

THE ROYAL BANK OF SCOTLAND BERHAD

(Company No. 301932 - A)

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

For Period Ended

30 September 2013

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 SEPTEMBER 2013

	Note	Group		Bank	
		30-Sep 2013 RM'000	31-Dec 2012 RM'000	30-Sep 2013 RM'000	31-Dec 2012 RM'000
ASSETS					
Cash and short-term funds	2	1,135,807	2,230,388	1,135,807	2,230,388
Deposits and placements with other financial institutions		440,708	400,264	440,708	400,264
Securities held-for-trading	3	-	29,637	-	29,637
Securities available-for-sale	4	676,080	797,407	676,080	797,407
Loans, advances and financing	5	444,978	299,304	444,978	299,304
Derivatives financial assets		786,652	727,362	786,652	727,362
Statutory deposits with Bank Negara Malaysia	6	10,700	28,000	10,700	28,000
Other assets	7	39,162	34,049	39,162	34,049
Investments in subsidiary companies		-	-	20	20
Investment in associated company		3,255	5,752	2,700	4,718
Property, plant and equipment	8	9,162	10,340	9,162	10,340
Intangible assets	9	448	565	448	565
Deferred tax assets		22,965	22,591	22,965	22,591
TOTAL ASSETS		3,569,917	4,585,659	3,569,382	4,584,645
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	10	1,510,801	1,759,354	1,510,821	1,759,374
Deposits and placements from banks and other financial institutions	11	286,470	1,008,634	286,470	1,008,634
Derivatives financial liabilities		820,617	878,412	820,617	878,412
Other liabilities	12	181,542	149,367	181,542	149,367
Subordinated debt capital		211,211	207,940	211,211	207,940
TOTAL LIABILITIES		3,010,641	4,003,707	3,010,661	4,003,727

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013 (CONT'D)

	Note	Group		Bank	
		30-Sep	31-Dec	30-Sep	31-Dec
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Share capital	13	203,000	203,000	203,000	203,000
Reserves	14	356,276	378,952	355,721	377,918
SHAREHOLDER'S FUNDS		<u>559,276</u>	<u>581,952</u>	<u>558,721</u>	<u>580,918</u>
TOTAL LIABILITIES					
AND SHAREHOLDER'S					
FUNDS		<u>3,569,917</u>	<u>4,585,659</u>	<u>3,569,382</u>	<u>4,584,645</u>
COMMITMENTS AND					
CONTINGENCIES	21	<u>40,308,037</u>	<u>39,946,813</u>	<u>40,308,037</u>	<u>39,946,813</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 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2013

	Note	Group		Bank	
		30-Sep 2013 RM'000	30-Sep 2012 RM'000	30-Sep 2013 RM'000	30-Sep 2012 RM'000
Operating revenue		<u>56,513</u>	<u>111,012</u>	<u>56,513</u>	<u>111,012</u>
Interest income	15	37,452	57,341	37,452	57,341
Interest expense	16	(21,536)	(46,403)	(21,536)	(46,403)
Net interest income		<u>15,916</u>	<u>10,938</u>	<u>15,916</u>	<u>10,938</u>
Other operating income	17	19,061	53,671	19,061	53,671
Other operating expenses	18	(55,557)	(64,525)	(55,557)	(64,525)
Write back for impairment on loans, advances and financing	19	(1,775)	(803)	(1,775)	(803)
Share of (loss)/profit of associated company		<u>(479)</u>	<u>1,871</u>	<u>-</u>	<u>-</u>
Loss before taxation		<u>(22,834)</u>	<u>1,152</u>	<u>(22,355)</u>	<u>(719)</u>
Taxation		<u>1,282</u>	<u>(8,847)</u>	<u>1,282</u>	<u>(8,847)</u>
Loss for the period attributable to equity holder of the Bank		<u>(21,552)</u>	<u>(7,695)</u>	<u>(21,073)</u>	<u>(9,566)</u>
Other comprehensive loss:					
Net loss on securities available-for-sale		<u>(1,124)</u>	<u>(1,094)</u>	<u>(1,124)</u>	<u>(1,094)</u>
Total comprehensive loss for for the period		<u>(22,676)</u>	<u>(8,789)</u>	<u>(22,197)</u>	<u>(10,660)</u>
Loss per share (sen)		<u>(10.62)</u>	<u>(3.79)</u>	<u>(10.38)</u>	<u>(4.71)</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 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2013

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		
At 1 January 2012					
- as previously restated	203,000	76,182	162,068	1,308	605,135
- effects of MFRS adoption	-	-	-	-	1,584
At 1 January 2012, as restated	203,000	76,182	162,068	1,308	606,719
Loss for the year	-	-	-	-	(24,132)
Net loss on securities available-for-sale	-	-	-	(847)	(847)
Deferred tax	-	-	-	212	212
Other comprehensive loss	-	-	-	(635)	(635)
At 31 December 2012	203,000	76,182	162,068	673	581,952
At 1 January 2013	203,000	76,182	162,068	673	581,952
Loss for the period	-	-	-	-	(21,552)
Net loss on securities available-for-sale	-	-	-	(1,498)	(1,498)
Deferred tax	-	-	-	374	374
Other comprehensive loss	-	-	-	(1,124)	(1,124)
At 30 September 2013	203,000	76,182	162,068	(451)	559,276

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 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2013

Bank	← Non-distributable Reserves →			Distributable	Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Reserve Retained earnings RM'000	
At 1 January 2012					
- as previously restated	203,000	76,182	162,068	160,931	603,489
- effects of MFRS adoption	-	-	-	1,584	1,584
At 1 January 2012, as restated	203,000	76,182	162,068	162,515	605,073
Loss for the year	-	-	-	(23,520)	(23,520)
Net loss on securities available-for-sale	-	-	-	-	(847)
Deferred tax	-	-	-	212	212
Other comprehensive loss	-	-	-	(635)	(635)
At 31 December 2012	203,000	76,182	162,068	138,995	580,918
At 1 January 2013	203,000	76,182	162,068	138,995	580,918
Loss for the period	-	-	-	(21,073)	(21,073)
Net loss on securities available-for-sale	-	-	-	-	(1,498)
Deferred tax	-	-	-	374	374
Other comprehensive loss	-	-	-	(1,124)	(1,124)
At 30 September 2013	203,000	76,182	162,068	117,922	558,721

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 2012.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2013

	Group		Bank	
	30-Sep 2013 RM'000	30-Sep 2012 RM'000	30-Sep 2013 RM'000	30-Sep 2012 RM'000
Cash Flows from Operating Activities				
(Loss)/Profit before taxation	(23,471)	1,152	(22,992)	(719)
Adjustments for:				
Depreciation of property, plant and equipment	2,902	3,787	2,902	3,787
Amortisation of intangible assets	117	202	117	202
Intangible assets written off	-	215	-	215
Net allowance for impairment on loans, advances and financing	1,775	803	1,775	803
Amortisation of premium less accretion of discount	4,440	(3,414)	4,440	(3,414)
Loss/(Gain) from sale of securities held-for-trading	(1,154)	(1,570)	(1,154)	(1,570)
Loss/(Gain) from sale of securities available-for-sale	60	(193)	60	(193)
Unrealised (gain)/loss on revaluation of securities held-for-trading	(13)	1,036	(13)	1,036
Unrealised foreign exchange gain	(15,563)	(73,331)	(15,563)	(73,331)
Unrealised loss on derivatives trading	19,951	58,601	19,951	58,601
Amortisation of cost and premium relating to subordinated debt capital	3,271	3,533	3,271	3,533
Share of loss/(profit) of associated company	479	(1,871)	-	-
Operating loss before working capital changes	(7,206)	(11,050)	(7,206)	(11,050)

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2013

	Group		Bank	
	30-Sep 2013 RM'000	30-Sep 2012 RM'000	30-Sep 2013 RM'000	30-Sep 2012 RM'000
Operating loss before working capital changes brought forward	(7,206)	(11,050)	(7,206)	(11,050)
(Increase)/Decrease in:				
Securities held-for-trading	30,804	(256,456)	30,804	(256,456)
Loans, advances and financing	(147,449)	(84,883)	(147,449)	(84,883)
Other assets and derivatives financial assets	(61,772)	(36,090)	(61,772)	(36,090)
Statutory deposits with				
Bank Negara Malaysia	17,300	2,500	17,300	2,500
Cash collateral pledged for derivative transactions	231,350	32,208	231,350	32,208
Increase/(Decrease) in:				
Deposits from customers	(248,553)	(192,824)	(248,553)	(192,824)
Deposits and placements from banks and other financial institutions	(722,164)	435,855	(722,164)	435,855
Other liabilities and derivative financial liabilities	(25,620)	(187,517)	(25,620)	(187,517)
Cash used in operations	(933,310)	(298,257)	(933,310)	(298,257)
Income taxes paid	(5,100)	(5,807)	(5,100)	(5,807)
Net cash used in operating activities	<u>(938,410)</u>	<u>(304,064)</u>	<u>(938,410)</u>	<u>(304,064)</u>
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(1,724)	(2,993)	(1,724)	(2,993)
Purchase of intangible assets	-	(61)	-	(61)
Proceeds from capital repayment of				
Investment in associated company	2,018	3,785	2,018	3,785
Net sale/(purchase) of securities available-for-sale	115,329	(7,236)	115,329	(7,236)
Net cash generated from/(used in) investing activities	<u>115,623</u>	<u>(6,505)</u>	<u>115,623</u>	<u>(6,505)</u>

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2013

	Group		Bank	
	30-Sep 2013 RM'000	30-Sep 2012 RM'000	30-Sep 2013 RM'000	30-Sep 2012 RM'000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(822,787)	(310,569)	(822,787)	(310,569)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>2,339,921</u>	<u>1,628,112</u>	<u>2,339,921</u>	<u>1,628,112</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,517,134</u>	<u>1,317,543</u>	<u>1,517,134</u>	<u>1,317,543</u>

Cash and cash equivalents comprise
the following:

Cash and short-term funds	1,135,807	1,515,521	1,135,807	1,515,521
Deposits and placements with other financial institutions	440,708	91,893	440,708	91,893
Cash collateral pledged	(59,381)	(289,871)	(59,381)	(289,871)
	<u>1,517,134</u>	<u>1,317,543</u>	<u>1,517,134</u>	<u>1,317,543</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 2012.

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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 2012. 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 2012.

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 2012, except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interest in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee benefits (as amended by IASB in Jun 2011)
- MFRS 127 Separate Financial Statements (as amended by IASB in May 2011)
- MFRS 128 Investments in Associates and Joint Ventures (as amended by IASB in May 2011)
- MFRS 3 Business Combination (IFRS 3 Business Combinations issued by IASB in Mar 2004)
- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine Government Loans (Amendments to MFRS 1)
- Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7) Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other

IC Interpretation 20 is not relevant to the Group and the Bank's operations, therefore, will not have any financial impact to the Group and the Bank.

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.

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

On 28 November 2012, Bank Negara Malaysia (BNM) issued revised guidelines for its Capital Adequacy Framework (Capital Components and Basel II – Risk-weighted Assets) (“the Framework”), which became effective beginning 1 January 2013. The Framework outlines the general requirements on regulatory capital adequacy ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. These guidelines are largely in line with the package of measures finalised by the Basel Committee in December 2010, which include enhancing the definition of capital, raising minimum capital requirements and introducing capital buffers, as well as introducing liquidity standards and a leverage cap. Under the revised Framework, the minimum capital adequacy ratios are progressively increased from 1 January 2013 to 1 January 2019, and include a phased introduction of a new capital conservation buffer of 2.5%. Additional capital requirements, including a new counter-cyclical buffer ranging from 0% to 2.5% will be detailed out at a later stage.

On 28 June 2013, BNM issued policy document on Financial Reporting (“Policy Document”) to replace the policy document on Financial Reporting for Banking Institutions. The Policy Document sets out minimum expectation for the application the MFRS and aims to ensure adequate disclosures in the financial statements of banking institutions. The Bank has adopted the Policy Document with effect from 30 June 2013. The adoption of the Policy Document only affect disclosures in the financial statements with no financial impact on the financial results of the Group and the Bank.

The following MFRSs and IC Interpretations have been issued by the MASB but are not yet effective, and have yet to be adopted by the Group and the Bank:

Effective for annual periods commencing on or after 1 January 2014:

Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)

Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)

IC Interpretation 21 Levies

Effective for annual periods commencing on or after 1 January 2015:

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)

IC Interpretation 21 is not relevant to the Group and the Bank's operations, therefore, will not have any financial impact to the Group and the Bank.

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 2012 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 9 months ended 30 September 2013.

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 9 months ended 30 September 2013.

Issuance and Repayment of Debt and Equity Securities

There were no issuance, cancellations, repurchase, resale and repayment of debt and equity securities during the 9 months ended 30 September 2013.

Dividend

No dividend was paid during the 9 months ended 30 September 2013.

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 9 months ended 30 September 2013.

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

PERFORMANCE REVIEW

The Bank's pre-tax loss for the 9 months ended 30 September 2013 is RM22.0m, as compared to pre-tax loss of RM0.7m of the same period in 2012.

Despite the reduction in interest income, the Bank has reported an increased in net interest income of RM4.9m comparing to the same period in 2012, driven mainly by higher interest income in loans, advances and financing, and lower interest expense, mainly from deposits and placements of banks and other financial institutions.

The Bank also reported a lower other operating income of RM19.0m in the 9 months ended 30 September 2013 as compared to RM53.6m for the corresponding period in 2012, mainly contributed by lower trading income from derivative trading.

Other operating expense reduced by RM8.9m compared to the same period in 2012, in line with the Bank's drive to reduce cost. Impairment allowances were kept at a minimal level.

While the level of loans, advances and financing has increased by RM146m from RM299m to RM445m, 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

CURRENT YEAR PROSPECT

During the period ended 30 September 2013, The Royal Bank of Scotland Group plc ("RBS Group") announced new strategy for the market business whereby RBS Group plan to exit all structured retail investor products and equity derivatives, as well as peripheral market-making activities which resulted a run-off organisation managed within Markets, where they will be divested through a combination of restructuring, asset sales and business sales where possible. These changes will create a simpler and sustainable business that focuses on the RBS Group core strengths and serving the RBS Group clients well.

From the market front, the global asset markets remained focused on the prospect of Quantitative Easing ("QE") withdrawal by the US Federal Reserve, as well as the Syrian crisis. While the Federal Open Market Committee announced holding off the tapering of the bonds purchases, signalling that the possibility of tapering is only delayed and not cancelled altogether. The Malaysian's economy is still expected to grow between 4.5% - 5% in 2013, a revision from 5% -

2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	30-Sep-13	31-Dec-12
	RM'000	RM'000
At Amortised Cost		
Cash and balances with banks and other financial institutions	63,604	119,538
Money at call and deposit placements maturing within one month	1,072,203	2,110,850
	<u>1,135,807</u>	<u>2,230,388</u>

3. SECURITIES HELD-FOR-TRADING

	Group/Bank	
	30-Sep-13	31-Dec-12
	RM'000	RM'000
At Fair Value		
Money market instruments:		
Malaysian Government Securities	-	29,637
	<u>-</u>	<u>29,637</u>

4. SECURITIES AVAILABLE-FOR-SALE

	Group/Bank	
	30-Sep-13	31-Dec-12
	RM'000	RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	639,221	760,252
Government Investment Issues	35,160	35,436
At Cost		
Unquoted shares in Malaysia	1,699	1,719
	<u>676,080</u>	<u>797,407</u>

5. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	30-Sep-13	31-Dec-12
	RM'000	RM'000
At amortised cost		
(i) By type		
Overdrafts	13,735	8,367
Term loans/financing		
Housing loans/financing	20,303	22,627
Personal loan	18	12
Other term loans/financing	359	295
Factoring receivable	55,879	49,795
Bills receivable	21,197	46,518
Claims on customers under acceptance credits	42,188	42,953
Staff loans	4,077	4,208
Revolving credit	256,133	128,802
Trust receipt	1,020	816
Other loans	36,933	-
	<u>451,842</u>	<u>304,393</u>
Less: Allowance for impaired loans and financing :		
- Collective assessment allowance	(5,758)	(4,156)
- Individual assessment allowance	(1,106)	(933)
Net loans, advances and financing	<u>444,978</u>	<u>299,304</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Sep-13	31-Dec-12
	RM'000	RM'000
(ii) By type of customer		
Domestic business enterprises:		
Small medium enterprises	2,273	9,862
Others	419,966	256,718
Individuals	24,756	27,143
Foreign entity	2,084	6,664
Domestic banking institutions	2,763	4,006
	<u>451,842</u>	<u>304,393</u>
(iii) By interest rate sensitivity		
Fixed rate		
Housing loans/financing	2,522	2,325
Other fixed rate loan/financing	38,305	1,738
Variable rate		
BLR plus	35,618	32,263
Cost plus	375,397	268,067
	<u>451,842</u>	<u>304,393</u>
(iv) By residual contractual maturity		
Maturity within one year	427,121	282,804
More than one year to three years	517	168
More than three years to five years	972	972
More than five years	23,232	20,449
	<u>451,842</u>	<u>304,393</u>
(v) By geographical distribution		
Malaysia		
Kuala Lumpur	451,336	303,659
Penang	506	734
	<u>451,842</u>	<u>304,393</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Sep-13	31-Dec-12
	RM'000	RM'000
(vi) By Sector		
Manufacturing	199,663	205,348
Construction	15,841	4,929
Purchase of landed properties (Residential)	22,816	25,096
Wholesale and retail	90,725	28,434
Finance, insurance and business services	4,847	10,670
Mining and quarrying	78,133	27,692
Consumption credit	255	172
Transport, storage and communication	37,877	178
Purchase of transport vehicles	1,685	1,874
	<u>451,842</u>	<u>304,393</u>
(vii) Movements in impaired loans, advances and financing are as follows:		
At 1 January	8,458	48,453
Impaired during the period/year	1,387	7,608
Reclassified as non-impaired	(7,429)	(4,577)
Amount written off	-	(43,026)
At 30 September/31 December	<u>2,416</u>	<u>8,458</u>
Individual assessment allowance	(1,106)	(933)
Net impaired loans, advances and financing	<u>1,310</u>	<u>7,525</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.53%</u>	<u>2.78%</u>
(viii) Impaired loans ,advances and financing by sector		
Purchase of landed properties (Residential)	2,082	1,599
Manufacturing	-	6,518
Construction	-	7
Wholesale and retail	334	334
	<u>2,416</u>	<u>8,458</u>

5. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group/Bank	
	30-Sep-13	31-Dec-12
	RM'000	RM'000
Collective Assessment Allowance		
At 1 January		
- as previously stated	4,156	5,783
- effects of MFRS adoption	-	(1,584)
At 1 January , as restated	<u>4,156</u>	<u>4,199</u>
Allowance made during the period / year	1,602	-
Amount written back	-	(43)
At 30 September/31 December	<u>5,758</u>	<u>4,156</u>
Individual Assessment Allowance		
At 1 January	933	44,077
Allowance made during the period/year	439	348
Amount written back	(266)	(466)
Amount written off	-	(43,026)
At 30 September/31 December	<u>1,106</u>	<u>933</u>

6. 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.

7. OTHER ASSETS

	Group/Bank	
	30-Sep-13	31-Dec-12
	RM'000	RM'000
Tax recoverable	20,812	13,793
Other debtors, deposits and prepayments	18,350	20,256
	<u>39,162</u>	<u>34,049</u>

8. 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 September 2013						
Cost						
At 1 January 2013	388	616	6,245	21,619	19,285	48,153
Additions	-	-	207	21	1,496	1,724
At 30 September 2013	388	616	6,452	21,640	20,781	49,877
Accumulated Depreciation						
At 1 January 2013	-	222	5,602	12,961	16,026	34,811
Depreciation charge for the period	-	92	465	1,373	972	2,902
At 30 September 2013	-	314	6,067	14,334	16,998	37,713
Accumulated Impairment Loss						
At 1 January 2013/At 30 September 2013	-	-	-	3,002	-	3,002
Net Book Value	388	302	385	4,304	3,783	9,162

8. 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 2012						
Cost						
At 1 January 2012	388	616	6,212	21,619	16,348	45,183
Additions	-	-	33	-	2,937	2,970
At 31 December 2012	388	616	6,245	21,619	19,285	48,153
Accumulated Depreciation						
At 1 January 2012	-	144	4,397	10,692	14,116	29,349
Depreciation charge for the year	-	78	1,205	2,269	1,910	5,462
At 31 December 2012	-	222	5,602	12,961	16,026	34,811
Accumulated Impairment Loss						
At 1 January 2012	-	-	-	-	-	-
Impairment loss for the year	-	-	-	3,002	-	3,002
At 31 December 2012	-	-	-	3,002	-	3,002
Net Book Value	388	394	643	5,656	3,259	10,340

9. INTANGIBLE ASSETS

	Group/Bank	
	30-Sep-13	31-Dec-12
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	3,640	3,437
Additions	-	203
At 30 September/31 December	<u>3,640</u>	<u>3,640</u>
Accumulated Amortisation		
At 1 January	3,075	2,808
Amortisation for the period/year	117	267
At 30 September/31 December	<u>3,192</u>	<u>3,075</u>
Net Book Value	<u>448</u>	<u>565</u>

10. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	30-Sep-13 RM'000	31-Dec-12 RM'000	30-Sep-13 RM'000	31-Dec-12 RM'000
Demand deposits	1,087,262	1,264,594	1,087,282	1,264,614
Saving deposits	1,149	1,340	1,149	1,340
Fixed deposits	419,163	487,516	419,163	487,516
Negotiable instruments of deposits	3,227	5,904	3,227	5,904
	<u>1,510,801</u>	<u>1,759,354</u>	<u>1,510,821</u>	<u>1,759,374</u>

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

	Group/Bank	
	30-Sep-13 RM'000	31-Dec-12 RM'000
Due within six months	416,252	482,670
Six months to one year	297	1,924
One year to three years	5,841	8,826
	<u>422,390</u>	<u>493,420</u>

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

	Group		Bank	
	30-Sep-13 RM'000	31-Dec-12 RM'000	30-Sep-13 RM'000	31-Dec-12 RM'000
Government and statutory bodies	97,654	125,917	97,654	125,917
Business enterprises	1,103,374	1,380,001	1,103,374	1,380,001
Individuals	16,629	14,782	16,629	14,782
Others	293,144	238,654	293,164	238,674
	<u>1,510,801</u>	<u>1,759,354</u>	<u>1,510,821</u>	<u>1,759,374</u>

11. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	30-Sep-13	31-Dec-12
	RM'000	RM'000
Licensed banks	129,791	198,732
Other financial institutions	156,679	809,902
	<u>286,470</u>	<u>1,008,634</u>

12. OTHER LIABILITIES

	Group/Bank	
	30-Sep-13	31-Dec-12
	RM'000	RM'000
Other liabilities	46,112	48,543
Internal settlement cost	135,430	100,824
	<u>181,542</u>	<u>149,367</u>

13. SHARE CAPITAL

	Group/Bank	
	30-Sep-13	31-Dec-12
	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/30 September/31 December	<u>203,000</u>	<u>203,000</u>

14. RESERVES

	Group		Bank	
	30-Sep-13	31-Dec-12	30-Sep-13	31-Dec-12
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	162,068	162,068	162,068	162,068
Unrealised reserves	(451)	673	(451)	673
Distributable:				
Retained earnings	<u>118,477</u>	<u>140,029</u>	<u>117,922</u>	<u>138,995</u>
	<u>356,276</u>	<u>378,952</u>	<u>355,721</u>	<u>377,918</u>

15. INTEREST INCOME

	Group/Bank	
	2nd Quarter Ended	
	30-Sep-13	30-Sep-12
	RM'000	RM'000
Loans, advances and financing	13,840	11,378
Money at call and deposit placements with financial institutions	4,627	10,429
Securities - Available-for-sale	21,764	21,377
Securities - Held-for-trading	1,661	10,743
	<u>41,892</u>	<u>53,927</u>
Amortisation of premium less accretion of discount	(4,440)	3,414
Total Interest Income	<u>37,452</u>	<u>57,341</u>
Of which:		
Interest income earned on impaired loans, advances and financing	<u>154</u>	<u>331</u>

16. INTEREST EXPENSE

	Group/Bank	
	2nd Quarter Ended	
	30-Sep-13	30-Sep-12
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	3,842	15,834
Deposits from other customers	10,376	15,467
Subordinated debt capital	7,318	7,467
Others	-	7,635
	<u>21,536</u>	<u>46,403</u>

17. OTHER OPERATING INCOME

	Group/Bank	
	2nd Quarter Ended	
	30-Sep-13	30-Sep-12
	RM'000	RM'000
Fee income:		
Commission	820	1,245
Service charges and fees	1,144	1,032
Guarantee fees	3,381	4,026
Other fee income	1,401	1,353
	<u>6,746</u>	<u>7,656</u>
Net (loss)/ gain arising from sale of securities:		
Securities held-for-trading	1,154	1,570
Securities available for sale	(60)	193
	<u>1,094</u>	<u>1,763</u>
Unrealised gain/ (loss) on revaluation of securities:		
Securities held-for-trading	13	(1,036)
	<u>13</u>	<u>(1,036)</u>
Gross dividend income from:		
Securities available-for-sale	102	42
	<u>102</u>	<u>42</u>
Other income:		
Foreign exchange (loss)/gain		
Unrealised	15,563	73,331
Realised	19,845	(75,603)
(Loss)/Gain on derivatives trading		
Unrealised	(19,951)	(58,601)
Realised	(4,351)	106,119
Others	-	-
	<u>11,106</u>	<u>45,246</u>
	<u>19,061</u>	<u>53,671</u>

18. OTHER OPERATING EXPENSES

	Group/Bank	
	2nd Quarter Ended	
	30-Sep-13	30-Sep-12
	RM'000	RM'000
Personnel costs (Note a)	15,742	17,951
Establishment costs (Note b)	32,300	39,459
Marketing expenses (Note c)	614	530
Administration and general expenses (Note d)	6,901	6,585
	<u>55,557</u>	<u>64,525</u>
(a) Personnel costs		
Salaries, bonuses and allowances	11,712	12,606
Social security costs	142	147
EPF - defined contribution plan	2,061	1,959
Rental of accomodation	151	-
Other staff related expenses	1,676	3,239
	<u>15,742</u>	<u>17,951</u>
(b) Establishment costs		
Share of Group costs - current year	18,812	21,470
- prior years	4,071	4,478
Share of information technology costs	-	372
Depreciation of property, plant and equipment	2,902	3,787
Amortisation of intangible assets	117	202
Rental of premises	1,602	2,832
Others	4,796	6,318
	<u>32,300</u>	<u>39,459</u>
(c) Marketing Expenses		
Advertising	345	387
Others	269	143
	<u>614</u>	<u>530</u>
(d) Administration and general expenses		
Legal and professional fees	498	784
Communication	2,006	1,828
Transportation	617	1,158
Property maintenance	844	-
Others	2,936	2,815
	<u>6,901</u>	<u>6,585</u>

19. WRITE BACK FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group/Bank	
	2nd Quarter Ended	
	30-Sep-13	30-Sep-12
	RM'000	RM'000
Allowance/(Write back) for impaired loans, advances and financing:		
Individual assessment allowance:		
- Made in the financial period	439	169
- Written back in the financial period	(266)	(466)
Collective assesment allowance:		
- Written back in the financial period	1,602	1,100
	<u>1,775</u>	<u>803</u>

20. CAPITAL ADEQUACY

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

	Group		Bank	
	30-Sep-13	31-Dec-12	30-Sep-13	31-Dec-12
	RM'000	RM'000	RM'000	RM'000
CET I/Tier-I capital				
Paid-up share capital	203,000	203,000	203,000	203,000
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	162,068	162,068	162,068	162,068
Retained earnings	118,477	140,029	117,922	138,995
Unrealised reserve	(451)	-	(451)	-
	<u>559,276</u>	<u>581,279</u>	<u>558,721</u>	<u>580,245</u>
Less :				
- Deferred tax assets	(22,965)	(22,591)	(22,965)	(22,591)
Total CET I/Tier-I capital	<u>536,311</u>	<u>558,688</u>	<u>535,756</u>	<u>557,654</u>

20. CAPITAL ADEQUACY (CONTD.)

	Group		Bank	
	30-Sep-13 RM'000	31-Dec-12 RM'000	30-Sep-13 RM'000	31-Dec-12 RM'000
Tier-II Capital				
Collective assessment allowance	5,758	4,156	5,758	4,156
Subordinated debt capital	150,000	180,000	150,000	180,000
Total Tier-II capital	155,758	184,156	155,758	184,156
Total capital funds	692,069	742,844	691,514	741,810
Less: Investment in subsidiary companies	-	-	-	(20)
Capital base	692,069	742,844	691,514	741,790
Capital Ratios				
CET I capital ratio	13.644%	N/A	13.632%	N/A
Tier 1 capital ratio	13.644%	14.323%	13.632%	14.298%
Total capital ratio	17.606%	19.044%	17.596%	19.019%

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

	Group		Bank	
	30-Sep-13 RM'000	31-Dec-12 RM'000	30-Sep-13 RM'000	31-Dec-12 RM'000
Credit Risk	2,467,757	2,342,944	2,466,925	2,341,393
Market Risk	1,317,842	1,379,739	1,317,842	1,379,739
Operational Risk	145,223	177,923	145,240	179,026
Total risk-weighted assets	3,930,822	3,900,606	3,930,007	3,900,158

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.

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:

	30-Sep-2013			31-Dec-2012		
	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	48,260	48,260	48,260	60,000	60,000	60,000
Transaction-related contingent items	599,623	299,812	278,325	539,191	269,596	259,674
Short-term self-liquidating trade-related contingencies	2,920	584	584	20,614	4,123	3,246
Irrevocable commitments to extend credit:						
- maturity less than one year	1,182,346	236,469	218,700	763,469	152,694	132,174
- maturity more than one year	473	237	177	644	322	242
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	8,939,023	258,883	115,593	5,247,363	119,635	66,074
- one year to less than five years	438,501	32,151	15,716	709,519	70,827	38,638
- five years and above	29,534	3,149	1,575	441,414	50,503	47,038
Interest rate related contracts:						
- less than one year	4,298,976	35,811	16,285	6,682,579	64,956	27,116
- one year to less than five years	18,128,966	968,587	468,047	18,643,909	921,594	453,018
- five years and above	6,639,415	928,357	600,340	6,838,111	879,462	556,140
	40,308,037	2,812,300	1,763,602	39,946,813	2,593,712	1,643,360

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

The Royal Bank of Scotland Berhad
As at 30 September 2013

Analysis of the Group's financial performance

(i) Total Assets

	30-Sep-13		As at 30-Sep-12		Variance		30-Jun-13		As at 30-Jun-12		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	3,569,382	100%	4,603,300	100%	(1,033,918)	0%	3,751,077	100%	4,580,146	100%	(829,069)	0%
Others	535	0%	3,497	0%	(2,962)	0%	691	0%	3,333	0%	(2,642)	0%
RBS Group	3,569,917	100%	4,606,797	100%	(1,036,880)	0%	3,751,768	100%	4,583,479	100%	(831,711)	0%

(ii) Profit before tax

	2013		9 months ended 30 September 2012		Variance		2013		3 months ended 30 September 2012		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	(22,355)	98%	(719)	-62%	(21,636)	160%	1,631	111%	1,767	92%	(136)	19%
Others	(479)	2%	1,871	162%	(2,350)	-160%	(156)	-11%	164	8%	(320)	-19%
Total profit before tax	(22,834)	100%	1,152	100%	(23,986)	0%	1,475	100%	1,931	100%	(456)	0%

(iii) Profit after tax

	2013		9 months ended 30 September 2012		Variance		2013		3 months ended 30 September 2012		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	(21,073)	98%	(9,566)	124%	(11,507)	-27%	1,631	111%	(7,062)	102%	8,693	8%
Others	(479)	2%	1,871	-24%	(2,350)	27%	(156)	-11%	164	-2%	(320)	-8%
Total profit after tax	(21,552)	100%	(7,695)	100%	(13,857)	0%	1,475	100%	(6,898)	100%	8,373	0%

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

	9 months ended 30 September (cumulative)		3 months ended 30 September (current interim period)	
	2013	2012	2013	2012
	%	%	%	%
RBS Berhad	-3.92%	-0.12%	0.29%	0.30%
RBS Group	-4.00%	0.19%	0.26%	0.32%

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

	9 months ended 30 September (cumulative)		3 months ended 30 September (current interim period)	
	2013	2012	2013	2012
	%	%	%	%
RBS Berhad	-0.55%	-0.02%	0.04%	0.04%
RBS Group	-0.56%	0.03%	0.04%	0.04%