

THE ROYAL BANK OF SCOTLAND BERHAD

(Company No. 301932 - A)

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

For Period Ended

31 March 2017

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 31 MARCH 2017

	Note	Group		Bank	
		31-Mar 2017 RM'000	31-Dec 2016 RM'000	31-Mar 2017 RM'000	31-Dec 2016 RM'000
ASSETS					
Cash and short-term funds	2	625,303	632,535	625,303	632,535
Securities available-for-sale	3	1,699	161,837	1,699	161,837
Loans, advances and financing	4	-	7,492	-	7,492
Derivatives financial assets		-	172,214	-	172,214
Statutory deposits with Bank Negara Malaysia	5	1,000	1,337	1,000	1,337
Other assets	6	12,598	15,682	12,598	15,682
Investment in associated company		-	-	-	-
Property, plant and equipment	7	-	-	-	-
Intangible assets	8	-	-	-	-
Deferred tax assets		-	-	-	-
TOTAL ASSETS		640,600	991,097	640,600	991,097
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits and placements from banks and other financial institutions	9	-	63,521	-	63,521
Derivatives financial liabilities		-	276,196	-	276,196
Other liabilities	10	6,607	10,553	6,607	10,553
Provision for restructuring	11	9,784	13,610	9,784	13,610
TOTAL LIABILITIES		16,391	363,880	16,391	363,880

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017 (CONT'D)

		Group		Bank	
	Note	31-Mar 2017 RM'000	31-Dec 2016 RM'000	31-Mar 2017 RM'000	31-Dec 2016 RM'000
Share capital	12	343,000	343,000	343,000	343,000
Reserves	13	281,209	284,217	281,209	284,217
SHAREHOLDER'S FUNDS		<u>624,209</u>	<u>627,217</u>	<u>624,209</u>	<u>627,217</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>640,600</u>	<u>991,097</u>	<u>640,600</u>	<u>991,097</u>
COMMITMENTS AND CONTINGENCIES	21	<u>-</u>	<u>1,238,978</u>	<u>-</u>	<u>1,238,978</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 2016.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2017

	Note	Group		Bank	
		31-Mar 2017 RM'000	31-Mar 2016 RM'000	31-Mar 2017 RM'000	31-Mar 2016 RM'000
Operating revenue		4,979	19,203	4,979	19,203
Interest income	14	4,894	15,976	4,894	15,976
Interest expense	15	(32)	(1,732)	(32)	(1,732)
Net interest income		4,862	14,244	4,862	14,244
Other operating income	16	85	3,227	85	3,227
Other operating expenses	17	(2,743)	(3,730)	(2,743)	(3,730)
Write back/(Allowance) for impairment on loans, advances and financing	18	1,013	(44)	1,013	(44)
Restructuring costs	19	(6,382)	-	(6,382)	-
(Loss)/Profit before taxation		(3,165)	13,697	(3,165)	13,697
Taxation		-	(553)	-	(553)
(Loss)/Profit for the period attributable to equity holder of the Bank		(3,165)	13,144	(3,165)	13,144
Other comprehensive profit/(loss):					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net gain/(loss) on securities available-for-sale		157	(143)	157	(143)
Total comprehensive (loss)/profit for for the period		(3,008)	13,001	(3,008)	13,001
(Loss)/Earnings per share (sen)		(0.92)	3.83	(0.92)	3.83

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 2016.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2017

	Group		Bank	
	31-Mar	31-Mar	31-Mar	31-Mar
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash Flows from Operating Activities				
(Loss)/Profit before taxation	(3,165)	13,697	(3,165)	13,697
Adjustments for:				
Depreciation of property, plant and equipment	-	488	-	488
Net gain on disposal of property and equipment	-	-	-	-
Amortisation of intangible assets	-	141	-	141
(Write back)/Allowance for impairment on loans, advances and financing	(1,013)	44	(1,013)	44
Amortisation of premium less accretion of discount	295	44	295	44
Unrealised foreign exchange loss/(gain)	3	(78)	3	(78)
Unrealised loss/(gain) on derivatives trading	102,566	(7,517)	102,566	(7,517)
Dividends received	-	-	-	-
Restructuring costs (Note 19):				
- provision for severance payments	18	-	18	-
- Loans, advances and financing written off	7,232	-	7,232	-
- other provisions	(868)	-	(868)	-
Capital repayment from investment in associated company	(372)	-	(372)	-
Operating profit before working capital changes	104,696	6,819	104,696	6,819

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2017 (CONT'D)

	Group		Bank	
	31-Mar 2017 RM'000	31-Mar 2016 RM'000	31-Mar 2017 RM'000	31-Mar 2016 RM'000
Operating profit before working capital changes brought forward	104,696	6,819	104,696	6,819
(Increase)/Decrease in:				
Loans, advances and financing	-	(38,934)	-	(38,934)
Other assets and derivatives financial assets	72,728	317,534	72,728	317,534
Statutory deposits with Bank Negara Malaysia	337	-	337	-
Cash collateral pledged for derivative transactions	169,571	155,527	169,571	155,527
Increase/(Decrease) in:				
Deposits from customers	-	(237,089)	-	(237,099)
Deposits and placements from banks and other financial institutions	(63,521)	(266,375)	(63,521)	(266,375)
Other liabilities and derivative financial liabilities	(280,142)	(470,047)	(280,142)	(470,047)
Restructuring costs	(1,703)	-	(1,703)	-
Cash generated/(used) in operations	1,966	(532,565)	1,966	(532,575)
Income taxes paid	-	(2)	-	(2)
Net cash generated/(used) in from operating activities	1,966	(532,567)	1,966	(532,577)

Cash Flows from Investing Activities

Proceeds from securities available-for-sale upon maturity	160,000	50,000	160,000	50,000
Net purchase of securities available-for-sale	-	(194,600)	-	(194,600)
Dissolution of dormant subsidiary	-	-	-	10
Proceeds from capital repayment of investment in associated company	372	-	372	-
Net cash generated/(used) from investing activities	160,372	(144,600)	160,372	(144,590)

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2017 (CONT'D)

	Group		Bank	
	31-Mar	31-Mar	31-Mar	31-Mar
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	162,338	(677,167)	162,338	(677,167)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	462,965	1,602,986	462,965	1,602,986
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>625,303</u>	<u>925,819</u>	<u>625,303</u>	<u>925,819</u>

Cash and cash equivalents comprise the following:

Cash and short-term funds	625,303	1,303,752	625,303	1,303,752
Cash collateral pledged	-	(377,933)	-	(377,933)
	<u>625,303</u>	<u>925,819</u>	<u>625,303</u>	<u>925,819</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 2016.

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2017

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 2016	343,000	76,182	178,843	417	1,153	171,131	770,726
Loss for the year	-	-	-	-	-	(2,935)	(2,935)
Interim Dividend Payout	-	-	-	-	-	(140,000)	(140,000)
Transfer from regulatory reserves	-	-	-	-	(1,153)	1,153	-
Net loss on securities available-for-sale	-	-	-	(706)	-	-	(706)
Deferred tax	-	-	-	132	-	-	132
Other comprehensive loss	-	-	-	(574)	-	-	(574)
At 31 December 2016	343,000	76,182	178,843	(157)	-	29,349	627,217
At 1 January 2017	343,000	76,182	178,843	(157)	-	29,349	627,217
Loss for the period	-	-	-	-	-	(3,165)	(3,165)
Transfer from regulatory reserves	-	-	-	-	-	-	-
Net gain on securities available-for-sale	-	-	-	157	-	-	157
Deferred tax	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	157	-	-	157
At 31 March 2017	343,000	76,182	178,843	-	-	26,184	624,209

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 2016.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2017

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 2016	343,000	76,182	178,843	417	1,153	171,131	770,726
Loss for the year	-	-	-	-	-	(2,935)	(2,935)
Interim dividend paid	-	-	-	-	-	(140,000)	(140,000)
Transfer from regulatory reserves	-	-	-	-	(1,153)	1,153	-
Net loss on securities available-for-sale	-	-	-	(706)	-	-	(706)
Deferred tax	-	-	-	132	-	-	132
Other comprehensive loss	-	-	-	(574)	-	-	(574)
At 31 December 2016	343,000	76,182	178,843	(157)	-	29,349	627,217
At 1 January 2017	343,000	76,182	178,843	(157)	-	29,349	627,217
Loss for the period	-	-	-	-	-	(3,165)	(3,165)
Transfer from regulatory reserves	-	-	-	-	-	-	-
Net gain on securities available-for-sale	-	-	-	157	-	-	157
Deferred tax	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	157	-	-	157
At 31 March 2017	343,000	76,182	178,843	-	-	26,184	624,209

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 2016.

THE ROYAL BANK OF SCOTLAND BERHAD
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PERFORMANCE REVIEW AND CURRENT YEAR PROSPECT

In February 2015, The Royal Bank of Scotland Group Plc (“RBS Group”) announced that it was reducing its geographical presence primarily to the United Kingdom, Ireland and selected countries in Europe. This meant closing or selling its businesses in countries which were planned for exit.

In Malaysia a process was carried out for the sale of the Bank, and on 15 April 2016 Taiwan-based CTBC Holding announced that its subsidiaries will be buying 100% equity interest of the Bank. An Implementation Agreement, spelling out the contractual obligation and undertakings of both the vendor and the buyer from the date of the announcement up to the signing of the Sale and Purchase agreement, was signed on the same date.

However, on 8 August 2016 it was announced that both parties have mutually agreed to terminate the Implementation Agreement after concluding that completion will not be achieved within the timelines stated. Following the announcement, the Bank immediately commenced the scale down of its operations.

As part of the scaling down process, the Bank was able to exit all client positions and facilities as at 31 March 2017. The Bank currently carries a much simpler financial positions with the majority of its funds invested in short term liquid assets.

These actions have reduced the risk weighted assets of the Bank, and as at 31 March 2017 the Bank’s risk weighted capital ratio stood at 305.8%.

The Bank has intention to cease its operations and is planning to return its banking license to Bank Negara Malaysia within the financial year 2017.

From the statements of profit or loss and other comprehensive income perspective, the Bank recorded loss before tax of RM3.2 million for the period ended 31 March 2017 as compared to profit before tax of RM13.7 million for 2016. The Bank reported a decrease of net interest income of RM9.4million, driven by the exit of all loan books. Other operating expenses reduced by RM1.0million compared to the same period in 2016 as a result of reduction in personnel and establishment costs, driven by decrease in number of headcounts, as well as current year recharge income from its related company. Collective impairment and individual impairment allowance was also reversed and fully written off, in respond to the exit of all loan book.

Restructuring costs such as provisions for severance payments, write-off of remaining loans, advances and financing balances and various other provisions have been made to reflect the potential costs of ceasing its operations. Please refer to Note 19 to the financial statements for further details.

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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 2016. 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 2016.

The financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the Bank's assets to net realisable value as the management intends to cease operations of the Bank.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent financial statements for the year ended 31 December 2016.

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:

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014) ²
MFRS 15	Revenue from Contracts with Customers ²
MFRS 16	Leases ³
Amendments to:	
MFRS 2	Classification and Measurement of Share-based Payment Transactions ²
MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts ²
MFRS 107	Disclosure Initiative ¹
MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses ¹
MFRS 140	Transfers of Investment Property ²
IC Interpretation 22	Foreign Currency Transactions and Advance Considerations ²
Annual Improvements to MFRSs 2014 - 2016 Cycle	

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

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 2016 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.

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 3 months ended 31 March 2017.

Issuance and Repayment of Debt and Equity Securities

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities during the 3 months ended 31 March 2017.

Dividend

No dividend was paid during the 3 months ended 31 March 2017.

Changes in the composition of the Group

The Group's subsidiaries, RBS Nominees (Asing) Sdn. Bhd. and RBS Nominees (Tempatan) Sdn. Bhd. have been officially struck-of by the Companies Commission of Malaysia ("CCM") in 2015 and 2016 respectively.

2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Cash and balances with banks and other financial institutions	8,303	12,964
Money at call and deposit placements maturing within one month	617,000	619,571
	<u>625,303</u>	<u>632,535</u>

3. SECURITIES AVAILABLE-FOR-SALE

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	-	160,138
At Cost		
Unquoted shares in Malaysia	1,699	1,699
	<u>1,699</u>	<u>161,837</u>

4. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
At amortised cost		
(i) By type		
Term loans/financing:		
Housing loans/financing	-	12,907
Other term loans/financing	-	42
	<u>-</u>	<u>12,949</u>
Less: Allowance for impaired loans, advances and financing :		
Collective assessment allowance	-	(731)
Individual assessment allowance	-	(4,726)
Net loans, advances and financing	<u>-</u>	<u>7,492</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

(ii) By type of customer

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Individuals	-	12,949
	<u>-</u>	<u>12,949</u>

(iii) By interest rate sensitivity

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Variable rate:		
BLR plus	-	12,949
	<u>-</u>	<u>12,949</u>

(iv) By residual contractual maturity

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Maturity within one year	-	11
More than one year to three years	-	208
More than three years to five years	-	226
More than five years	-	12,504
	<u>-</u>	<u>12,949</u>

(v) By geographical distribution

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Malaysia:		
Selangor	-	8,800
Kuala Lumpur	-	3,796
Negeri Sembilan	-	304
Pulau Pinang	-	49
	<u>-</u>	<u>12,949</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

(vi) By Sector

	Group/Bank	
	31-Mar-17 RM'000	31-Dec-16 RM'000
Purchase of residential landed properties	-	12,907
Purchase of transport vehicles	-	42
	<u>-</u>	<u>12,949</u>

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

	Group/Bank	
	31-Mar-17 RM'000	31-Dec-16 RM'000
At 1 January	2,049	1,416
Impaired during the period/year	627	1,154
Reclassified as non-impaired	(260)	(521)
Amount written off	(2,416)	-
At 31 March/31 December	<u>-</u>	<u>2,049</u>
Individual assessment allowance	-	(1,036)
Net impaired loans, advances and financing	<u>-</u>	<u>1,013</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.00%</u>	<u>15.82%</u>

(viii) Impaired loans, advances and financing by sector

	Group/Bank	
	31-Mar-17 RM'000	31-Dec-16 RM'000
Purchase of landed properties (Residential)	-	2,023
Purchase of motor vehicles	-	26
	<u>-</u>	<u>2,049</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Collective Assessment Allowance		
At 1 January	731	3,866
Allowance made during the period / year	-	102
Amount written back	(731)	(3,237)
At 31 March/31 December	<u>-</u>	<u>731</u>
Individual Assessment Allowance		
At 1 January	4,726	252
Allowance made during the period/year *	43	4,815
Amount written back	(11)	(341)
Amount written off *	(4,758)	-
At 31 March/31 December	<u>-</u>	<u>4,726</u>

* This impairment allowance of RM4,444,000 was written off as part of restructuring cost.

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	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Tax recoverable	11,099	11,099
Other receivables, deposits and prepayments	1,499	4,583
	<u>12,598</u>	<u>15,682</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 31 March 2017						
Cost						
At 1 January 2017	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Write off (Notes 19)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2017	-	-	-	-	-	-
Accumulated Depreciation						
At 1 January 2017	-	-	-	-	-	-
Depreciation charge for the period	-	-	-	-	-	-
Write off (Notes 19)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 March 2017	-	-	-	-	-	-
Net Book Value	-	-	-	-	-	-

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 2016						
Cost						
At 1 January 2016	-	616	3,618	3,821	10,600	18,655
Additions	-	-	-	-	19	19
Write off	-	-	(3,618)	(3,821)	(10,619)	(18,058)
Disposals	-	(616)	-	-	-	(616)
At 31 December 2016	-	-	-	-	-	-
Accumulated Depreciation						
At 1 January 2016	-	616	3,398	1,955	7,319	13,288
Depreciation charge for the year	-	-	62	435	770	1,267
Write off	-	-	(3,460)	(2,390)	(8,089)	(13,939)
Disposals	-	(616)	-	-	-	(616)
At 31 December 2016	-	-	-	-	-	-
Net Book Value	-	-	-	-	-	-

8. INTANGIBLE ASSETS

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	-	4,536
Additions	-	6
Write off (Notes 19)	-	(4,542)
At 31 March/31 December	<u>-</u>	<u>-</u>
Accumulated Amortisation		
At 1 January	-	3,409
Amortisation for the period/year	-	376
Write off (Notes 19)	-	(3,785)
At 31 March/31 December	<u>-</u>	<u>-</u>
Net Book Value	<u>-</u>	<u>-</u>

9. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Other financial institutions	-	63,521
	<u>-</u>	<u>63,521</u>

10. OTHER LIABILITIES

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Other liabilities	4,305	8,251
Tax liabilities	2,302	2,302
	<u>6,607</u>	<u>10,553</u>

11. PROVISION FOR RESTRUCTURING

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Provision for severance payments	7,851	10,494
Other provisions	1,933	3,116
	<u>9,784</u>	<u>13,610</u>

12. SHARE CAPITAL

	Group/Bank	
	Number of shares	
	31-Mar-17	31-Dec-16
	'000	'000
Authorised:		
Ordinary shares of RM1 each:		
At beginning/end of the year	500,000	500,000
	<u>500,000</u>	<u>500,000</u>

	Group/Bank	
	31-Mar-17	31-Dec-16
	RM'000	RM'000
Issued and fully paid:		
Ordinary shares of RM1 each:		
At beginning of year	343,000	343,000
Balance as at 31 March/31 December	<u>343,000</u>	<u>343,000</u>

13. RESERVES

	Group/Bank	
	31-Mar-17 RM'000	31-Dec-16 RM'000
Non-distributable:		
Share premium	76,182	76,182
Statutory reserves	178,843	178,843
Unrealised reserves	-	(157)
Regulatory reserves	-	-
Distributable:		
Retained earnings	26,184	29,349
	<u>281,209</u>	<u>284,217</u>

14. INTEREST INCOME

	Group/Bank	
	Three months ended	
	31-Mar-17 RM'000	31-Mar-16 RM'000
Loans, advances and financing	192	3,970
Money at call and deposit placements with financial institutions	4,076	10,156
Securities - Available-for-sale	921	1,894
	<u>5,189</u>	<u>16,020</u>
Amortisation of premium less accretion of discount	(295)	(44)
Total Interest Income	<u>4,894</u>	<u>15,976</u>
Of which:		
Interest income earned on impaired loans, advances and financing	-	17

15. INTEREST EXPENSE

	Group/Bank	
	Three months ended	
	31-Mar-17 RM'000	31-Mar-16 RM'000
Deposits and placements of banks and other financial institutions	32	198
Deposits from other customers	-	1,534
	<u>32</u>	<u>1,732</u>

16. OTHER OPERATING INCOME

	Group		Bank	
	Three months ended		Three months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	-	329	-	329
Service charges and fees	-	333	-	333
Guarantee fees	-	470	-	470
Other fee income	-	127	-	127
	<u>-</u>	<u>1,259</u>	<u>-</u>	<u>1,259</u>
Other income:				
Foreign exchange gain/(loss)				
Unrealised	3	1,297	3	1,297
Realised	(11)	(12,705)	(11)	(12,705)
Gain/(Loss) on derivatives trading	-	-	-	-
Unrealised	102,566	7,517	102,566	7,517
Realised	(102,845)	5,968	(102,845)	5,968
Others	372	(109)	372	(109)
	<u>85</u>	<u>1,968</u>	<u>85</u>	<u>1,968</u>
	<u>85</u>	<u>3,227</u>	<u>85</u>	<u>3,227</u>

17. OTHER OPERATING EXPENSES

	Group		Bank	
	Three months ended		Three months ended	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	2,315	4,509	2,315	4,509
Establishment costs (Note b)	(841)	(2,053)	(841)	(2,053)
Marketing expenses (Note c)	14	85	14	85
Administration and general expenses (Note d)	1,255	1,189	1,255	1,189
	<u>2,743</u>	<u>3,730</u>	<u>2,743</u>	<u>3,730</u>
(a) Personnel costs				
Salaries, bonuses and allowances	1,489	3,580	1,489	3,580
Social security costs	(8)	30	(8)	30
EPF - defined contribution plan	253	542	253	542
Rental of accomodation	-	10	-	10
Other staff related expenses	581	347	581	347
	<u>2,315</u>	<u>4,509</u>	<u>2,315</u>	<u>4,509</u>
(b) Establishment costs				
Share of Group costs - current year	(1,480)	-	(1,480)	-
- prior years	-	(3,597)	-	(3,597)
Depreciation of property, plant and equipment	-	488	-	488
Amortisation of intangible assets	-	141	-	141
Rental of premises	214	422	214	422
Others	425	493	425	493
	<u>(841)</u>	<u>(2,053)</u>	<u>(841)</u>	<u>(2,053)</u>
(c) Marketing Expenses				
Advertising	13	13	13	13
Others	1	72	1	72
	<u>14</u>	<u>85</u>	<u>14</u>	<u>85</u>
(d) Administration and general expenses				
Legal and professional fees	185	118	185	118
Communication	135	411	135	411
Transportation	30	30	30	30
Property maintenance	235	179	235	179
Others	670	451	670	451
	<u>1,255</u>	<u>1,189</u>	<u>1,255</u>	<u>1,189</u>

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

	Group/Bank	
	Three months ended	
	31-Mar-17	31-Mar-16
	RM'000	RM'000
(Write back)/Allowance for impairment on loans, advances and financing:		
Individual assessment allowance:		
Made in the financial period	43	64
Written off in the financial period	(325)	(119)
Impaired loans and financing recovered	-	(2)
Collective assesment allowance:		
Made in the financial period	-	101
Written back in the financial period	(731)	-
	<u>(1,013)</u>	<u>44</u>

19. RESTRUCTURING COSTS

	Group/Bank	
	Nine months ended	
	31-Mar-17	31-Mar-16
	RM'000	RM'000
Provision for severance payments	18	-
Property, plant and equipment written off (Note 7)	-	-
Intangible assets written off (Note 8)	-	-
Loan, advances and financing written off	7,232	-
Other provisions	(868)	-
	<u>6,382</u>	<u>-</u>
Deferred tax assets write off	-	-
	<u>6,382</u>	<u>-</u>

20. CAPITAL ADEQUACY

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

	Group		Bank	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	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	178,843	178,843	178,843	178,843
Retained earnings	29,349	29,349	29,349	29,349
Interim losses	(3,165)	-	(3,165)	-
Unrealised reserve	-	(157)	-	(157)
	<u>624,209</u>	<u>627,217</u>	<u>624,209</u>	<u>627,217</u>
Less :				
- Deferred tax assets	-	-	-	-
Total CET I/Tier-I capital	<u>624,209</u>	<u>627,217</u>	<u>624,209</u>	<u>627,217</u>
	Group		Bank	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Tier-II Capital				
Collective assessment allowance	-	731	-	731
Regulatory reserves	-	-	-	-
Total Tier-II capital	<u>-</u>	<u>731</u>	<u>-</u>	<u>731</u>
Total capital funds	624,209	627,948	624,209	627,948
Less: Investment in subsidiary companies	-	-	-	-
Capital base	<u>624,209</u>	<u>627,948</u>	<u>624,209</u>	<u>627,948</u>
Capital Ratios				
CET I capital ratio	306.04%	213.17%	305.80%	213.06%
Tier 1 capital ratio	306.04%	213.17%	305.80%	213.06%
Total capital ratio	<u>306.04%</u>	<u>213.42%</u>	<u>305.80%</u>	<u>213.31%</u>

20. CAPITAL ADEQUACY (CONTD.)

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

	Group		Bank	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	RM'000	RM'000	RM'000	RM'000
Credit Risk	14,839	157,551	14,839	157,551
Market Risk	1,619	7,205	1,619	7,205
Operational Risk	187,508	129,472	187,665	129,629
Total risk-weighted assets	<u>203,966</u>	<u>294,228</u>	<u>204,123</u>	<u>294,385</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 31 March 2017 is 9.2% (2016: 8.6%).

21. 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:

	31-March-2017			31-Dec-2016		
	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>						
Transaction-related contingent items	-	-	-	926	463	328
Other commitments, such as formal standby facilities and credit lines:						
- maturity less than one year	-	-	-	18,597	3,719	2,360
- maturity more than one year	-	-	-	132	66	50
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	-	-	-	7,177	-	-
Interest rate related contracts:						
- less than one year	-	-	-	1,212,146	193,152	95,163
	-	-	-	1,238,978	197,400	97,901

* 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 31 March 2017

Analysis of the Group's financial performance

(i) Total Assets

	31-Mar-17		As at 31-Mar-16		Variance		31-Dec-16		As at 31-Dec-15		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	640,600	100%	2,447,425	100%	(1,806,825)	0%	991,097	100%	3,407,565	100%	(2,416,468)	0%
Others	-	0%	-	0%	-	0%	-	0%	(10)	0%	10	0%
RBS Group	640,600	100%	2,447,425	100%	(1,806,825)	0%	991,097	100%	3,407,555	100%	(2,416,458)	0%

(ii) (Loss)/Profit before tax

	2017		3 months ended 31 March 2016		Variance		2017		3 months ended 31 March (current interim period) 2016		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	(3,165)	100%	13,697	100%	(16,862)	0%	(3,165)	100%	13,697	100%	(16,862)	0%
Others	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
31 M Total profit before tax	(3,165)	100%	13,697	100%	(16,862)	0%	(3,165)	100%	13,697	100%	(16,862)	0%

(iii) (Loss)/Profit after tax

	2017		3 months ended 31 March 2016		Variance		2017		3 months ended 31 March (current interim period) 2016		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	(3,165)	100%	13,144	100%	(16,309)	0%	(3,165)	100%	13,144	100%	(16,309)	0%
Others	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total profit after tax	(3,165)	100%	13,144	100%	(16,309)	0%	(3,165)	100%	13,144	100%	(16,309)	0%

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

	3 months ended 31 March (cumulative)		3 months ended 31 March (current interim period)	
	2017	2016	2017	2016
	%	%	%	%
RBS Berhad	-0.51%	1.76%	-0.51%	1.76%
RBS Group	-0.51%	1.76%	-0.51%	1.76%

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

	3 months ended 31 March (cumulative)		3 months ended 31 March (current interim period)	
	2017	2016	2017	2016
	%	%	%	%
RBS Berhad	-0.39%	0.47%	-0.39%	0.47%
RBS Group	-0.39%	0.47%	-0.39%	0.47%