM'000</b>
Operating profit before working capital changes brought forward	(48,835)	129,323	(48,835)	129,323
(Increase)/Decrease in:				
Loans, advances and financing	115,914	64,269	115,914	64,269
Other assets and derivatives financial assets	440,968	144,210	440,968	144,210
Statutory deposits with Bank Negara Malaysia	-	3,403	-	3,403
Cash collateral pledged for derivative transactions	231,798	(153,032)	231,798	(153,032)
Increase/(Decrease) in:				
Deposits from customers	(577,651)	(60,272)	(577,661)	(60,272)
Deposits and placements from banks and other financial institutions	(289,330)	(245,429)	(289,330)	(245,429)
Other liabilities and derivative financial liabilities	(605,444)	(65,142)	(605,444)	(65,142)
Cash used in operations	<u>(732,580)</u>	<u>(182,670)</u>	<u>(732,590)</u>	<u>(182,670)</u>
Income taxes paid	(2)	(1,243)	(2)	(1,243)
Net cash used in operating activities	<u>(732,582)</u>	<u>(183,913)</u>	<u>(732,592)</u>	<u>(183,913)</u>
<b>Cash Flows from/(used in) Investing Activities</b>				
Purchase of property, plant and equipment	(19)	(1,062)	(19)	(1,062)
Purchase of intangible assets	(6)	-	(6)	-
Dividends received	45	45	45	45
Proceeds from securities available-for-sale upon maturity	100,000	60,000	100,000	60,000
Net purchase of securities available-for-sale	(243,979)	(60,064)	(243,979)	(60,064)
Dissolution of dormant subsidiary	-	-	10	-
Proceeds from disposal of property and equipment	-	16,241	-	16,241
Net cash generated from investing activities	<u>(143,959)</u>	<u>15,160</u>	<u>(143,949)</u>	<u>15,160</u>

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016**

	<b>Group</b>		<b>Bank</b>	
	<b>30-Jun</b>	<b>30-Jun</b>	<b>30-Jun</b>	<b>30-Jun</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(876,541)	(168,753)	(876,541)	(168,753)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>1,602,986</u>	<u>1,530,831</u>	<u>1,602,986</u>	<u>1,530,831</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>726,445</u>	<u>1,362,078</u>	<u>726,445</u>	<u>1,362,078</u>

Cash and cash equivalents comprise the following:

Cash and short-term funds	1,028,106	1,666,535	1,028,106	1,666,535
Cash collateral pledged	<u>(301,661)</u>	<u>(304,457)</u>	<u>(301,661)</u>	<u>(304,457)</u>
	<u>726,445</u>	<u>1,362,078</u>	<u>726,445</u>	<u>1,362,078</u>

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**THE ROYAL BANK OF SCOTLAND BERHAD**  
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**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016**

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	Regulatory reserves RM'000		
At 1 January 2015	343,000	76,182	172,259	(956)	4,237	148,294	743,016
Profit for the year	-	-	-	-	-	26,337	26,337
Transfer to statutory reserves	-	-	6,584	-	-	(6,584)	-
Transfer from regulatory reserves	-	-	-	-	(3,084)	3,084	-
Net gain on securities available-for-sale	-	-	-	1,823	-	-	1,823
Deferred tax	-	-	-	(450)	-	-	(450)
Other comprehensive income	-	-	-	1,373	-	-	1,373
At 31 December 2015	<u>343,000</u>	<u>76,182</u>	<u>178,843</u>	<u>417</u>	<u>1,153</u>	<u>171,131</u>	<u>770,726</u>
At 1 January 2016	343,000	76,182	178,843	417	1,153	171,131	770,726
Profit for the period	-	-	-	-	-	22,087	22,087
Transfer to regulatory reserve	-	-	-	-	69	(69)	-
Net loss on securities available-for-sale	-	-	-	(683)	-	-	(683)
Deferred tax	-	-	-	164	-	-	164
Other comprehensive income	-	-	-	(519)	-	-	(519)
At 30 June 2016	<u>343,000</u>	<u>76,182</u>	<u>178,843</u>	<u>(102)</u>	<u>1,222</u>	<u>193,149</u>	<u>792,294</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 2015.

**THE ROYAL BANK OF SCOTLAND BERHAD**  
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**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2016**

Bank	← 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	Regulatory reserves RM'000		
At 1 January 2015	343,000	76,182	172,259	(956)	4,237	148,294	743,016
Profit for the year	-	-	-	-	-	26,337	26,337
Transfer to statutory reserves	-	-	6,584	-	-	(6,584)	-
Transfer from regulatory reserves	-	-	-	-	(3,084)	3,084	-
Net gain on securities available-for-sale	-	-	-	1,823	-	-	1,823
Deferred tax	-	-	-	(450)	-	-	(450)
Other comprehensive income	-	-	-	1,373	-	-	1,373
At 31 December 2015	<u>343,000</u>	<u>76,182</u>	<u>178,843</u>	<u>417</u>	<u>1,153</u>	<u>171,131</u>	<u>770,726</u>
At 1 January 2016	343,000	76,182	178,843	417	1,153	171,131	770,726
Profit for the period	-	-	-	-	-	22,087	22,087
Transfer to regulatory reserve	-	-	-	-	69	(69)	-
Net loss on securities available-for-sale	-	-	-	(683)	-	-	(683)
Deferred tax	-	-	-	164	-	-	164
Other comprehensive income	-	-	-	(519)	-	-	(519)
At 30 June 2016	<u>343,000</u>	<u>76,182</u>	<u>178,843</u>	<u>(102)</u>	<u>1,222</u>	<u>193,149</u>	<u>792,294</u>

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**PERFORMANCE REVIEW**

The Bank recorded pre-tax profit of RM23.9m for the 6 months ended 30 June 2016, as compared to pre-tax profit of RM27.5m of the same period in 2015.

The Bank has reported a decrease in net interest income of RM7.3m comparing to the same period in 2015, driven by lower interest income from loans, advances and financing.

Other operating expenses reduced by RM11.5m compared to the same period in 2015 as a result of reduction in establishment expenses which was in line with the Bank's continuous effort to reduce cost. Impairment allowances were kept at a minimal level.

Total capital ratio of the Bank improved to 51.6% as at 30 June 2016 as compared to 36.9% as at 31 December 2015. This is in line with the Bank's continuous derisking initiatives via trades novation or trades compression. In addition, the improved capital ratio is also contributed by the application of netting by the Bank in accordance to the Netting of Financial Agreement Act 2015.

**CURRENT YEAR PROSPECT**

Malaysia recorded its slowest economic growth in nearly seven years in the first quarter of 2016, contributed by weak exports and tepid domestic demand. However, despite high levels of household debt, domestic demand is expected to continue to be a key driver of growth, supported by growth in income levels and employment. During the period, activity in the oil and gas sector continues to be moderate whilst the economy is expected to be supported by on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors.

BNM reduced the Overnight Policy Rate to 3% on 13 July 2016. The change signals the central bank's accommodative stance in monetary policy to promote steady growth in the domestic economy.

The Malaysia economy is expected to grow at a moderate pace in 2016 after recording a 5% growth in 2015, while inflation is projected to be lower at 2-3%.

On 8 August 2016, the Bank, together with Taiwan's CTBC Holding, announced that both parties have mutually agreed to terminate the Implementation Agreement with regards to the 100% sale of the Bank's equity stake. Following the announcement, the Bank will commence the wind down of the Malaysia business accordingly.

**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 2015. 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 2015.

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 2015.

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

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 beginning on or after 1 January 2016

Investment Entities: Applying the Consolidation Exception

(Amendments to MFRS 10, MFRS 12 and MFRS 128)

Accounting for Acquisitions of Interests in Joint Operations

(Amendments to MFRS 11)

Disclosure Initiative

(Amendments to MFRS 101)

Clarification of Acceptable Methods of Depreciation and Amortisation

(Amendments to MFRS 116 and MFRS 138)

Equity Method in Separate Financial Statements

(Amendments to MFRS 127)

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012–2014 Cycle"

Effective for annual periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments

MFRS 15 Revenue from Contracts with Customers

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

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 2015 was not qualified.

### **Significant Event**

On 8 August 2016, the Bank, together with Taiwan's CTBC Holding, announced that both parties have mutually agreed to terminate the IA after concluding that completion will not be achieved within the timelines stated. Following the announcement, the Bank will commence the wind down of the Malaysia business accordingly.

### **Seasonal or cyclical factors**

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

### **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 6 months ended 30 June 2016.

### **Issuance and Repayment of Debt and Equity Securities**

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities during the 6 months ended 30 June 2016.

### **Dividend**

No dividend was paid during the 6 months ended 30 June 2016.

### **Changes in the composition of the Group**

The Group's subsidiaries, RBS Nominees (Tempatan) Sdn. Bhd. and RBS Nominees (Asing) Sdn. Bhd. have been officially dissolved by the Companies Commission of Malaysia ("CCM").

## 2. CASH AND SHORT-TERM FUNDS

	<b>Group/Bank</b>	
	<b>30-Jun-16</b>	<b>31-Dec-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	56,445	59,886
Money at call and deposit placements maturing within one month	971,661	2,076,560
	<u>1,028,106</u>	<u>2,136,446</u>

## 3. SECURITIES AVAILABLE-FOR-SALE

	<b>Group/Bank</b>	
	<b>30-Jun-16</b>	<b>31-Dec-15</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
Quoted securities:		
Malaysian Government Securities	277,820	189,017
Malaysian Government Treasury Bills	104,176	49,749
<b>At Cost</b>		
Unquoted shares in Malaysia	1,699	1,699
	<u>383,695</u>	<u>240,465</u>

## 4. LOANS, ADVANCES AND FINANCING

	<b>Group/Bank</b>	
	<b>30-Jun-16</b>	<b>31-Dec-15</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
<b>(i) By type</b>		
Overdrafts	1,107	20,461
Term loans/financing:		
Housing loans/financing	14,537	15,366
Other term loans/financing	99	130
Factoring receivable	38,668	37,878
Bills receivable	-	684
Claims on customers under acceptance credits	19,219	70,975
Staff loans	1,434	1,539
Revolving credit	227,495	271,435
	<u>302,559</u>	<u>418,468</u>
Less: Allowance for impaired loans, advances and financing :		
Collective assessment allowance	(2,407)	(3,866)
Individual assessment allowance	(208)	(252)
Net loans, advances and financing	<u>299,944</u>	<u>414,350</u>

#### 4. LOANS, ADVANCES AND FINANCING (CONTD.)

##### (ii) By type of customer

	Group/Bank	
	30-Jun-16	31-Dec-15
	RM'000	RM'000
Domestic business enterprises:		
Others	286,489	401,432
Individuals	16,070	17,036
	302,559	418,468

##### (iii) By interest rate sensitivity

	Group/Bank	
	30-Jun-16	31-Dec-15
	RM'000	RM'000
Fixed rate:		
Housing loans/financing	847	841
Other fixed rate loan/financing	451	564
Variable rate:		
BLR plus	15,879	15,631
Cost plus	285,382	401,432
	302,559	418,468

##### (iv) By residual contractual maturity

	Group/Bank	
	30-Jun-16	31-Dec-15
	RM'000	RM'000
Maturity within one year	267,506	401,624
More than one year to three years	19,843	418
More than three years to five years	535	898
More than five years	14,675	15,528
	302,559	418,468

##### (v) By geographical distribution

	Group/Bank	
	30-Jun-16	31-Dec-15
	RM'000	RM'000
Malaysia:		
Selangor	230,997	241,470
Kuala Lumpur	70,818	155,739
Johor	-	20,460
Negeri Sembilan	380	409
Pulau Pinang	332	343
Melaka	32	47
	302,559	418,468

#### 4. LOANS, ADVANCES AND FINANCING (CONTD.)

##### (vi) By Sector

	<b>Group/Bank</b>	
	<b>30-Jun-16</b>	<b>31-Dec-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Wholesale and retail	119,219	261,958
Finance, insurance and business services	66,495	70,835
Manufacturing	76,376	47,678
Mining and quarrying	16,550	20,961
Purchase of residential landed properties	15,520	16,341
Construction	7,734	-
Transport, storage and communication	115	-
Purchase of transport vehicles	544	679
Consumption credit	6	16
	<u>302,559</u>	<u>418,468</u>

##### (vii) Movements in impaired loans, advances and financing are as follows:

	<b>Group/Bank</b>	
	<b>30-Jun-16</b>	<b>31-Dec-15</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	1,416	2,028
Impaired during the period/year	441	381
Reclassified as non-impaired	(502)	(580)
Amount written off	-	(413)
At 30 June/31 December	<u>1,355</u>	<u>1,416</u>
Individual assessment allowance	(208)	(252)
Net impaired loans, advances and financing	<u>1,147</u>	<u>1,164</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.45%</u>	<u>0.34%</u>

##### (viii) Impaired loans, advances and financing by sector

	<b>Group/Bank</b>	
	<b>30-Jun-16</b>	<b>31-Dec-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of landed properties (Residential)	1,327	1,416
Purchase of motor vehicles	28	-
	<u>1,355</u>	<u>1,416</u>

#### 4. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group/Bank	
	30-Jun-16	31-Dec-15
	RM'000	RM'000
<b>Collective Assessment Allowance</b>		
At 1 January	3,866	4,592
Allowance made during the period / year	-	1,403
Amount written back	(1,459)	(2,129)
At 30 June/31 December	<u>2,407</u>	<u>3,866</u>
<b>Individual Assessment Allowance</b>		
At 1 January	252	800
Allowance made during the period/year	132	405
Amount written back	(176)	(539)
Amount written off	-	(414)
At 30 June/31 December	<u>208</u>	<u>252</u>

#### 5. 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.

#### 6. OTHER ASSETS

	Group/Bank	
	30-Jun-16	31-Dec-15
	RM'000	RM'000
Tax recoverable	10,198	9,654
Other receivables, deposits and prepayments	27,362	53,961
	<u>37,560</u>	<u>63,615</u>

## 7. PROPERTY, PLANT AND EQUIPMENT

<b>Group and Bank</b>	<b>Freehold Land and Building RM'000</b>	<b>Motor Vehicle RM'000</b>	<b>Office Equipment and Machinery RM'000</b>	<b>Furniture, Fixtures and Fittings RM'000</b>	<b>Computer Equipment RM'000</b>	<b>Total RM'000</b>
<b>At 30 June 2016</b>						
<b>Cost</b>						
At 1 January 2016	-	616	3,618	3,821	10,600	18,655
Additions	-	-	-	-	19	19
At 30 June 2016	-	616	3,618	3,821	10,619	18,674
<b>Accumulated Depreciation</b>						
At 1 January 2016	-	616	3,398	1,955	7,319	13,288
Depreciation charge for the period	-	-	48	327	600	975
At 30 June 2016	-	616	3,446	2,282	7,919	14,263
<b>Net Book Value</b>	-	-	172	1,539	2,700	4,411

**7. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

<b>Group and Bank</b>	<b>Freehold Land and Building RM'000</b>	<b>Motor Vehicle RM'000</b>	<b>Office Equipment and Machinery RM'000</b>	<b>Furniture, Fixtures and Fittings RM'000</b>	<b>Computer Equipment RM'000</b>	<b>Total RM'000</b>
<b>At 31 December 2015</b>						
<b>Cost</b>						
At 1 January 2015	388	616	3,583	12,670	15,907	33,164
Additions	-	-	5	-	1,230	1,235
Write off	-	-	(536)	(760)	(2,462)	(3,758)
Disposals	(388)	-	-	(8,089)	-	(8,477)
Reclassification (Note 8)	-	-	566	-	(4,075)	(3,509)
At 31 December 2015	-	616	3,618	3,821	10,600	18,655
<b>Accumulated Depreciation</b>						
At 1 January 2015	-	468	3,583	7,932	12,060	24,043
Depreciation charge for the year	-	103	-	827	1,691	2,621
Write off	-	-	(533)	(760)	(2,446)	(3,739)
Disposals	-	-	-	(5,835)	-	(5,835)
Reclassification (Note 8)	-	45	348	(209)	(3,986)	(3,802)
At 31 December 2015	-	616	3,398	1,955	7,319	13,288
<b>Net Book Value</b>	-	-	220	1,866	3,281	5,367

## 8. INTANGIBLE ASSETS

	Group/Bank	
	30-Jun-16	31-Dec-15
	RM'000	RM'000
<u>Computer Software:</u>		
<b>Cost</b>		
At 1 January	4,536	3,831
Additions	6	1,149
Write off	-	(3,953)
Reclassification (Note 7)	-	3,509
At 31 March/31 December	<u>4,542</u>	<u>4,536</u>
<b>Accumulated Amortisation</b>		
At 1 January	3,409	3,165
Amortisation for the period/year	282	394
Write off	-	(3,952)
Reclassification (Note 7)	-	3,802
At 31 March/31 December	<u>3,691</u>	<u>3,409</u>
<b>Net Book Value</b>	<u>851</u>	<u>1,127</u>

## 9. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	30-Jun-16 RM'000	31-Dec-15 RM'000	30-Jun-16 RM'000	31-Dec-15 RM'000
Demand deposits	496,990	1,080,448	496,990	1,080,458
Saving deposits	1,015	962	1,015	962
Fixed deposits	89,934	84,180	89,934	84,180
	<u>587,939</u>	<u>1,165,590</u>	<u>587,939</u>	<u>1,165,600</u>

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

	Group/Bank	
	30-Jun-16 RM'000	31-Dec-15 RM'000
Due within six months	89,732	84,137
Six months to one year	202	43
	<u>89,934</u>	<u>84,180</u>

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

	Group		Bank	
	30-Jun-16 RM'000	31-Dec-15 RM'000	30-Jun-16 RM'000	31-Dec-15 RM'000
Business enterprises	343,384	1,001,169	343,384	1,001,179
Government and statutory bodies	20,206	1,499	20,206	1,499
Individuals	13,292	14,669	13,292	14,669
Others	211,057	148,253	211,057	148,253
	<u>587,939</u>	<u>1,165,590</u>	<u>587,939</u>	<u>1,165,600</u>

## 10. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	30-Jun-16 RM'000	31-Dec-15 RM'000
Licensed banks	22,454	29,879
Other financial institutions	17,704	299,609
	<u>40,158</u>	<u>329,488</u>

## 11. OTHER LIABILITIES

	Group/Bank	
	30-Jun-16 RM'000	31-Dec-15 RM'000
Other liabilities	30,820	36,607
Internal settlement cost	-	15,734
Tax liabilities	3,077	2,661
	<u>33,897</u>	<u>55,002</u>

## 12. SHARE CAPITAL

	Group/Bank	
	30-Jun-16 '000	31-Dec-15 '000
<b>Authorised:</b>		
<b>Ordinary shares of RM1 each:</b>		
At beginning/end of the year	<u>500,000</u>	<u>500,000</u>

	Group/Bank	
	30-Jun-16 RM'000	31-Dec-15 RM'000
<b>Issued and fully paid:</b>		
<b>Ordinary shares of RM1 each:</b>		
At beginning of year	<u>343,000</u>	<u>343,000</u>
Balance as at 30 June/31 December	<u>343,000</u>	<u>343,000</u>

## 13. RESERVES

	Group/Bank	
	30-Jun-16 RM'000	31-Dec-15 RM'000
<b>Non-distributable:</b>		
Share premium	76,182	76,182
Statutory reserves	178,843	178,843
Unrealised reserves	(102)	417
Regulatory reserves	1,222	1,153
<b>Distributable:</b>		
Retained earnings	<u>193,149</u>	<u>171,131</u>
	<u>449,294</u>	<u>427,726</u>

#### 14. INTEREST INCOME

	<b>Group/Bank</b>	
	<b>Six months ended</b>	
	<b>30-Jun-16</b>	<b>30-Jun-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans, advances and financing	7,448	13,365
Money at call and deposit placements with financial institutions	16,507	18,292
Securities - Available-for-sale	4,434	7,314
	<u>28,389</u>	<u>38,971</u>
Amortisation of premium less accretion of discount	(65)	(1,230)
Total Interest Income	<u>28,324</u>	<u>37,741</u>
Of which:		
Interest income earned on impaired loans, advances and financing	<u>159</u>	<u>45</u>

#### 15. INTEREST EXPENSE

	<b>Group/Bank</b>	
	<b>Six months ended</b>	
	<b>30-Jun-16</b>	<b>30-Jun-15</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements of banks and other financial institutions	270	611
Deposits from other customers	2,736	4,471
	<u>3,006</u>	<u>5,082</u>

## 16. OTHER OPERATING INCOME

	<b>Group</b>		<b>Bank</b>	
	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>30-Jun-16</b>	<b>30-Jun-15</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee income:				
Commission	557	466	557	466
Service charges and fees	537	908	537	908
Guarantee fees	790	1,093	790	1,093
Other fee income	5,159	862	5,159	862
	<u>7,043</u>	<u>3,329</u>	<u>7,043</u>	<u>3,329</u>
Net gain arising from disposal of property, plant and equipment	-	15,345	-	15,345
	<u>-</u>	<u>15,345</u>	<u>-</u>	<u>15,345</u>
Gross dividend income from:				
Securities available-for-sale	45	45	45	45
Associated company	-	-	-	-
	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>
Other income:				
Foreign exchange gain/(loss)				
Unrealised	63,435	45,903	63,435	45,903
Realised	(36,952)	(47,142)	(36,952)	(47,142)
Gain/(Loss) on derivatives trading				
Unrealised	9,034	(159,080)	9,034	(159,080)
Realised	(33,867)	155,220	(33,867)	155,220
Others	(428)	384	(428)	384
	<u>1,222</u>	<u>(4,715)</u>	<u>1,222</u>	<u>(4,715)</u>
	<u>8,310</u>	<u>14,004</u>	<u>8,310</u>	<u>14,004</u>

## 17. OTHER OPERATING EXPENSES

	Group		Bank	
	Six months ended		Six months ended	
	30-Jun-16 RM'000	30-Jun-15 RM'000	30-Jun-16 RM'000	30-Jun-15 RM'000
Personnel costs (Note a)	9,058	10,101	9,058	10,101
Establishment costs (Note b)	(554)	4,412	(554)	4,412
Marketing expenses (Note c)	117	154	117	154
Administration and general expenses (Note d)	2,650	3,213	2,650	3,213
	<u>11,271</u>	<u>17,880</u>	<u>11,271</u>	<u>17,880</u>
<b>(a) Personnel costs</b>				
Salaries, bonuses and allowances	6,595	7,612	6,595	7,612
Social security costs	171	258	171	258
EPF - defined contribution plan	1,137	1,189	1,137	1,189
Rental of accomodation	51	62	51	62
Other staff related expenses	1,104	980	1,104	980
	<u>9,058</u>	<u>10,101</u>	<u>9,058</u>	<u>10,101</u>
<b>(b) Establishment costs</b>				
Share of Group costs - current year	-	2,548	-	2,548
- prior years	(3,597)	-	(3,597)	-
Depreciation of property, plant and equipment	975	1,415	975	1,415
Amortisation of intangible assets	282	108	282	108
Rental of premises	800	595	800	595
Others	986	(254)	986	(254)
	<u>(554)</u>	<u>4,412</u>	<u>(554)</u>	<u>4,412</u>
<b>(c) Marketing Expenses</b>				
Advertising	27	101	27	101
Others	90	53	90	53
	<u>117</u>	<u>154</u>	<u>117</u>	<u>154</u>
<b>(d) Administration and general expenses</b>				
Legal and professional fees	280	890	280	890
Communication	932	572	932	572
Transportation	60	234	60	234
Property maintenance	420	496	420	496
Others	958	1,021	958	1,021
	<u>2,650</u>	<u>3,213</u>	<u>2,650</u>	<u>3,213</u>

## 18. (WRITEBACK)/ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group/Bank	
	Six months ended	
	30-Jun-16	30-Jun-15
	RM'000	RM'000
(Write back)/Allowance for impairment on loans, advances and financing:		
<b>Individual assessment allowance:</b>		
Made in the financial period	132	230
Written back in the financial period	(176)	(295)
Impaired loans and financing recovered	(4)	(12)
<b>Collective assesment allowance:</b>		
Made in the financial period	(1,459)	1,403
	<u>(1,507)</u>	<u>1,326</u>

## 19. CAPITAL ADEQUACY

The components of Common Equity Tier-I (CET I), Tier I and Tier II capital are as follows:

	Group		Bank	
	30-Jun-16	31-Dec-15	30-Jun-16	31-Dec-15
	RM'000	RM'000	RM'000	RM'000
<b>CET I/Tier-I capital</b>				
Paid-up share capital	343,000	343,000	343,000	343,000
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	178,843	178,843	178,843	178,843
Retained earnings	171,062	171,131	171,062	171,131
Unrealised reserve	(102)	417	(102)	417
	<u>768,985</u>	<u>769,573</u>	<u>768,985</u>	<u>769,573</u>
Less :				
- Deferred tax assets	(10,137)	(12,105)	(10,137)	(12,105)
Total CET I/Tier-I capital	<u>758,848</u>	<u>757,468</u>	<u>758,848</u>	<u>757,468</u>

## 19. CAPITAL ADEQUACY (CONTD.)

	Group		Bank	
	30-Jun-16 RM'000	31-Dec-15 RM'000	30-Jun-16 RM'000	31-Dec-15 RM'000
<b>Tier-II Capital</b>				
Collective assessment allowance	2,407	3,866	2,407	3,866
Regulatory reserves	1,222	1,153	1,222	1,153
Total Tier-II capital	<u>3,629</u>	<u>5,019</u>	<u>3,629</u>	<u>5,019</u>
Total capital funds	762,477	762,487	762,477	762,487
Less: Investment in subsidiary companies	-	-	-	(10)
Capital base	<u>762,477</u>	<u>762,487</u>	<u>762,477</u>	<u>762,477</u>
<b>Capital Ratios</b>				
CET I capital ratio	51.30%	36.61%	51.30%	36.61%
Tier 1 capital ratio	51.30%	36.61%	51.30%	36.61%
Total capital ratio	<u>51.55%</u>	<u>36.85%</u>	<u>51.55%</u>	<u>36.85%</u>

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

	Group		Bank	
	30-Jun-16 RM'000	31-Dec-15 RM'000	30-Jun-16 RM'000	31-Dec-15 RM'000
Credit Risk	889,658	1,403,900	889,658	1,403,900
Market Risk	302,497	572,917	302,497	572,917
Operational Risk	287,000	92,309	287,000	92,467
Total risk-weighted assets	<u>1,479,155</u>	<u>2,069,126</u>	<u>1,479,155</u>	<u>2,069,284</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 as at 30 June 2016 is 8.7% (2015: 8%).

The Group and the Bank enter into derivative transactions under the International Swaps and Derivatives Association ("ISDA") master netting agreements and with the Netting of Financial Agreement Act 2015 effected on 30 March 2015, the ISDA agreements allow all transactions under the financial agreement to be terminated and the sum values to be aggregated, resulting in a single net amount being payable by one party to the other upon the occurrence of a credit event such as insolvency or default. As at 30 June 2016, netting has been applied when computing the Group and the Bank's credit risk.

## 20. 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-Jun-2016			31-Dec-2015		
	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	46,286	46,286	46,286	1,370	1,370	1,370
Transaction-related contingent items	124,940	62,470	59,637	240,279	120,140	116,781
Short-term self-liquidating trade-related contingencies	61,575	12,315	12,315	72,844	14,569	14,569
Other commitments, such as formal standby						
- maturity less than one year	1,122,583	224,517	223,110	1,694,305	338,861	324,766
- maturity more than one year	174	87	65	179	90	67
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	2,096,099	31,560	31,245	3,573,493	47,789	37,929
- one year to less than five years	91,132	2,168	793	245,100	29,569	22,326
Interest rate related contracts:						
- less than one year	1,506,985	56,940	25,292	3,167,600	270,872	132,030
- one year to less than five years	2,706,433	159,256	62,626	7,543,711	514,708	193,823
- five years and above	1,670,941	89,077	25,626	1,922,699	223,564	57,765
	<b>9,427,148</b>	<b>684,676</b>	<b>486,995</b>	<b>18,461,580</b>	<b>1,561,532</b>	<b>901,426</b>

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

The Royal Bank of Scotland Berhad  
As at 30 June 2016

Analysis of the Group's financial performance

(i) Total Assets

	30-Jun-16		As at 30-Jun-15		Variance		31-Dec-15		As at 31-Dec-14		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	1,957,113	100%	3,224,873	100%	(1,267,760)	0%	3,407,565	100%	3,572,646	100%	(165,081)	0%
Others	-	0%	(20)	0%	20	0%	(10)	0%	(20)	0%	10	0%
RBS Group	1,957,113	100%	3,224,853	100%	(1,267,740)	0%	3,407,555	100%	3,572,626	100%	(165,071)	0%

(ii) Profit before tax

	2016		6 months ended 30 June 2015		Variance		2016		3 months ended 30 June (current interim period) 2015		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	23,864	100%	27,457	100%	(3,593)	0%	10,167	100%	7,634	100%	2,533	0%
Others	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total profit before tax	23,864	100%	27,457	100%	(3,593)	0%	10,167	100%	7,634	100%	2,533	0%

(iii) Profit after tax

	2016		6 months ended 30 June 2015		Variance		2016		3 months ended 30 June (current interim period) 2015		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	22,087	100%	24,438	100%	(2,351)	0%	8,943	100%	6,393	100%	2,550	0%
Others	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total profit after tax	22,087	100%	24,438	100%	(2,351)	0%	8,943	100%	6,393	100%	2,550	0%

(iv) Ratio of profit before tax to average shareholders' funds

	6 months ended 30 June (cumulative)		3 months ended 30 June (current interim period)	
	2016	2015	2016	2015
	%	%	%	%
RBS Berhad	3.05%	3.63%	1.30%	1.01%
RBS Group	3.05%	3.63%	1.30%	1.01%

(v) Ratio of profit before tax to average total assets

	6 months ended 30 June (cumulative)		3 months ended 30 June (current interim period)	
	2016	2015	2016	2015
	%	%	%	%
RBS Berhad	0.89%	0.81%	0.38%	0.22%
RBS Group	0.89%	0.81%	0.38%	0.22%