

THE ROYAL BANK OF SCOTLAND BERHAD

(Company No. 301932 - A)

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements
For Period Ended
30 June 2014**

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 2014

	Note	Group		Bank	
		30-Jun 2014 RM'000	31-Dec 2013 RM'000	30-Jun 2014 RM'000	31-Dec 2013 RM'000
ASSETS					
Cash and short-term funds	2	1,134,686	1,261,546	1,134,686	1,261,546
Deposits and placements with other financial institutions		-	147,488	-	147,488
Securities available-for-sale	3	486,376	674,179	486,376	674,179
Loans, advances and financing	4	639,710	353,158	639,710	353,158
Derivatives financial assets		531,906	613,403	531,906	613,403
Statutory deposits with Bank Negara Malaysia	5	19,293	10,596	19,293	10,596
Other assets	6	18,649	43,212	18,649	43,212
Investments in subsidiary companies		-	-	20	20
Investment in associated company		1,817	2,752	1,817	2,700
Property, plant and equipment	7	10,650	11,511	10,650	11,511
Intangible assets	8	774	915	774	915
Deferred tax assets		25,270	28,135	25,270	28,135
TOTAL ASSETS		2,869,131	3,146,895	2,869,151	3,146,863
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	9	1,136,387	1,202,932	1,136,407	1,202,952
Deposits and placements from banks and other financial institutions	10	353,827	241,910	353,827	241,910
Derivatives financial liabilities		572,567	739,672	572,567	739,672
Other liabilities	11	79,799	167,646	79,799	167,646
Subordinated debt capital		-	208,553	-	208,553
TOTAL LIABILITIES		2,142,580	2,560,713	2,142,600	2,560,733

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2014 (CONT'D)

	Note	Group		Bank	
		30-Jun 2014 RM'000	31-Dec 2013 RM'000	30-Jun 2014 RM'000	31-Dec 2013 RM'000
Share capital	12	343,000	203,000	343,000	203,000
Reserves	13	383,551	383,182	383,551	383,130
SHAREHOLDER'S FUNDS		<u>726,551</u>	<u>586,182</u>	<u>726,551</u>	<u>586,130</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>2,869,131</u>	<u>3,146,895</u>	<u>2,869,151</u>	<u>3,146,863</u>
COMMITMENTS AND CONTINGENCIES	20	<u>33,585,173</u>	<u>38,142,178</u>	<u>33,585,173</u>	<u>38,142,178</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 2013.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014

	Note	Group		Bank	
		30-Jun 2014 RM'000	30-Jun 2013 RM'000	30-Jun 2014 RM'000	30-Jun 2013 RM'000
Operating revenue		<u>37,519</u>	<u>35,056</u>	<u>37,771</u>	<u>35,056</u>
Interest income	14	25,990	23,257	25,990	23,257
Interest expense	15	<u>(3,561)</u>	<u>(15,204)</u>	<u>(3,561)</u>	<u>(15,204)</u>
Net interest income		22,429	8,053	22,429	8,053
Other operating income	16	11,529	11,799	11,781	11,799
Other operating expenses	17	(29,810)	(44,458)	(30,693)	(44,458)
(Impairment)/Write back for impairment on loans, advances and financing	18	(779)	620	(779)	620
Share of loss of associated company		(683)	(323)	-	-
Profit/(Loss) before taxation		<u>2,686</u>	<u>(24,309)</u>	<u>2,738</u>	<u>(23,986)</u>
Taxation		<u>(2,802)</u>	<u>1,282</u>	<u>(2,802)</u>	<u>1,282</u>
Loss for the period attributable to equity holder of the Bank		<u>(116)</u>	<u>(23,027)</u>	<u>(64)</u>	<u>(22,704)</u>
Other comprehensive loss:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net profit/(loss) on securities available-for-sale		<u>485</u>	<u>(1,511)</u>	<u>485</u>	<u>(1,511)</u>
Total comprehensive income/(loss) for for the period		<u>369</u>	<u>(24,538)</u>	<u>421</u>	<u>(24,215)</u>
Loss per share (sen)		<u>(0.03)</u>	<u>(11.34)</u>	<u>(0.02)</u>	<u>(11.18)</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 2013.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014

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	Other reserves RM'000		
At 1 January 2013	203,000	76,182	162,068	673	-	140,029	581,952
Profit for the year	-	-	-	-	-	5,712	5,712
Net loss on securities available-for-sale	-	-	-	(1,976)	-	-	(1,976)
Deferred tax	-	-	-	494	-	-	494
Other comprehensive loss	-	-	-	(1,482)	-	-	(1,482)
Transfer of reserves	-	-	1,674	-	-	(1,674)	-
At 31 December 2013	203,000	76,182	163,742	(809)	-	144,067	586,182
At 1 January 2014	203,000	76,182	163,742	(809)	-	144,067	586,182
Issuance of ordinary shares	140,000	-	-	-	-	-	140,000
Loss for the period	-	-	-	-	-	(116)	(116)
Transfer to regulatory reserve	-	-	-	-	1,292	(1,292)	-
Net loss on securities available-for-sale	-	-	-	647	-	-	647
Deferred tax	-	-	-	(162)	-	-	(162)
Other comprehensive profit/(loss)	-	-	-	485	-	-	485
At 30 June 2014	343,000	76,182	163,742	(324)	1,292	142,659	726,551

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 2013.

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014

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	Other reserves RM'000		
At 1 January 2013	203,000	76,182	162,068	673	-	138,995	580,918
Profit for the year	-	-	-	-	-	6,694	6,694
Net loss on securities available-for-sale	-	-	-	(1,976)	-	-	(1,976)
Deferred tax	-	-	-	494	-	-	494
Other comprehensive loss	-	-	-	(1,482)	-	-	(1,482)
Transfer of reserves	-	-	1,674	-	-	(1,674)	-
At 31 December 2013	203,000	76,182	163,742	(809)	-	144,015	586,130
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 period	-	-	-	-	-	(64)	(64)
Transfer to regulatory reserve	-	-	-	-	1,292	(1,292)	-
Net loss on securities available-for-sale	-	-	-	647	-	-	647
Deferred tax	-	-	-	(162)	-	-	(162)
Other comprehensive profit/(loss)	-	-	-	485	-	-	485
At 30 June 2014	343,000	76,182	163,742	(324)	1,292	142,659	726,551

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 2013.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014

	Group		Bank	
	30-Jun	30-Jun	30-Jun	30-Jun
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash Flows from Operating Activities				
Profit/(Loss) before taxation	2,686	(24,309)	2,738	(23,986)
Adjustments for:				
Depreciation of property, plant and equipment	1,787	1,886	1,787	1,886
Amortisation of intangible assets	141	110	141	110
Impairment of investment in associate	-	-	883	-
Net allowance/(write back) for impairment on loans, advances and financing	755	(620)	755	(620)
Amortisation of premium less accretion of discount	2,189	3,023	2,189	3,023
Loss from sale of securities held-for-trading	-	212	-	212
(Gain)/Loss from sale of securities available-for-sale	(43)	40	(43)	40
Unrealised gain on revaluation of securities held-for-trading	-	(28)	-	(28)
Unrealised foreign exchange gain	(22,656)	(34,674)	(22,656)	(34,674)
Unrealised loss on derivatives trading	31,429	29,432	31,429	29,432
Amortisation of cost and premium relating to subordinated debt capital	(8,553)	258	(8,553)	258
Share of loss of associated company	683	323	-	-
Operating profit/(loss) before working capital changes	8,418	(24,347)	8,670	(24,347)

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STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014

	Group		Bank	
	30-Jun	30-Jun	30-Jun	30-Jun
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before working capital changes brought forward	8,418	(24,347)	8,670	(24,347)
(Increase)/Decrease in:				
Securities held-for-trading	-	26,733	-	26,733
Loans, advances and financing	(287,307)	(55,689)	(287,307)	(55,689)
Other assets and derivatives financial assets	84,729	2,890	84,729	2,890
Statutory deposits with				
Bank Negara Malaysia	(8,697)	(9,800)	(8,697)	(9,800)
Cash collateral pledged for derivative transactions	(4,787)	232,548	(4,787)	232,548
Increase/(Decrease) in:				
Deposits from customers	(66,545)	(19,019)	(66,545)	(19,019)
Deposits and placements from banks and other financial institutions	111,917	(709,817)	111,917	(709,817)
Other liabilities and derivative financial liabilities	(254,952)	(80,775)	(254,952)	(80,775)
Cash used in operations	(417,224)	(637,276)	(416,972)	(637,276)
Income taxes paid	(3,350)	(3,825)	(3,350)	(3,825)
Income taxes refunded	15,809	-	15,809	-
Net cash used in operating activities	<u>(404,765)</u>	<u>(641,101)</u>	<u>(404,513)</u>	<u>(641,101)</u>
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(926)	(95)	(926)	(95)
Proceeds from capital repayment of investment in associated company	-	2,018	-	2,018
Dividend received	252	-	-	-
Net sale of securities available-for-sale	186,304	115,414	186,304	115,414
Net cash generated from investing activities	<u>185,630</u>	<u>117,337</u>	<u>185,378</u>	<u>117,337</u>

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STATEMENTS OF CASH FLOWS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2014

	Group		Bank	
	30-Jun 2014 RM'000	30-Jun 2013 RM'000	30-Jun 2014 RM'000	30-Jun 2013 RM'000
Cash Flows from Financing Activity				
Proceeds from share issuance	140,000	-	140,000	-
Redemption of subordinated debt capital	(200,000)	-	(200,000)	-
Net cash used in financing activity	(60,000)	-	(60,000)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(279,135)	(523,764)	(279,135)	(523,764)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,364,034	2,339,921	1,364,034	2,339,921
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,084,899	1,816,157	1,084,899	1,816,157
Cash and cash equivalents comprise the following:				
Cash and short-term funds	1,134,686	1,873,940	1,134,686	1,873,940
Deposits and placements with other financial institutions	-	400	-	400
Cash collateral pledged	(49,787)	(58,183)	(49,787)	(58,183)
	1,084,899	1,816,157	1,084,899	1,816,157

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 2013.

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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 2013. 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 2013.

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

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

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 impairment required is recognised in other reserves.

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 July 2014:

Employee Benefits (Amendments to MFRS 119)

Effective for annual period to be announced by MASB:

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

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

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

MFRS 9 Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

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 2013 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 6 months ended 30 June 2014.

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 2014.

Issuance and Repayment of Debt and Equity Securities

On 2 June 2014, the Bank received a capital injection amounting to RM140m from its immediate holding company, i.e., RBS AA Holdings (UK) Limited.

The new ordinary shares issued during the period ranked pari passu in all respect with the existing ordinary shares of the Bank.

On 6 June 2014, the Bank redeemed its subordinated debt capital.

Dividend

No dividend was paid during the 6 months ended 30 June 2014.

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 2014.

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

PERFORMANCE REVIEW

The Bank's pre-tax gain for the 6 months ended 30 June 2014 is RM2.7m, as compared to pre-tax loss of RM23.9m of the same period in 2013.

The Bank has reported an increase in net interest income of RM14.4m comparing to the same period in 2013, driven mainly by higher interest income from money at call and deposits placements with financial institutions as well as the Bank's redemption of 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.

Other operating expense reduced by RM13.7m compared to the same period in 2013, in line with the Bank's drive to reduce cost. Impairment allowances were kept at a minimal level.

While the level of gross loans, advances and financing has increased by RM287m from RM360m to RM647m, the Bank continues to manage its balance sheet prudently to ensure the loan growth is within the targeted customer group. The level of cash and short-term fund has remained stable in order to support client-driven financial markets activities. Total capital ratio of the Bank is at 18.22% which is above the minimum regulatory requirement of 8%.

CURRENT YEAR PROSPECT

On the global front, the US market recorded a drop of 1% in first quarter GDP, resulting in revising the outlook on GDP further downward. Additional tapering is likely if the labour market continues to show improvement and inflation picks up. Besides, the atmosphere in Iraq and also a gas dispute in the Ukraine made the investors turn back to the safe heaven especially against the emerging currencies. As such, the direction of the USD maybe impacted by the outcome of these events.

Despite the uncertain global economy, Malaysia's GDP registering a growth of 6.2 per cent, the highest GDP growth recorded since the fourth quarter of 2012, on the back of robust domestic activities and favourable external factors. Bank Negara Malaysia ("BNM") forecasts real GDP growth of between 4.5%-5.5% (2013: 4.7%) in 2014.

For the second half of 2014, the Bank continues its effort in getting more efficient use of its capital. The Bank also continues to focus on leveraging the RBS network and growing its loan portfolios.

On 10 July 2014, Bank Negara Malaysia announced the increase of the Overnight Policy Rate (OPR) by 25 basis points to 3.25%. Following this announcement, the Bank increased its base lending rate by 25 basis points to 6.5%. The increase in BLR is not expected to have material impact to the profit and loss of the Group and the Bank.

2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
At Amortised Cost		
Cash and balances with banks and other financial institutions	101,898	125,826
Money at call and deposit placements maturing within one month	1,032,788	1,135,720
	<u>1,134,686</u>	<u>1,261,546</u>

3. SECURITIES AVAILABLE-FOR-SALE

	Group/Bank	
	30-Jun-14 RM'000	31-Dec-13 RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	385,819	637,432
Malaysian Government Treasury Bills	98,858	-
Government Investment Issues	-	35,048
At Cost		
Unquoted shares in Malaysia	1,699	1,699
	486,376	674,179

4. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	30-Jun-14 RM'000	31-Dec-13 RM'000
At amortised cost		
(i) By type		
Overdrafts	19,674	10,929
Term loans/financing		
Housing loans/financing	18,649	19,815
Personal loan	5	11
Other term loans/financing	214	243
Factoring receivable	49,705	44,057
Bills receivable	80,529	35,704
Claims on customers under acceptance credits	69,855	43,707
Staff loans	2,951	3,518
Revolving credit	405,003	200,957
Trust receipt	371	708
	646,956	359,649
Less: Allowance for impaired loans and financing :		
- Collective assessment allowance	(6,462)	(5,548)
- Individual assessment allowance	(784)	(943)
Net loans, advances and financing	639,710	353,158

4. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Jun-14 RM'000	31-Dec-13 RM'000
(ii) By type of customer		
Domestic business enterprises:		
Small medium enterprises	934	934
Others	619,529	321,859
Individuals	21,819	23,586
Foreign entity	4,049	9,093
Domestic banking institutions	625	4,177
	<u>646,956</u>	<u>359,649</u>
(iii) By interest rate sensitivity		
Fixed rate		
Housing loans/financing	2,295	2,454
Other fixed rate loan/financing	523	1,064
Variable rate		
BLR plus	19,335	31,705
Cost plus	624,803	324,426
	<u>646,956</u>	<u>359,649</u>
(iv) By residual contractual maturity		
Maturity within one year	625,334	259,906
More than one year to three years	811	655
More than three years to five years	1,105	247
More than five years	19,706	98,841
	<u>646,956</u>	<u>359,649</u>
(v) By geographical distribution		
Malaysia		
Kuala Lumpur	631,227	342,816
Selangor	14,709	15,813
Penang	600	537
Negeri Sembilan	329	375
Melaka	89	103
Labuan	2	5
	<u>646,956</u>	<u>359,649</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Jun-14 RM'000	31-Dec-13 RM'000
(vi) By Sector		
Manufacturing	232,684	111,958
Construction	3,837	4,964
Purchase of landed properties (Residential)	20,456	22,079
Wholesale and retail	309,725	132,688
Finance, insurance and business services	4,674	13,270
Mining and quarrying	74,217	71,488
Consumption credit	157	199
Transport, storage and communication	-	1,695
Purchase of transport vehicles	1,206	1,308
	<u>646,956</u>	<u>359,649</u>
(vii) Movements in impaired loans, advances and financing are as follows:		
At 1 January	1,885	8,458
Impaired during the period/year	283	762
Reclassified as non-impaired	(531)	(7,335)
Amount written off	(33)	-
At 30 June/31 December	<u>1,604</u>	<u>1,885</u>
Individual assessment allowance	(784)	(943)
Net impaired loans, advances and financing	<u>820</u>	<u>942</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.25%</u>	<u>0.52%</u>
(viii) Impaired loans, advances and financing by sector		
Purchase of landed properties (Residential)	1,222	1,551
Purchase of transport vehicles	48	-
Wholesale and retail	334	334
	<u>1,604</u>	<u>1,885</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group/Bank	
	30-Jun-14 RM'000	31-Dec-13 RM'000
Collective Assessment Allowance		
At 1 January	5,548	4,156
Allowance made during the period / year	1,700	2,307
Amount written back	(786)	(915)
At 30 June/31 December	<u>6,462</u>	<u>5,548</u>
Individual Assessment Allowance		
At 1 January	943	933
Allowance made during the period/year	115	446
Amount written back	(241)	(436)
Amount written off	(33)	-
At 30 June/31 December	<u>784</u>	<u>943</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-14 RM'000	31-Dec-13 RM'000
Tax recoverable	9,094	21,652
Other debtors, deposits and prepayments	9,555	21,560
	<u>18,649</u>	<u>43,212</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 2014						
Cost						
At 1 January 2014	388	616	3,459	12,472	15,110	32,045
Additions	-	-	124	174	628	926
At 30 June 2014	388	616	3,583	12,646	15,738	32,971
Accumulated Depreciation						
At 1 January 2014	-	345	3,265	6,344	10,580	20,534
Depreciation charge for the period	-	62	244	705	776	1,787
At 30 June 2014	-	407	3,509	7,049	11,356	22,321
Net Book Value	388	209	74	5,597	4,382	10,650

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 2013						
Cost						
At 1 January 2013	388	616	6,245	21,619	19,285	48,153
Additions	-	-	208	3,035	2,690	5,933
Write-off	-	-	(2,994)	(12,182)	(6,865)	(22,041)
At 31 December 2013	388	616	3,459	12,472	15,110	32,045
Accumulated Depreciation						
At 1 January 2013	-	222	5,602	12,961	16,026	34,811
Depreciation charge for the year	-	123	576	1,771	1,283	3,753
Write-off	-	-	(2,913)	(8,388)	(6,729)	(18,030)
At 31 December 2013	-	345	3,265	6,344	10,580	20,534
Accumulated Impairment Loss						
At 1 January 2013	-	-	-	3,002	-	3,002
Impairment loss for the year	-	-	-	(3,002)	-	(3,002)
At 31 December 2013	-	-	-	-	-	-
Net Book Value	388	271	194	6,128	4,530	11,511

8. INTANGIBLE ASSETS

	Group/Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	3,831	3,640
Additions	-	540
Write off	-	(349)
At 30 June/31 December	<u>3,831</u>	<u>3,831</u>
Accumulated Amortisation		
At 1 January	2,916	3,075
Amortisation for the period/year	141	190
Write-off	-	(349)
At 30 June/31 December	<u>3,057</u>	<u>2,916</u>
Net Book Value	<u>774</u>	<u>915</u>

9. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Demand deposits	949,933	910,938	949,953	910,958
Saving deposits	1,432	1,763	1,432	1,763
Fixed deposits	181,803	287,070	181,803	287,070
Negotiable instruments of deposits	3,219	3,161	3,219	3,161
	<u>1,136,387</u>	<u>1,202,932</u>	<u>1,136,407</u>	<u>1,202,952</u>

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

	Group/Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
Due within six months	170,603	282,496
Six months to one year	11,805	1,960
One year to three years	2,614	5,775
	<u>185,022</u>	<u>290,231</u>

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

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	18,946	29,381	18,946	29,381
Business enterprises	942,492	898,577	942,492	898,577
Individuals	16,478	16,238	16,478	16,238
Others	158,471	258,736	158,491	258,756
	<u>1,136,387</u>	<u>1,202,932</u>	<u>1,136,407</u>	<u>1,202,952</u>

10. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
Licensed banks	169,469	11,308
Other financial institutions	184,358	230,602
	<u>353,827</u>	<u>241,910</u>

11. OTHER LIABILITIES

	Group/Bank	
	30-Jun-14	31-Dec-13
	RM'000	RM'000
Other liabilities	42,857	43,794
Internal settlement cost	36,942	123,852
	<u>79,799</u>	<u>167,646</u>

12. SHARE CAPITAL

	Group/Bank	
	30-Jun-14	31-Dec-13
	RM'000	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	203,000	203,000
140,000,000 ordinary shares of RM1 each	140,000	-
Balance as at 30 June/31 December	<u>343,000</u>	<u>203,000</u>

On 2 June 2014, the Bank received a capital injection amounting to RM140m from its immediate holding company, i.e., RBS AA Holdings (UK) Limited (RBS AA Holdings). The Bank remains wholly-owned by RBS AA Holdings.

13. RESERVES

	Group		Bank	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	163,742	163,742	163,742	163,742
Unrealised reserves	(324)	(809)	(324)	(809)
Other reserves	1,292	-	1,292	-
Distributable:				
Retained earnings	142,659	144,067	142,659	144,015
	<u>383,551</u>	<u>383,182</u>	<u>383,551</u>	<u>383,130</u>

14. INTEREST INCOME

	Group/Bank	
	Half year ended	
	30-Jun-14	30-Jun-13
	RM'000	RM'000
Loans, advances and financing	8,812	6,924
Money at call and deposit placements with financial institutions	8,245	2,900
Securities - Available-for-sale	11,112	15,020
Securities - Held-for-trading	-	1,436
	<u>28,169</u>	<u>26,280</u>
Amortisation of premium less accretion of discount	<u>(2,179)</u>	<u>(3,023)</u>
Total Interest Income	<u>25,990</u>	<u>23,257</u>
Of which:		
Interest income earned on impaired loans, advances and financing	<u>94</u>	<u>95</u>

15. INTEREST EXPENSE

	Group/Bank	
	Half year ended	
	30-Jun-14	30-Jun-13
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	2,324	2,928
Deposits from other customers	4,739	7,369
Subordinated debt capital	4,402	4,612
Subordinated debt capital effective interest rate	(7,904)	-
Others	-	295
	<u>3,561</u>	<u>15,204</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-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	883	588	883	588
Service charges and fees	922	741	922	741
Guarantee fees	2,124	1,824	2,124	1,824
Other fee income	564	926	564	926
	<u>4,493</u>	<u>4,079</u>	<u>4,493</u>	<u>4,079</u>
Net (loss)/ gain arising from sale of securities:				
Securities held-for-trading	-	(212)	-	(212)
Securities available for sale	43	(40)	43	(40)
	<u>43</u>	<u>(252)</u>	<u>43</u>	<u>(252)</u>
Unrealised gain on revaluation of securities:				
Securities held-for-trading	-	28	-	28
	<u>-</u>	<u>28</u>	<u>-</u>	<u>28</u>
Gross dividend income from:				
Securities available-for-sale	45	34	45	34
Associated company	-	-	252	-
	<u>45</u>	<u>34</u>	<u>297</u>	<u>34</u>
Other income:				
Foreign exchange gain/(loss)				
Unrealised	22,656	34,674	22,656	34,674
Realised	(13,811)	(409)	(13,811)	(409)
(Loss)/Gain on derivatives trading				
Unrealised	(32,492)	(29,432)	(32,492)	(29,432)
Realised	30,595	3,077	30,595	3,077
	<u>6,948</u>	<u>7,910</u>	<u>6,948</u>	<u>7,910</u>
	<u>11,529</u>	<u>11,799</u>	<u>11,781</u>	<u>11,799</u>

17. OTHER OPERATING EXPENSES

	Group		Bank	
	Half year ended		Half year ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	10,176	10,130	10,176	10,130
Establishment costs (Note b)	15,849	28,234	16,732	28,234
Marketing expenses (Note c)	384	444	384	444
Administration and general expenses (Note d)	3,401	5,650	3,401	5,650
	<u>29,810</u>	<u>44,458</u>	<u>30,693</u>	<u>44,458</u>
(a) Personnel costs				
Salaries, bonuses and allowances	7,837	7,577	7,837	7,577
Social security costs	262	129	262	129
EPF - defined contribution plan	1,260	1,395	1,260	1,395
Rental of accomodation	-	104	-	104
Other staff related expenses	817	925	817	925
	<u>10,176</u>	<u>10,130</u>	<u>10,176</u>	<u>10,130</u>
(b) Establishment costs				
Share of Group costs - current year	11,588	16,443	11,588	16,443
- prior years	444	4,477	444	4,477
Depreciation of property, plant and equipment	1,787	1,886	1,787	1,886
Amortisation of intangible assets	141	110	141	110
Impairment on investment in associated company	-	-	883	-
Rental of premises	730	1,449	730	1,449
Others	1,159	3,869	1,159	3,869
	<u>15,849</u>	<u>28,234</u>	<u>16,732</u>	<u>28,234</u>
(c) Marketing Expenses				
Advertising	157	222	157	222
Others	227	222	227	222
	<u>384</u>	<u>444</u>	<u>384</u>	<u>444</u>
(d) Administration and general expenses				
Legal and professional fees	264	880	264	880
Communication	1,231	1,404	1,231	1,404
Transportation	262	725	262	725
Property maintenance	532	559	532	559
Others	1,112	2,082	1,112	2,082
	<u>3,401</u>	<u>5,650</u>	<u>3,401</u>	<u>5,650</u>

18. IMPAIRMENT/(WRITE BACK) FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group/Bank	
	Half year ended	
	30-Jun-14	30-Jun-13
	RM'000	RM'000
Allowance/(Write back) for impaired loans, advances and financing:		
Individual assessment allowance:		
- Made in the financial period	115	306
- Written back in the financial period	(241)	(222)
- Impaired loans, advances and financing recovered	(9)	
Collective assesment allowance:		
- Made in the financial period	1,700	-
- Written back in the financial period	(786)	(704)
	<u>779</u>	<u>(620)</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-14	31-Dec-13	30-Jun-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
CET I/Tier-I capital				
Paid-up share capital	343,000	203,000	343,000	203,000
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	163,742	163,742	163,742	163,742
Retained earnings	142,659	144,067	142,659	144,015
Unrealised reserve	(324)	(809)	(324)	(809)
	<u>725,259</u>	<u>586,182</u>	<u>725,259</u>	<u>586,130</u>
Less :				
- Deferred tax assets	(25,270)	(28,135)	(25,270)	(28,135)
Total CET I/Tier-I capital	<u>699,989</u>	<u>558,047</u>	<u>699,989</u>	<u>557,995</u>

19. CAPITAL ADEQUACY (CONTD.)

	Group		Bank	
	30-Jun-14 RM'000	31-Dec-13 RM'000	30-Jun-14 RM'000	31-Dec-13 RM'000
Tier-II Capital				
Collective assessment allowance	6,462	5,548	6,462	5,548
Other reserves	1,292	-	1,292	-
Subordinated debt capital	-	140,000	-	140,000
Total Tier-II capital	<u>7,754</u>	<u>145,548</u>	<u>7,754</u>	<u>145,548</u>
Total capital funds	707,743	703,595	707,743	703,543
Less: Investment in subsidiary companies	-	-	(20)	(20)
Capital base	<u>707,743</u>	<u>703,595</u>	<u>707,723</u>	<u>703,523</u>
Capital Ratios				
CET I capital ratio	18.02%	14.29%	18.02%	14.29%
Tier 1 capital ratio	18.02%	14.29%	18.02%	14.29%
Total capital ratio	<u>18.22%</u>	<u>18.02%</u>	<u>18.22%</u>	<u>18.01%</u>

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

	Group		Bank	
	30-Jun-14 RM'000	31-Dec-13 RM'000	30-Jun-14 RM'000	31-Dec-13 RM'000
Credit Risk	2,497,167	2,445,283	2,497,167	2,445,205
Market Risk	1,242,251	1,311,955	1,242,251	1,311,955
Operational Risk	145,037	148,191	145,508	148,506
Total risk-weighted assets	<u>3,884,455</u>	<u>3,905,429</u>	<u>3,884,926</u>	<u>3,905,666</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-2014			31-Dec-2013		
	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	25,951	25,951	25,951	48,273	48,273	48,273
Transaction-related contingent items	620,038	310,019	302,089	593,503	296,752	275,703
Short-term self-liquidating trade-related contingencies	33,847	6,769	6,698	106,869	21,374	21,350
Irrevocable commitments to extend credit:						
- maturity less than one year	1,642,039	328,408	312,303	1,697,114	339,423	303,432
- maturity more than one year	323	162	121	323	162	121
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	5,504,897	98,357	67,573	6,698,183	195,930	111,200
- one year to less than five years	278,026	19,033	6,072	345,033	24,245	9,651
- five years and above	22,023	2,202	1,101	26,997	2,700	1,350
Interest rate related contracts:						
- less than one year	5,994,251	126,134	72,994	4,306,665	34,339	15,645
- one year to less than five years	14,316,593	772,192	386,877	18,465,077	975,251	469,615
- five years and above	5,083,661	660,645	431,035	5,778,572	812,742	520,178
Equity related contracts:						
- less than one year	26,319	3,142	2,164	-	-	-
- one year to less than five years	37,205	3,230	2,341	75,569	8,990	6,355
	33,585,173	2,356,244	1,617,319	38,142,178	2,760,181	1,782,873

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