

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

Basel II
Pillar 3 Disclosure
As at 30 June 2014

Overview

The Royal Bank of Scotland Berhad and its subsidiaries (collectively the “Group”) adopted the Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Basic Indicator Approach for operational risk of the Pillar 1 under Bank Negara Malaysia’s Risk-Weighted Capital Adequacy Framework (‘RWCAF’).

Under the Standardised Approach, standard risk weights are used to assess the capital requirements for exposures in credit risk and market risk whilst the capital required for operational risk under the Basic Indicator Approach is computed based on a fixed percentage over the group’s average gross income for a fixed number of quarterly periods.

The information provided herein is pending verification by the internal auditors. The information is not audited as there is no requirement for external auditing of these disclosures under the Bank Negara Malaysia’s RWCAF. The Pillar 3 Disclosure will be published in the Bank’s website at www.rbs.my.

2.0 Capital Adequacy

The capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Basel II – Risk-Weighted Assets). The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratio.

Disclosure on Capital Adequacy under the Standardised Approach

Expressed in nearest RM thousands (RM'000)

Item	Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets	Minimum Capital Requirement at 8%
30 June 2014					
1.0	Credit Risk				
	<i>On-Balance Sheet Exposures</i>				
	Sovereigns/Central Banks	538,108	538,108	0	-
	Public Sector Entities	-	-	0	-
	Banks, Development Financial Institutions & MDBs	1,102,505	1,048,256	209,651	16,772
	Insurance Cos, Securities Firms & Fund Managers	-	-	0	-
	Corporates	621,495	621,495	621,495	49,720
	Regulatory Retail	-	-	0	-
	Residential Mortgages	19,183	19,183	14,387	1,151
	Higher Risk Assets	1,817	1,817	2,726	218
	Other Assets	34,488	34,488	30,357	2,429
	Specialised Financing/Investment	-	-	0	-
	Securitisation Exposure	-	-	0	-
	Equity Exposure	-	-	0	-
	Defaulted Exposures	820	820	1,230	98
	Total for On-Balance Sheet Exposures	2,318,416	2,264,167	879,846	70,388
	<i>Off-Balance Sheet Exposures</i>				
	OTC Derivatives	1,684,935	1,684,935	970,157	77,613
	Credit Derivatives	-	-	0	-
	Off-Balance Sheet Exposures other than OTC or credit derivatives	671,309	671,309	647,162	51,773
	Defaulted Exposures	-	-	0	-
	Total for Off-Balance Sheet Exposures	2,356,244	2,356,244	1,617,319	129,386
	Total for On and Off-Balance Sheet Exposures	4,674,660	4,620,411	2,497,165	199,773
2.0	Large Exposures Risk Requirement				
3.0	Market Risk	Long	Short		
	Interest Rate Risk	24,744,503	(25,327,022)	1,196,088	95,687
	Foreign Currency Risk	41,284	(1,415)	41,284	3,303
	Equity Risk				
	Commodity Risk				
	Options Risk	100,000	(680,000)	4,875	390
	Inventory Risk				
4.0	Operational Risk			145,037	11,603
5.0	Total RWA			3,884,449	310,756

Disclosure on Capital Adequacy under the Standardised Approach

Expressed in nearest RM thousands (RM'000)

Item	Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets	Minimum Capital Requirement at 8%
31 December 2013					
1.0	Credit Risk				
	<i>On-Balance Sheet Exposures</i>				
	Sovereigns/Central Banks	737,598	737,598	0	-
	Public Sector Entities	-	-	0	-
	Banks, Development Financial Institutions & MDBs	1,366,737	1,309,708	261,942	20,955
	Insurance Cos, Securities Firms & Fund Managers	-	-	0	-
	Corporates	323,969	323,969	323,969	25,918
	Regulatory Retail	-	-	0	-
	Residential Mortgages	20,525	20,525	15,394	1,232
	Higher Risk Assets	2,752	2,752	4,128	330
	Other Assets	58,405	58,405	55,563	4,445
	Specialised Financing/Investment	-	-	0	-
	Securitisation Exposure	-	-	0	-
	Equity Exposure	-	-	0	-
	Defaulted Exposures	942	942	1,413	113
	Total for On-Balance Sheet Exposures	2,510,928	2,453,899	662,409	52,993
	<i>Off-Balance Sheet Exposures</i>				
	OTC Derivatives	2,054,197	2,054,197	1,133,994	90,720
	Credit Derivatives	-	-	0	-
	Off-Balance Sheet Exposures other than OTC or credit derivatives	705,984	705,984	648,880	51,910
	Defaulted Exposures	-	-	0	-
	Total for Off-Balance Sheet Exposures	2,760,181	2,760,181	1,782,874	142,630
	Total for On and Off-Balance Sheet Exposures	5,271,109	5,214,080	2,445,283	195,623
2.0	Large Exposures Risk Requirement				
3.0	Market Risk	Long	Short		
	Interest Rate Risk	27,929,728	(28,672,818)	1,266,400	101,312
	Foreign Currency Risk	40,440	(183)	40,440	3,235
	Equity Risk				
	Commodity Risk				
	Options Risk	100,000	(680,000)	5,115	409
	Inventory Risk				
4.0	Operational Risk			148,191	11,855
5.0	Total RWA			3,905,429	312,434

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

3.0 Capital Structure

The components of the Group's capital structure are as shown in the table below:

Capital Structure

Expressed in nearest RM thousands (RM'000)

Group	Capital Elements	As At 30 Jun 2014	As At 31 Dec 2013
CET I/ Tier 1 Capital			
	Paid-up ordinary share capital	343,000	203,000
	Share premium	76,182	76,182
	Retained profit/loss brought forward from the previous financial year	142,723	140,029
	Current unaudited unadjusted profit/ loss	(64)	5,712
	Transfer of current year profit to statutory reserve fund		(1,674)
	Approved audited half-year profit/ loss		
	Prior year's profit/ loss		
	Statutory reserve fund	163,742	163,742
	Unrealised reserve	(324)	(809)
	General reserve fund		
	Capital redemption reserve		
	Total non-innovative Tier 1 (non-IT1) and innovative Tier 1 (IT1) capital		
	Non-innovative Tier 1 capital		
	Of which: preference shares		
	Total innovative Tier 1 capital		
	RM innovative Tier 1 capital		
	Innovative non-cumulative perpetual preference share capital		
	RM Approved innovative debt capital instruments issued		
	FX Approved innovative debt capital instruments issued		
	Minority interest in shares of non-wholly owned subsidiaries		
	Minority interest in non-cumulative preference shares of non-wholly owned subsidiaries		
	Surplus/ loss from the sale of fixed and long-term investments not yet recognised in retained earnings		
	Deferred tax assets	(25,270)	(28,135)
	Other items (insert if any)		
	Total CET I/Tier 1 capital	699,989	558,047
	Less: Goodwill		
	Deductions in excess of Tier 2 capital		
	ELIGIBLE TIER 1 CAPITAL	699,989	558,047
	Eligible Tier 2 Capital		
	Approved hybrid (debt/equity) capital instruments		
	ICULs issued		
	RCULs issued		
	Other approved hybrid debt capital securities issued		
	Property revaluation reserve		
	Ordinary shares capitalised from property revaluation reserve		
	Cumulative perpetual preference shares		
	Minority interest in cumulative perpetual preference shares of non-wholly owned subsidiaries		
	RM collectively assessed allowance	6,462	5,548
	Surplus eligible provisions (EP) where it exceeds expected losses (EL) under the IRB approach		
	Maximum allowable subordinated debt capital		140,000
	RM subordinated debt capital		140,000
	FX subordinated debt capital		
	Any non-IT1 and IT1 capital instruments in excess of prescribed limits in Tier 1		
	Of which: preference shares		
	Other reserves	1,292	
	Total Tier 2 capital	7,754	145,548
	Total Tier 2 capital (subject to limits)	7,754	145,548
	Less: Investment in subsidiaries companies		
	Investment in insurance companies		
	Investment in capital instruments of other banking institutions		
	Securitisation exposures subject to deductions		
	Securitisation exposures held in the banking book		
	Securitisation exposures held in the trading book		
	Excess of EL over EP under the IRB approach		
	EL amount for equity exposures under the PD/LGD approach		
	Stale Inventory Reserve		
	Other items (insert if any)		
	Total deductions from Tier 2 Capital		
	ELIGIBLE TIER 2 CAPITAL	7,754	145,548
	CAPITAL BASE	707,743	703,595

4.0 Risk Management

4.1 Credit Risk

Credit Risk (General Disclosure)

Disclosure on Loans by Sector and Geographical Distribution

30 June 2014

Sector Description	K.Lumpur RM'000	P.Pinang RM'000	N. Sembilan	Labuan	Selangor	Melaka	All States RM'000
Purchase of transport vehicles	337	147	-	-	637	85	1,206
Purchase of landed properties (Residential)	5,696	453	329	-	13,979	-	20,457
Consumption credit	58	-	-	2	93	4	157
Manufacturing	232,684	-	-	-	-	-	232,684
Construction	3,837	-	-	-	-	-	3,837
Wholesale and retail	309,724	-	-	-	-	-	309,724
Transport, storage and communication	-	-	-	-	-	-	-
Finance, insurance and business services	4,674	-	-	-	-	-	4,674
Mining and quarrying	74,217	-	-	-	-	-	74,217
	631,227	600	329	2	14,709	89	646,956

31 December 2013

Sector Description	K.Lumpur RM'000	P.Pinang RM'000	N. Sembilan RM'000	Labuan RM'000	Selangor RM'000	Melaka RM'000	All States RM'000
Purchase of transport vehicles	391	164	-	-	659	97	1,311
Purchase of landed properties (Residential)	6,298	373	375	-	15,030	-	22,076
Consumption credit	64	-	-	5	124	6	199
Manufacturing	111,958	-	-	-	-	-	111,958
Construction	4,964	-	-	-	-	-	4,964
Wholesale and retail	132,689	-	-	-	-	-	132,689
Transport, storage and communication	1,694	-	-	-	-	-	1,694
Finance, insurance and business services	13,270	-	-	-	-	-	13,270
Mining and quarrying	71,488	-	-	-	-	-	71,488
	342,816	537	375	5	15,813	103	359,649

Loans by Residual Contractual Maturity

30 June 2014

Residual contractual maturity	Term Loans RM'000	Bills receivable RM'000	BA's RM'000	RC RM'000	Staff Loans RM'000	Overdraft RM'000	Trust receipts RM'000	Other loans RM'000	Total RM'000
Maturity within one year	8	80,529	69,855	405,003	2,951	19,674	371	49,705	628,096
More than one year to three years	131	-	-	-	-	-	-	-	131
More than three years to five years	774	-	-	-	-	-	-	-	774
More than five years	17,955	-	-	-	-	-	-	-	17,955
	18,868	80,529	69,855	405,003	2,951	19,674	371	49,705	646,956

31 December 2013

Residual contractual maturity	Term Loans RM'000	Bills receivable RM'000	BA's RM'000	RC RM'000	Staff Loans RM'000	Overdraft RM'000	Trust receipts RM'000	Other loans RM'000	Total RM'000
Maturity within one year	326	35,704	43,707	120,957	3,518	10,929	708	44,057	259,906
More than one year to three years	655	-	-	-	-	-	-	-	655
More than three years to five years	247	-	-	-	-	-	-	-	247
More than five years	18,841	-	-	80,000	-	-	-	-	98,841
	20,069	35,704	43,707	200,957	3,518	10,929	708	44,057	359,649

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

Impairment losses on loans, advances and financing

Past due but not impaired: Past due but not impaired loans, advances and financing are loans where the customer has failed to make a principal or interest payment when they are contractually due, and includes loans which are due 1 or more days after the contractual due date but less than 3 months. The breakdown of the gross loan amounts of past due but not impaired by economic sector are as follows:

30 June 2014

Sector Description	K.Lumpur RM'000	N. Sembilan RM'000	Selangor RM'000	All States RM'000
Purchase of landed properties (Residential)	643	-	1,855	2,498
Purchase of transport vehicles	-	-	-	-
	643	-	1,855	2,498

31 December 2013

Sector Description	K.Lumpur RM'000	N. Sembilan RM'000	Selangor RM'000	All States RM'000
Purchase of landed properties (Residential)	684	63	1,514	2,261
Purchase of transport vehicles	-	-	48	48
	684	63	1,562	2,309

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

Impaired: The definition of impaired loans and the approaches undertaken in the determination of individually assessed and collectively assessed allowance are explained in Note 4(iii) to the 2013 annual financial statements. The breakdown of the gross amount of impaired loans, advances and financing assessed, by economic sector and the corresponding individual assessment allowance is provided in Note 35(b) to the 2013 annual financial statements. The breakdown of the gross amount, the corresponding individual impairment provision, the current year write-offs and charges, by economic sector are as follows:

Sector (Expressed in RM'000)	2014					
	Gross Impaired Loans @ 30 Jun 2014	Individually assessed allowance @ 1 Jan 2014	Write-off during the period	Write-back during the period	Allowance made during period	Individually assessed allowance @ 30 June 2014
Kuala Lumpur						
Purchase of landed properties (Residential)	351	159	-	(69)	22	112
Purchase of transport vehicles	48	53	-	(4)	-	49
Construction	-	-	-	-	-	-
Wholesale and retail	334	334	-	-	-	334
Selangor						
Purchase of landed properties (Residential)	817	364	-	(152)	77	289
Purchase of transport vehicles	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Wholesale and retail	-	-	-	-	-	-
Negeri Sembilan						
Purchase of landed properties (Residential)	54	33	(33)	(15)	15	-
Purchase of transport vehicles	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Wholesale and retail	-	-	-	-	-	-
	1,604	943	(33)	(240)	114	784

Sector (Expressed in RM'000)	2013					
	Gross Impaired Loans @ 31 Dec 2013	Individually assessed allowance @ 1 Jan 2013	Write-off during the year	Write-back during the year	Allowance made during the year	Individually assessed allowance @ 31 Dec 2013
Kuala Lumpur						
Purchase of landed properties (Residential)	492	125	-	(10)	44	159
Purchase of transport vehicles	53	16	-	(63)	100	53
Construction	-	7	-	(7)	-	-
Wholesale and retail	334	334	-	-	-	334
Selangor						
Purchase of landed properties (Residential)	918	353	-	(290)	301	364
Purchase of transport vehicles	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Wholesale and retail	-	-	-	-	-	-
Negeri Sembilan						
Purchase of landed properties (Residential)	88	98	-	(66)	1	33
Purchase of transport vehicles	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Wholesale and retail	-	-	-	-	-	-
	1,885	933	-	(436)	446	943

The collectively assessed allowance is not directly attributable to any geographical distribution and economic sector. The collectively assessed allowance is disclosed in Note 8(viii) to the 2013 annual financial statements and Note 4(ix) to the 30 June 2014 interim financial statements.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

Disclosure on Credit Risk Exposure after Netting and Credit Risk Mitigation

Exposures after Netting and Credit Risk Mitigation (Expressed in nearest RM '000)										
Risk Weights	Sovereigns & Central Banks	Banks, MDBs and FDI's	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Total Exposures	Total Risk Weighted Assets
30 June 2014										
0%	538,108	-	-	-	-	-	-	4,131	542,239	-
10%	-	-	-	-	-	-	-	-	-	-
20%	-	1,373,445	-	-	-	-	-	-	1,373,445	274,689
35%	-	-	-	-	-	-	-	-	-	-
50%	-	957,468	-	-	-	-	-	-	957,468	478,734
75%	-	-	-	-	-	19,345	-	-	19,345	14,509
90%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	1,694,922	-	-	-	30,359	1,725,281	1,725,281
110%	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	820	1,817	-	2,637	3,955
270%	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-	-	-
Total	538,108	2,330,913	-	1,694,922	-	20,165	1,817	34,490	4,620,415	2,497,167
31 December 2013										
0%	737,598	-	-	-	-	-	-	2,842	740,440	-
10%	-	-	-	-	-	-	-	-	-	-
20%	-	1,736,708	-	-	-	-	-	-	1,736,708	347,342
35%	-	-	-	-	-	-	-	-	-	-
50%	-	1,271,334	-	-	-	-	-	-	1,271,334	635,667
75%	-	-	-	-	-	20,686	-	-	20,686	15,515
90%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	1,385,654	-	-	-	55,563	1,441,217	1,441,217
110%	-	-	-	-	-	-	-	-	-	-
125%	-	-	-	-	-	-	-	-	-	-
135%	-	-	-	-	-	-	-	-	-	-
150%	-	-	-	-	-	943	2,752	-	3,695	5,543
270%	-	-	-	-	-	-	-	-	-	-
350%	-	-	-	-	-	-	-	-	-	-
400%	-	-	-	-	-	-	-	-	-	-
625%	-	-	-	-	-	-	-	-	-	-
937.5%	-	-	-	-	-	-	-	-	-	-
1250.0%	-	-	-	-	-	-	-	-	-	-
Total	737,598	3,008,042	-	1,385,654	-	21,629	2,752	58,405	5,214,080	2,445,283

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

Disclosure on Rated Exposure According to Ratings by ECAIs

Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3)

Disclosures on Rated Exposures according to Ratings by ECAIs

Expressed in nearest RM thousands (RM'000)

30 June 2014

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates		-	-	63,571		1,671,983
Total		-	-	63,571	-	1,671,983

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
Banks, MDBs and FDIs						
Rated Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates						
Total		-	-	-	-	-

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Sovereigns and Central Banks		-	-	-	-	-	538,108
Total		-	-	-	-	-	538,108

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
Banks, MDBs and FDIs		337,510	1,855,773	156,528	-	-	35,351
Total		337,510	1,855,773	156,528	-	-	35,351

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3)

Disclosures on Rated Exposures according to Ratings by ECAIs

Expressed in nearest RM thousands (RM'000)

31 December 2013

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	B1 to C	Unrated
Gross On and Off Balance-Sheet Exposures	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
<u>Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates		-	-	74,326		1,311,328
Total		-	-	74,326	-	1,311,328

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-2	P-3	Others	Unrated
Gross On and Off Balance-Sheet Exposures	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
Banks, MDBs and FDIs						
<u>Rated Credit Exposures (using Corporate Risk Weights)</u>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)						
Insurance Cos, Securities Firms & Fund Managers						
Corporates						
Total		-	-	-	-	-

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
Gross On and Off Balance-Sheet Exposures	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Sovereigns and Central Banks		-	-	-	-	-	737,598
Total		-	-	-	-	-	737,598

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
Gross On and Off Balance-Sheet Exposures	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
Banks, MDBs and FDIs		471,556	2,220,797	187,027	-	-	185,691
Total		471,556	2,220,797	187,027	-	-	185,691

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

Disclosure on Credit Risk Mitigation

Disclosure on Credit Risk Mitigation (Expressed in nearest RM '000)				
Exposure Class	Gross Exposures	Exposures Covered by Guarantees/Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other eligible Collateral
30 June 2014				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	538,108			
Public Sector Entities				
Banks, Development Financial Institutions & MDBs	1,102,505		54,249	
Insurance Cos, Securities Firms & Fund Managers				
Corporates	621,495			
Regulatory Retail				
Residential Mortgages	19,183			
Higher Risk Assets	1,817			
Other Assets	34,488			
Specialised Financing/Investment				
Equity Exposure				
Securitisation Exposure				
Defaulted Exposures	820			
Total for On-Balance Sheet Exposures	2,318,416	-	54,249	-
Off-Balance Sheet Exposures				
OTC Derivatives	1,684,935			
Credit Derivatives				
Off-Balance Sheet Exposures other than OTC or Credit derivatives	671,309			
Defaulted Exposures				
Total for Off-Balance Sheet Exposures	2,356,244	-	-	-
Total for On and Off-Balance Sheet Exposures	4,674,660	-	54,249	-
31 December 2013				
Credit Risk				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	828,908			
Public Sector Entities				
Banks, Development Financial Institutions & MDBs	2,634,774		57,353	
Insurance Cos, Securities Firms & Fund Managers				
Corporates	261,770		161,642	
Regulatory Retail				
Residential Mortgages	23,495			
Higher Risk Assets	5,752			
Other Assets	49,397			
Specialised Financing/Investment				
Equity Exposure				
Securitisation Exposure				
Defaulted Exposures	7,525			
Total for On-Balance Sheet Exposures	3,811,621	-	218,995	-
Off-Balance Sheet Exposures				
OTC Derivatives	2,106,978			
Credit Derivatives				
Off-Balance Sheet Exposures other than OTC or Credit derivatives	486,734			
Defaulted Exposures				
Total for Off-Balance Sheet Exposures	2,593,712	-	-	-
Total for On and Off-Balance Sheet Exposures	6,405,333	-	218,995	-

Disclosure on Off-balance sheet and Counterparty Credit Risk Exposure

Disclosure on Off-Balance Sheet and Counterparty Credit Risk

Expressed in nearest RM thousands (RM '000)

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
30 June 2014				
Direct Credit Substitutes	25,951		25,951	25,951
Transaction related contingent Items	620,038		310,019	302,089
Short Term Self Liquidating trade related contingencies	33,847		6,769	6,698
Assets sold with recourse				
Forward Asset Purchases				
Obligations under an on-going underwriting agreement				
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions. (i.e. repurchase / reverse repurchase and securities lending / borrowing transactions.				
Foreign exchange related contracts				
One year or less	5,504,897	34,275	98,357	67,573
Over one year to five years	278,026	1,371	19,033	6,072
Over five years	22,023		2,202	1,101
Interest/Profit rate related contracts				
One year or less	5,994,251	47,646	126,134	72,994
Over one year to five years	14,316,593	267,017	772,192	386,877
Over five years	5,083,661	179,765	660,645	431,035
Equity related contracts				
One year or less	26,319	1,832	3,142	2,164
Over one year to five years	37,205		3,230	2,341
Over five years				
Gold and Other Precious Metal Contracts				
One year or less				
Over one year to five years				
Over five years				
Other Commodity Contracts				
One year or less				
Over one year to five years				
Over five years				
Credit Derivative Contracts				
One year or less				
Over one year to five years				
Over five years				
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	323		162	121
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,642,039		328,408	312,303
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness				
Unutilised credit card lines				
Off-balance sheet items for securitisation exposures				
Off-balance sheet exposures due to early amortisation provisions				
Total	33,585,173	531,906	2,356,244	1,617,319

Disclosure on Off-Balance Sheet and Counterparty Credit Risk

Expressed in nearest RM thousands (RM '000)

Description	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
31 December 2013				
Direct Credit Substitutes	48,273		48,273	48,273
Transaction related contingent Items	593,503		296,752	275,703
Short Term Self Liquidating trade related contingencies	106,869		21,374	21,350
Assets sold with recourse				
Forward Asset Purchases				
Obligations under an on-going underwriting agreement				
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions. (i.e. repurchase / reverse repurchase and securities lending / borrowing transactions.				
Foreign exchange related contracts				
One year or less	6,698,183	102,793	195,930	111,200
Over one year to five years	345,033	1,974	24,245	9,651
Over five years	26,997		2,700	1,350
Interest/Profit rate related contracts				
One year or less	4,306,665	14,223	34,339	15,645
Over one year to five years	18,465,077	291,741	975,251	469,615
Over five years	5,778,571	199,728	812,742	520,178
Equity related contracts				
One year or less				
Over one year to five years	75,569	2,944	8,990	6,355
Over five years				
Gold and Other Precious Metal Contracts				
One year or less				
Over one year to five years				
Over five years				
Other Commodity Contracts				
One year or less				
Over one year to five years				
Over five years				
Credit Derivative Contracts				
One year or less				
Over one year to five years				
Over five years				
OTC Derivative transactions and credit derivative contracts subject to valid bilateral netting agreements				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	323		162	121
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,697,115		339,423	303,432
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness				
Unutilised credit card lines				
Off-balance sheet items for securitisation exposures				
Off-balance sheet exposures due to early amortisation provisions				
Total	38,142,178	613,403	2,760,181	1,782,873

4.2 Interest Rate Risk Sensitivity Analysis

Stress testing is performed to provide early warnings of potential losses to facilitate the proactive management of interest rate risk. Based on data as at 30 June 2014, the Group's projected sensitivity to a 100 basis point parallel shock to interest rates across all maturities is approximately RM1.8 million.

4.3 Equity Exposures in Banking Book

The privately held equity investments are unquoted and stated at cost adjusted for impairment loss, if any. These investments are held mainly for strategic purpose only. The table below present the equity exposures in banking book:

Privately held	For socio-economic purposes	
	As at 31 June 2014 RM'000	As at 31 December 2013 RM'000
Credit exposure	1,699	1,699
Risk Weighted Asset	1,699	1,699