

THE ROYAL BANK OF SCOTLAND BERHAD

(Company No. 301932 - A)

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements
For Period Ended
30 June 2015**

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 2015

	Note	Group		Bank	
		30-Jun 2015 RM'000	31-Dec 2014 RM'000	30-Jun 2015 RM'000	31-Dec 2014 RM'000
ASSETS					
Cash and short-term funds	2	1,666,535	1,682,256	1,666,535	1,682,256
Securities available-for-sale	3	385,543	385,332	385,543	385,332
Loans, advances and financing	4	665,563	731,157	665,563	731,157
Derivatives financial assets		429,776	689,173	429,776	689,173
Statutory deposits with					
Bank Negara Malaysia	5	1,337	4,741	1,337	4,741
Other assets	6	52,216	49,710	52,216	49,710
Investments in subsidiary					
companies		-	-	20	20
Investment in associated					
company		1,300	1,300	1,300	1,300
Property, plant and equipment	7	6,124	9,121	6,124	9,121
Intangible assets	8	558	666	558	666
Deferred tax assets		15,901	19,170	15,901	19,170
TOTAL ASSETS		3,224,853	3,572,626	3,224,873	3,572,646
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	9	1,155,115	1,215,387	1,155,135	1,215,407
Deposits and placements					
from banks and other					
financial institutions	10	460,522	705,952	460,522	705,952
Derivatives financial liabilities		787,151	837,976	787,151	837,976
Other liabilities	11	53,485	70,295	53,485	70,295
TOTAL LIABILITIES		2,456,273	2,829,610	2,456,293	2,829,630

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015 (CONT'D)

		Group		Bank	
	Note	30-Jun 2015 RM'000	31-Dec 2014 RM'000	30-Jun 2015 RM'000	31-Dec 2014 RM'000
Share capital	12	343,000	343,000	343,000	343,000
Reserves	13	425,580	400,016	425,580	400,016
SHAREHOLDER'S FUNDS		<u>768,580</u>	<u>743,016</u>	<u>768,580</u>	<u>743,016</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>3,224,853</u>	<u>3,572,626</u>	<u>3,224,873</u>	<u>3,572,646</u>
COMMITMENTS AND CONTINGENCIES	20	<u>22,175,231</u>	<u>31,758,198</u>	<u>22,175,231</u>	<u>31,758,198</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 2014.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

	Note	Group		Bank	
		30-Jun 2015 RM'000	30-Jun 2014 RM'000	30-Jun 2015 RM'000	30-Jun 2014 RM'000
Operating revenue		<u>51,745</u>	<u>37,519</u>	<u>51,745</u>	<u>37,771</u>
Interest income	14	37,741	25,990	37,741	25,990
Interest expense	15	<u>(5,082)</u>	<u>(3,561)</u>	<u>(5,082)</u>	<u>(3,561)</u>
Net interest income		32,659	22,429	32,659	22,429
Other operating income	16	14,004	11,529	14,004	11,781
Other operating expenses	17	(17,880)	(29,810)	(17,880)	(30,693)
(Allowance)/ Write back for impairment on loans, advances and financing	18	(1,326)	(779)	(1,326)	(779)
Share of loss of associated company		-	(683)	-	-
Profit before taxation		<u>27,457</u>	<u>2,686</u>	<u>27,457</u>	<u>2,738</u>
Taxation		<u>(3,019)</u>	<u>(2,802)</u>	<u>(3,019)</u>	<u>(2,802)</u>
Profit for the period attributable to equity holder of the Bank		<u>24,438</u>	<u>(116)</u>	<u>24,438</u>	<u>(64)</u>
Other comprehensive profit:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net profit on securities available-for-sale		<u>1,126</u>	<u>485</u>	<u>1,126</u>	<u>485</u>
Total comprehensive profit for for the period		<u>25,564</u>	<u>369</u>	<u>25,564</u>	<u>421</u>
Earnings/(Loss) per share (sen)		<u>7.12</u>	<u>(0.03)</u>	<u>7.12</u>	<u>(0.02)</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 2014.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

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 2014	203,000	76,182	163,742	(809)	-	144,067	586,182
Issuance of ordinary shares	140,000	-	-	-	-	-	140,000
Profit for the year	-	-	-	-	-	16,981	16,981
Transfer to statutory reserves	-	-	8,517	-	-	(8,517)	-
Transfer to regulatory reserves	-	-	-	-	4,237	(4,237)	-
Net loss on securities available-for-sale	-	-	-	(196)	-	-	(196)
Deferred tax	-	-	-	49	-	-	49
Other comprehensive loss	-	-	-	(147)	-	-	(147)
At 31 December 2014	343,000	76,182	172,259	(956)	4,237	148,294	743,016
At 1 January 2015	343,000	76,182	172,259	(956)	4,237	148,294	743,016
Profit for the period	-	-	-	-	-	24,438	24,438
Transfer from regulatory reserve	-	-	-	-	(2,173)	2,173	-
Net gain on securities available-for-sale	-	-	-	1,377	-	-	1,377
Deferred tax	-	-	-	(251)	-	-	(251)
Other comprehensive profit	-	-	-	1,126	-	-	1,126
At 30 June 2015	343,000	76,182	172,259	170	2,064	174,905	768,580

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 2014.

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STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

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 2014	203,000	76,182	163,742	(809)	-	144,015	586,130
Issuance of ordinary shares	140,000	-	-	-	-	-	140,000
Profit for the year	-	-	-	-	-	17,033	17,033
Transfer to statutory reserves	-	-	8,517	-	-	(8,517)	-
Transfer to regulatory reserves	-	-	-	-	4,237	(4,237)	-
Net loss on securities available-for-sale	-	-	-	(196)	-	-	(196)
Deferred tax	-	-	-	49	-	-	49
Other comprehensive loss	-	-	-	(147)	-	-	(147)
At 31 December 2014	343,000	76,182	172,259	(956)	4,237	148,294	743,016
At 1 January 2015	343,000	76,182	172,259	(956)	4,237	148,294	743,016
Profit for the period	-	-	-	-	-	24,438	24,438
Transfer from regulatory reserve	-	-	-	-	(2,173)	2,173	-
Net gain on securities available-for-sale	-	-	-	1,377	-	-	1,377
Deferred tax	-	-	-	(251)	-	-	(251)
Other comprehensive profit	-	-	-	1,126	-	-	1,126
At 30 June 2015	343,000	76,182	172,259	170	2,064	174,905	768,580

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 2014.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

	Group		Bank	
	30-Jun 2015 RM'000	30-Jun 2014 RM'000	30-Jun 2015 RM'000	30-Jun 2014 RM'000
Cash Flows from Operating Activities				
Profit before taxation	27,457	2,686	27,457	2,738
Adjustments for:				
Depreciation of property, plant and equipment	1,415	1,787	1,415	1,787
Net gain on disposal of property and equipment	(15,345)	-	(15,345)	-
Amortisation of intangible assets	108	141	108	141
Impairment of investment in associate	-	-	-	883
Net allowance for impairment on loans, advances and financing	1,326	755	1,326	755
Amortisation of premium less accretion of discount	1,230	2,179	1,230	2,179
Gain from sale of securities available-for-sale	-	(43)	-	(43)
Unrealised foreign exchange gain	(45,903)	(22,656)	(45,903)	(22,656)
Unrealised loss on derivatives trading	159,080	32,492	159,080	32,492
Amortisation of cost and premium relating to subordinated debt capital	-	(8,553)	-	(8,553)
Dividends received	(45)	(45)	(45)	(297)
Share of loss of associated company	-	683	-	-
Operating profit before working capital changes	129,323	9,426	129,323	9,426

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STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

	Group		Bank	
	30-Jun 2015 RM'000	30-Jun 2014 RM'000	30-Jun 2015 RM'000	30-Jun 2014 RM'000
Operating profit before working capital changes brought forward	129,323	9,426	129,323	9,426
(Increase)/Decrease in:				
Loans, advances and financing	64,269	(287,307)	64,269	(287,307)
Other assets and derivatives financial assets	144,210	83,676	144,210	83,676
Statutory deposits with Bank Negara Malaysia	3,403	(8,697)	3,403	(8,697)
Cash collateral pledged for derivative transactions	(153,032)	(4,787)	(153,032)	(4,787)
Increase/(Decrease) in:				
Deposits from customers	(60,272)	(66,545)	(60,272)	(66,545)
Deposits and placements from banks and other financial institutions	(245,429)	111,917	(245,429)	111,917
Other liabilities and derivative financial liabilities	(65,142)	(254,952)	(65,142)	(254,952)
Cash used in operations	(182,670)	(417,269)	(182,670)	(417,269)
Income taxes paid	(1,243)	(3,350)	(1,243)	(3,350)
Income taxes refunded	-	15,809	-	15,809
Net cash used in operating activities	<u>(183,913)</u>	<u>(404,810)</u>	<u>(183,913)</u>	<u>(404,810)</u>

Cash Flows from/(used in) Investing Activities

Purchase of property, plant and equipment	(1,062)	(926)	(1,062)	(926)
Dividends received	45	297	45	297
Proceeds from securities available-for-sale upon maturity	60,000	-	60,000	-
Net (purchase)/sale of securities available-for-sale	(60,064)	186,304	(60,064)	186,304
Proceeds from disposal of property and equipment	16,241	-	16,241	-
Net cash generated from investing activities	<u>15,160</u>	<u>185,675</u>	<u>15,160</u>	<u>185,675</u>

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STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

	Group		Bank	
	30-Jun	30-Jun	30-Jun	30-Jun
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash Flows from Financing Activities				
Proceeds from share issuance	-	140,000	-	140,000
Redemption of subordinated debt capital	-	(200,000)	-	(200,000)
Net cash used in financing activities	-	(60,000)	-	(60,000)
NET DECREASE IN CASH				
AND CASH EQUIVALENTS	(168,753)	(279,135)	(168,753)	(279,135)
CASH AND CASH EQUIVALENTS				
AT BEGINNING OF PERIOD	1,530,831	1,364,034	1,530,831	1,364,034
CASH AND CASH EQUIVALENTS				
AT END OF PERIOD	1,362,078	1,084,899	1,362,078	1,084,899
Cash and cash equivalents comprise the following:				
Cash and short-term funds	1,666,535	1,134,686	1,666,535	1,134,686
Cash collateral pledged	(304,457)	(49,787)	(304,457)	(49,787)
	1,362,078	1,084,899	1,362,078	1,084,899

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PERFORMANCE REVIEW

The Bank recorded pre-tax profit of RM27.5m for the 6 months ended 30 June 2015, as compared to pre-tax profit of RM2.7m of the same period in 2014.

The Bank has reported an increase in net interest income of RM10.2m comparing to the same period in 2014, driven by higher interest income from loans, advances and financing and money market placements.

Other operating expenses reduced by RM12.8m compared to the same period in 2014 as a result of reduction in establishment expenses and in line with the Bank's continuous effort to reduce cost. Impairment allowances were kept at a minimal level.

Gross loans, advances and financing remained stable. Total capital ratio of the Bank is at 29.8% as a result of reduction of assets that consumed higher risk weight.

CURRENT YEAR PROSPECT

From Malaysia market perspective, the latest indicators are pointing to a continued expansion of the economy, albeit at a more moderate pace. Private consumption is expected to be slower due to increased consumption activities prior to the implementation of the Goods and Services Tax (GST) which came effect on 1st April 2015. Investment activity is projected to be driven by capital spending in the manufacturing and services sectors, as well as for infrastructure projects.

Headline inflation averaged at 2% in Q2 2015 and is expected to increase following the impact of the GST and the recent increase in domestic fuel prices, before moderating towards the second half of 2016. The Ringgit continues to weaken with the recent global and domestic developments.

The Bank continues to serve its existing customers and expected to carry its strong capital base in the second half of 2015.

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 2014. 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 2014.

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 2014.

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.

On 4 February 2014, Bank Negara Malaysia (BNM) issued a letter requiring banking institutions to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment provisions, pursuant to paragraph 13 of the BNM's Policy Document on Classification and Impairment Provisions for Loan/Financing. The regulatory reserves is maintained in addition to the impairment provisions required under MFRSs, and it will be set aside from the retained profits to a separate reserves within equity as an additional credit risk absorbent. Banking institutions are required to comply with this requirement by 31 December 2015.

The Bank has early adopted the above requirement and as a result, any additional or reduction in impairment required is transferred between other reserves and retained earnings.

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 2016:

Equity Method in Separate Financial Statements

(Amendments to MFRS 127)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(Amendments to MFRS 10 and MFRS 128)

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

Disclosure Initiative (Amendments to MFRS 101)

Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)

Effective for annual periods commencing on or after 1 January 2017:

MFRS 15 Revenue from Contracts with Customers

Effective for annual periods commencing on or after 1 January 2018

MFRS 9 Financial Instruments (2014)

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 2014 was not qualified.

Significant Event

In February 2015, The Royal Bank of Scotland Group Plc (“RBS Group”) announced that it will reduce its geographical footprint to approximately 13 countries, compared with 38 at the end of 2014, and the RBS Group is evaluating the options to implement the strategy announced. In addition to its main distribution and trading hubs in the UK, US and Singapore, RBS Group will remain present in a number of Western European countries with coverage teams.

The Bank operates outside RBS Group’s prospective geographical footprint and has ceased marketing to new customers. It continues to serve existing customers and regards its business as a going concern.

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

During the 6 months ended 30 June 2015, the Bank had disposed its freehold land and building located in Penang, Malaysia along with certain office equipment and machinery, furniture, fixtures and fittings. The net gain arising from the disposal is RM15.3m.

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 2015.

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 2015.

Dividend

No dividend was paid during the 6 months ended 30 June 2015.

Material Events Subsequent to the Balance Sheet Date

There are no material events subsequent to the Balance Sheet Date

Changes in the composition of the Group

There were no changes in the composition of the Group in the 6 months ended 30 June 2015.

2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000
Cash and balances with banks and other financial institutions	62,078	357,896
Money at call and deposit placements maturing within one month	1,604,457	1,324,360
	<u>1,666,535</u>	<u>1,682,256</u>

3. SECURITIES AVAILABLE-FOR-SALE

	Group/Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	383,844	383,633
At Cost		
Unquoted shares in Malaysia	1,699	1,699
	<u>385,543</u>	<u>385,332</u>

4. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000
At amortised cost		
(i) By type		
Overdrafts	40,958	38,043
Term loans/financing:		
Housing loans/financing	16,648	17,626
Other term loans/financing	163	196
Factoring receivable	28,291	51,258
Bills receivable	77,262	84,296
Claims on customers under acceptance credits	32,585	47,333
Staff loans	1,570	2,287
Revolving credit	474,424	495,369
Trust receipt	312	141
	<u>672,213</u>	<u>736,549</u>
Less: Allowance for impaired loans, advances and financing :		
Collective assessment allowance	(5,995)	(4,592)
Individual assessment allowance	(655)	(800)
Net loans, advances and financing	<u>665,563</u>	<u>731,157</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

(ii) By type of customer

	Group/Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
Domestic business enterprises:		
Small medium enterprises	484	933
Others	638,227	703,068
Individuals	18,381	20,108
Foreign entity	15,121	11,152
Domestic banking institutions	-	1,288
	<u>672,213</u>	<u>736,549</u>

(iii) By interest rate sensitivity

	Group/Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
Fixed rate:		
Housing loans/financing	725	1,450
Other fixed rate loan/financing	719	837
Variable rate:		
BLR plus	18,574	20,224
Cost plus	652,195	714,038
	<u>672,213</u>	<u>736,549</u>

(iv) By residual contractual maturity

	Group/Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
Maturity within one year	653,864	717,205
More than one year to three years	728	844
More than three years to five years	1,017	753
More than five years	16,604	17,747
	<u>672,213</u>	<u>736,549</u>

(v) By geographical distribution

	Group/Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
Malaysia:		
Selangor	364,149	449,249
Kuala Lumpur	233,761	234,493
Johor	36,679	20,917
Perak	21,762	19,948
Pulau Pinang	352	388
Negeri Sembilan	327	327
Melaka	62	75
Outside of Malaysia	15,121	11,152
	<u>672,213</u>	<u>736,549</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

(vi) By Sector

	Group/Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000
Manufacturing	234,613	272,200
Construction	-	9,583
Purchase of landed properties (Residential)	17,499	18,747
Wholesale and retail	267,518	278,790
Finance, insurance and business services	129,862	80,899
Mining and quarrying	21,271	74,718
Consumption credit	41	115
Transport, storage and communication	569	251
Purchase of transport vehicles	840	1,246
	<u>672,213</u>	<u>736,549</u>

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

	Group/Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000
At 1 January	2,028	1,885
Impaired during the period/year	347	674
Reclassified as non-impaired	(497)	(498)
Amount written off	(80)	(33)
At 30 June/31 December	<u>1,798</u>	<u>2,028</u>
Individual assessment allowance	(655)	(800)
Net impaired loans, advances and financing	<u>1,143</u>	<u>1,228</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.27%</u>	<u>0.28%</u>

(viii) Impaired loans, advances and financing by sector

	Group/Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000
Purchase of landed properties (Residential)	1,465	1,646
Purchase of motor vehicles	-	48
Wholesale and retail	333	334
	<u>1,798</u>	<u>2,028</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group/Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000
Collective Assessment Allowance		
At 1 January	4,592	5,548
Allowance made during the period / year	1,403	1,700
Amount written back	-	(2,656)
At 30 June/31 December	<u>5,995</u>	<u>4,592</u>
Individual Assessment Allowance		
At 1 January	800	943
Allowance made during the period/year	230	864
Amount written back	(295)	(974)
Amount written off	(80)	(33)
At 30 June/31 December	<u>655</u>	<u>800</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-15 RM'000	31-Dec-14 RM'000
Tax recoverable	11,654	11,654
Other receivables, deposits and prepayments	40,562	38,056
	<u>52,216</u>	<u>49,710</u>

7. 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 June 2015						
Cost						
At 1 January 2015	388	616	3,583	12,670	15,907	33,164
Additions	-	-	-	-	1,062	1,062
Disposals	(388)	-	(395)	(8,740)	(757)	(10,280)
At 30 June 2015	-	616	3,188	3,930	16,212	23,946
Accumulated Depreciation						
At 1 January 2015	-	468	3,583	7,932	12,060	24,043
Depreciation charge for the period	-	62	-	486	867	1,415
Disposals	-	-	(395)	(6,484)	(757)	(7,636)
At 30 June 2015	-	530	3,188	1,934	12,170	17,821
Net Book Value	-	86	-	1,996	4,042	6,124

7. 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 2014						
Cost						
At 1 January 2014	388	616	3,459	12,472	15,110	32,045
Additions	-	-	124	198	797	1,119
At 31 December 2014	388	616	3,583	12,670	15,907	33,164
Accumulated Depreciation						
At 1 January 2014	-	345	3,265	6,344	10,580	20,534
Depreciation charge for the year	-	123	318	1,588	1,480	3,509
At 31 December 2014	-	468	3,583	7,932	12,060	24,043
Carrying Amounts	388	148	-	4,738	3,847	9,121

8. INTANGIBLE ASSETS

	Group/Bank	
	30-Jun-15	31-Dec-14
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	3,831	3,831
Additions	-	-
Write off	(24)	-
At 30 June/31 December	3,807	3,831
Accumulated Amortisation		
At 1 January	3,165	2,916
Amortisation for the period/year	108	249
Write off	(24)	-
At 30 June/31 December	3,249	3,165
Net Book Value	558	666

9. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000	30-Jun-15 RM'000	31-Dec-14 RM'000
Demand deposits	1,025,616	1,032,137	1,025,636	1,032,157
Saving deposits	1,200	1,293	1,200	1,293
Fixed deposits	128,299	178,678	128,299	178,678
Negotiable instruments of deposits	-	3,279	-	3,279
	<u>1,155,115</u>	<u>1,215,387</u>	<u>1,155,135</u>	<u>1,215,407</u>

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

	Group/Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000
Due within six months	119,623	177,352
Six months to one year	8,676	4,605
	<u>128,299</u>	<u>181,957</u>

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

	Group		Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000	30-Jun-15 RM'000	31-Dec-14 RM'000
Business enterprises	1,010,292	1,089,481	1,010,292	1,089,481
Government and statutory bodies	23,106	22,112	23,106	22,112
Individuals	14,349	14,044	14,349	14,044
Others	107,368	89,750	107,388	89,770
	<u>1,155,115</u>	<u>1,215,387</u>	<u>1,155,135</u>	<u>1,215,407</u>

10. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000
Licensed banks	21,250	19,091
Other financial institutions	439,272	686,861
	<u>460,522</u>	<u>705,952</u>

11. OTHER LIABILITIES

	Group/Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000
Other liabilities	38,156	33,225
Internal settlement cost	14,411	35,294
Tax liabilities	918	1,776
	<u>53,485</u>	<u>70,295</u>

12. SHARE CAPITAL

	Group/Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000
Authorised:		
500,000,000 ordinary shares of RM1 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
Balance as at 1 January	343,000	203,000
140,000,000 ordinary shares of RM1 each	-	140,000
Balance as at 30 June/31 December	<u>343,000</u>	<u>343,000</u>

As approved by the shareholder at an Extraordinary General Meeting held on 30 May 2014, the issued and paid-up share capital of the Bank was increased from RM203,000,002, comprising 203,000,002 ordinary shares of RM1.00 each, to RM343,000,002 comprising 343,000,002 ordinary shares of RM1.00 each by way of issuance of 140,000,000 new ordinary shares at RM1.00 each in the Company for the purpose of maintaining a strong Risk Weighted Capital Ratio ("RWCR") through the redemption of subordinate debt capital.

13. RESERVES

	Group		Bank	
	30-Jun-15 RM'000	31-Dec-14 RM'000	30-Jun-15 RM'000	31-Dec-14 RM'000
Non-distributable:				
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	172,259	172,259	172,259	172,259
Unrealised reserves	170	(956)	170	(956)
Regulatory reserves	2,064	4,237	2,064	4,237
Distributable:				
Retained earnings	<u>174,905</u>	<u>148,294</u>	<u>174,905</u>	<u>148,294</u>
	<u>425,580</u>	<u>400,016</u>	<u>425,580</u>	<u>400,016</u>

14. INTEREST INCOME

	Group/Bank	
	Half year ended	
	30-Jun-15	30-Jun-14
	RM'000	RM'000
Loans, advances and financing	13,365	8,812
Money at call and deposit placements with financial institutions	18,292	8,245
Securities - Available-for-sale	7,314	11,112
	<u>38,971</u>	<u>28,169</u>
Amortisation of premium less accretion of discount	(1,230)	(2,179)
Total Interest Income	<u>37,741</u>	<u>25,990</u>
Of which:		
Interest income earned on impaired loans, advances and financing	45	94

15. INTEREST EXPENSE

	Group/Bank	
	Half year ended	
	30-Jun-15	30-Jun-14
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	611	2,324
Deposits from other customers	4,471	4,739
Subordinated debt capital	-	4,402
Subordinated debt capital effective interest rate	-	(7,904)
	<u>5,082</u>	<u>3,561</u>

On 6 June 2014, the Bank redeemed its subordinated debt capital which resulted in a change in estimate of effective interest rate, and the resulting impact to income statement of RM7.9m.

16. OTHER OPERATING INCOME

	Group		Bank	
	Half year ended		Half year ended	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	466	883	466	883
Service charges and fees	908	922	908	922
Guarantee fees	1,093	2,124	1,093	2,124
Other fee income	862	564	862	564
	<u>3,329</u>	<u>4,493</u>	<u>3,329</u>	<u>4,493</u>
Net gain/ (loss) arising from sale of securities:				
Securities available for sale	-	43	-	43
	<u>-</u>	<u>43</u>	<u>-</u>	<u>43</u>
Net gain arising from disposal of property, plant and equipment	15,345	-	15,345	-
	<u>15,345</u>	<u>-</u>	<u>15,345</u>	<u>-</u>
Gross dividend income from:				
Securities available-for-sale	45	45	45	45
Associated company	-	-	-	252
	<u>45</u>	<u>45</u>	<u>45</u>	<u>297</u>
Other income:				
Foreign exchange gain/(loss)				
Unrealised	45,903	22,656	45,903	22,656
Realised	(47,142)	(13,811)	(47,142)	(13,811)
(Loss)/Gain on derivatives trading				
Unrealised	(159,080)	(32,492)	(159,080)	(32,492)
Realised	155,220	30,595	155,220	30,595
Others	384	-	384	-
	<u>(4,715)</u>	<u>6,948</u>	<u>(4,715)</u>	<u>6,948</u>
	<u>14,004</u>	<u>11,529</u>	<u>14,004</u>	<u>11,781</u>

17. OTHER OPERATING EXPENSES

	Group		Bank	
	Half year ended		Half year ended	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	10,101	10,176	10,101	10,176
Establishment costs (Note b)	4,412	15,849	4,412	16,732
Marketing expenses (Note c)	154	384	154	384
Administration and general expenses (Note d)	3,213	3,401	3,213	3,401
	<u>17,880</u>	<u>29,810</u>	<u>17,880</u>	<u>30,693</u>
(a) Personnel costs				
Salaries, bonuses and allowances	7,612	7,837	7,612	7,837
Social security costs	258	262	258	262
EPF - defined contribution plan	1,189	1,260	1,189	1,260
Rental of accomodation	62	-	62	-
Other staff related expenses	980	817	980	817
	<u>10,101</u>	<u>10,176</u>	<u>10,101</u>	<u>10,176</u>
(b) Establishment costs				
Share of Group costs - current year	2,548	11,588	2,548	11,588
- prior years	-	444	-	444
Depreciation of property, plant and equipment	1,415	1,787	1,415	1,787
Amortisation of intangible assets	108	141	108	141
Impairment on investment in associated company	-	-	-	883
Rental of premises	595	730	595	730
Others	(254)	1,159	(254)	1,159
	<u>4,412</u>	<u>15,849</u>	<u>4,412</u>	<u>16,732</u>
(c) Marketing Expenses				
Advertising	101	157	101	157
Others	53	227	53	227
	<u>154</u>	<u>384</u>	<u>154</u>	<u>384</u>
(d) Administration and general expenses				
Legal and professional fees	890	264	890	264
Communication	572	1,231	572	1,231
Transportation	234	262	234	262
Property maintenance	496	532	496	532
Others	1,021	1,112	1,021	1,112
	<u>3,213</u>	<u>3,401</u>	<u>3,213</u>	<u>3,401</u>

18. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group/Bank	
	Half year ended	
	30-Jun-15	30-Jun-14
	RM'000	RM'000
Allowance/(Write back) for impairment on loans, advances and financing:		
Individual assessment allowance:		
Made in the financial period	230	115
Written back in the financial period	(295)	(241)
Impaired loans and financing recovered	(12)	(9)
Collective assesment allowance:		
Made in the financial period	1,403	1,700
Written back in the financial period	-	(786)
	1,326	779

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-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
CET I/Tier-I capital				
Paid-up share capital	343,000	343,000	343,000	343,000
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	172,259	172,259	172,259	172,259
Retained earnings	150,467	148,294	150,467	148,294
Unrealised reserve	170	(956)	170	(956)
	742,078	738,779	742,078	738,779
Less :				
- Deferred tax assets	(15,994)	(19,170)	(15,994)	(19,170)
Total CET I/Tier-I capital	726,084	719,609	726,084	719,609

19. CAPITAL ADEQUACY (CONTD.)

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Tier-II Capital				
Collective assessment allowance	5,995	4,592	5,995	4,592
Regulatory reserves	2,064	4,237	2,064	4,237
Total Tier-II capital	<u>8,059</u>	<u>8,829</u>	<u>8,059</u>	<u>8,829</u>
Total capital funds	734,143	728,438	734,143	728,438
Less: Investment in subsidiary companies	-	-	(20)	(20)
Capital base	<u>734,143</u>	<u>728,438</u>	<u>734,123</u>	<u>728,418</u>
Capital Ratios				
CET I capital ratio	29.460%	18.541%	29.460%	18.540%
Tier 1 capital ratio	29.460%	18.541%	29.460%	18.540%
Total capital ratio	<u>29.787%</u>	<u>18.769%</u>	<u>29.786%</u>	<u>18.767%</u>

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

	Group		Bank	
	30-Jun-15	31-Dec-14	30-Jun-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
Credit Risk	1,725,105	2,737,313	1,725,105	2,737,313
Market Risk	587,363	1,036,089	587,363	1,036,089
Operational Risk	152,151	107,750	152,151	107,907
Total risk-weighted assets	<u>2,464,619</u>	<u>3,881,152</u>	<u>2,464,619</u>	<u>3,881,309</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 remain at 8% for total capital ratio.

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-2015			31-Dec-2014		
	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	1,839	1,839	1,839	6,338	6,338	6,338
Transaction-related contingent items	329,233	164,617	158,775	644,368		314,521
Short-term self-liquidating trade-related contingencies	100,258	20,052	20,052	124,068	24,814	24,766
Irrevocable commitments to extend credit:						
- maturity less than one year	1,896,799	379,360	362,636	1,714,432	342,886	327,188
- maturity more than one year	323	162	121	323	162	121
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	4,129,151	103,237	71,548	5,019,236	159,122	125,160
- one year to less than five years	347,883	34,435	23,360	449,488	38,957	23,763
Interest rate related contracts:						
- less than one year	4,069,891	181,432	87,916	5,984,083	154,793	115,634
- one year to less than five years	8,947,401	452,238	160,454	13,058,632	820,425	332,081
- five years and above	2,346,483	338,791	126,998	4,734,832	600,754	391,776
Equity related contracts:						
- less than one year	5,970	358	269	22,398	2,074	1,221
	<u>22,175,231</u>	<u>1,676,519</u>	<u>1,013,968</u>	<u>31,758,198</u>	<u>2,150,325</u>	<u>1,662,569</u>

* 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 2015

Analysis of the Group's financial performance

(i) Total Assets

	30-Jun-15		As at 30-Jun-14		Variance		31-Mar-15		As at 31-Mar-14		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	3,224,873	100%	2,869,151	100%	355,722	0%	4,020,917	100%	2,835,610	100%	1,185,307	0%
Others	(20)	0%	(20)	0%	-	0%	(20)	0%	110	0%	(130)	0%
RBS Group	3,224,853	100%	2,869,131	100%	355,722	0%	4,020,897	100%	2,835,720	100%	1,185,177	0%

(ii) Profit before tax

	2015		6 months ended 30 June 2014		Variance		2015		3 months ended 30 June (current interim period) 2014		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	27,457	100%	2,738	102%	24,719	-2%	7,634	100%	(597)	82%	8,231	18%
Others	-	0%	(52)	-2%	52	2%	-	0%	(130)	18%	130	-18%
Total profit before tax	27,457	100%	2,686	100%	24,771	0%	7,634	100%	(727)	100%	8,361	0%

(iii) Profit after tax

	2015		6 months ended 30 June 2014		Variance		2015		3 months ended 30 June (current interim period) 2014		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	24,438	100%	(64)	55%	24,502	45%	6,393	100%	(2,565)	95%	8,958	5%
Others	-	0%	(52)	45%	52	-45%	-	0%	(130)	5%	130	-5%
Total profit after tax	24,438	100%	(116)	100%	24,554	0%	6,393	100%	(2,695)	100%	9,088	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)	
	2015	2014	2015	2014
	%	%	%	%
RBS Berhad	3.63%	0.42%	1.00%	-0.09%
RBS Group	3.63%	0.41%	1.00%	-0.11%

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

	6 months ended 30 June (cumulative)		3 months ended 30 June (current interim period)	
	2015	2014	2015	2014
	%	%	%	%
RBS Berhad	0.81%	0.09%	0.22%	-0.02%
RBS Group	0.81%	0.09%	0.21%	-0.03%