

THE ROYAL BANK OF SCOTLAND BERHAD

(Company No. 301932 - A)

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

For Period Ended

30 September 2014

Domiciled in Malaysia
Registered office
Level 9,
Menara Maxis,
Kuala Lumpur City Centre,
50088 Kuala Lumpur

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

	Note	Group		Bank	
		30-Sep 2014 RM'000	31-Dec 2013 RM'000	30-Sep 2014 RM'000	31-Dec 2013 RM'000
ASSETS					
Cash and short-term funds	2	1,199,148	1,261,546	1,199,148	1,261,546
Deposits and placements					
with other financial institutions		-	147,488	-	147,488
Securities available-for-sale	3	486,046	674,179	486,046	674,179
Loans, advances and financing	4	674,416	353,158	674,416	353,158
Derivatives financial assets		525,052	613,403	525,052	613,403
Statutory deposits with					
Bank Negara Malaysia	5	6,793	10,596	6,793	10,596
Other assets	6	19,188	43,212	19,188	43,212
Investments in subsidiary					
companies		-	-	20	20
Investment in associated					
company		1,300	2,752	1,300	2,700
Property, plant and equipment	7	9,950	11,511	9,950	11,511
Intangible assets	8	718	915	718	915
Deferred tax assets		23,695	28,135	23,695	28,135
TOTAL ASSETS		2,946,306	3,146,895	2,946,326	3,146,863
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	9	1,099,995	1,202,932	1,100,015	1,202,952
Deposits and placements					
from banks and other					
financial institutions	10	430,303	241,910	430,303	241,910
Derivatives financial liabilities		614,142	739,672	614,142	739,672
Other liabilities	11	76,634	167,646	76,634	167,646
Subordinated debt capital		-	208,553	-	208,553
TOTAL LIABILITIES		2,221,074	2,560,713	2,221,094	2,560,733

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

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

		Group		Bank	
	Note	30-Sep 2014 RM'000	31-Dec 2013 RM'000	30-Sep 2014 RM'000	31-Dec 2013 RM'000
Share capital	12	343,000	203,000	343,000	203,000
Reserves	13	382,232	383,182	382,232	383,130
SHAREHOLDER'S FUNDS		<u>725,232</u>	<u>586,182</u>	<u>725,232</u>	<u>586,130</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>2,946,306</u>	<u>3,146,895</u>	<u>2,946,326</u>	<u>3,146,863</u>
COMMITMENTS AND CONTINGENCIES	20	<u>31,807,116</u>	<u>38,142,178</u>	<u>31,807,116</u>	<u>38,142,178</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2013.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2014

	Note	Group		Bank	
		30-Sep 2014 RM'000	30-Sep 2013 RM'000	30-Sep 2014 RM'000	30-Sep 2013 RM'000
Operating revenue		57,894	56,513	58,146	56,513
Interest income	14	40,649	37,452	40,649	37,452
Interest expense	15	(7,200)	(21,536)	(7,200)	(21,536)
Net interest income		33,449	15,916	33,449	15,916
Other operating income	16	17,245	19,061	17,497	19,061
Other operating expenses	17	(45,275)	(55,557)	(46,675)	(55,557)
Allowance for impairment on loans, advances and financing	18	(482)	(1,775)	(482)	(1,775)
Share of loss of associated company		(1,200)	(479)	-	-
Profit/(Loss) before taxation		3,737	(22,834)	3,789	(22,355)
Taxation		(4,847)	1,282	(4,847)	1,282
Loss for the period attributable to equity holder of the Bank		(1,110)	(21,552)	(1,058)	(21,073)
Other comprehensive loss:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net profit/(loss) on securities available-for-sale		160	(1,124)	160	(1,124)
Total comprehensive loss for for the period		(950)	(22,676)	(898)	(22,197)
Loss per share (sen)		(0.32)	(10.62)	(0.31)	(10.38)

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2013.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2014

Group	← Non-distributable Reserves →					Distributable Reserve Retained earnings RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Other reserves RM'000		
At 1 January 2013	203,000	76,182	162,068	673	-	140,029	581,952
Profit for the year	-	-	-	-	-	5,712	5,712
Net loss on securities available-for-sale	-	-	-	(1,976)	-	-	(1,976)
Deferred tax	-	-	-	494	-	-	494
Other comprehensive loss	-	-	-	(1,482)	-	-	(1,482)
Transfer of reserves	-	-	1,674	-	-	(1,674)	-
At 31 December 2013	203,000	76,182	163,742	(809)	-	144,067	586,182
At 1 January 2014	203,000	76,182	163,742	(809)	-	144,067	586,182
Issuance of ordinary shares	140,000	-	-	-	-	-	140,000
Loss for the period	-	-	-	-	-	(1,110)	(1,110)
Transfer to regulatory reserve	-	-	-	-	1,974	(1,974)	-
Net gain on securities available-for-sale	-	-	-	213	-	-	213
Deferred tax	-	-	-	(53)	-	-	(53)
Other comprehensive profit	-	-	-	160	-	-	160
At 30 September 2014	343,000	76,182	163,742	(649)	1,974	140,983	725,232

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2013.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2014

Bank	← Non-distributable Reserves →					Distributable Reserve Retained earnings RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Other reserves RM'000		
At 1 January 2013	203,000	76,182	162,068	673	-	138,995	580,918
Profit for the year	-	-	-	-	-	6,694	6,694
Net loss on securities available-for-sale	-	-	-	(1,976)	-	-	(1,976)
Deferred tax	-	-	-	494	-	-	494
Other comprehensive loss	-	-	-	(1,482)	-	-	(1,482)
Transfer of reserves	-	-	1,674	-	-	(1,674)	-
At 31 December 2013	203,000	76,182	163,742	(809)	-	144,015	586,130
At 1 January 2014	203,000	76,182	163,742	(809)	-	144,015	586,130
Issuance of ordinary shares	140,000	-	-	-	-	-	140,000
Loss for the period	-	-	-	-	-	(1,058)	(1,058)
Transfer to regulatory reserve	-	-	-	-	1,974	(1,974)	-
Net gain on securities available-for-sale	-	-	-	213	-	-	213
Deferred tax	-	-	-	(53)	-	-	(53)
Other comprehensive profit	-	-	-	160	-	-	160
At 30 September 2014	343,000	76,182	163,742	(649)	1,974	140,983	725,232

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2013.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2014

	Group		Bank	
	30-Sep 2014 RM'000	30-Sep 2013 RM'000	30-Sep 2014 RM'000	30-Sep 2013 RM'000
Cash Flows from Operating Activities				
Profit/(Loss) before taxation	3,737	(22,834)	3,789	(22,355)
Adjustments for:				
Depreciation of property, plant and equipment	2,648	2,902	2,648	2,902
Amortisation of intangible assets	197	117	197	117
Impairment of investment in associate	-	-	1,400	-
Net allowance for impairment on loans, advances and financing	482	1,775	482	1,775
Amortisation of premium less accretion of discount	1,562	4,440	1,562	4,440
Gain from sale of securities held-for-trading	-	(1,154)	-	(1,154)
(Gain)/Loss from sale of securities available-for-sale	(43)	60	(43)	60
Unrealised gain on revaluation of securities held-for-trading	-	(13)	-	(13)
Unrealised foreign exchange gain	(32,329)	(15,563)	(32,329)	(15,563)
Unrealised loss on derivatives trading	29,924	19,951	29,924	19,951
Amortisation of cost and premium relating to subordinated debt capital	(8,553)	3,271	(8,553)	3,271
Share of loss of associated company	1,200	479	-	-
Operating loss before working capital changes	(1,175)	(6,569)	(923)	(6,569)

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2014

	Group		Bank	
	30-Sep 2014 RM'000	30-Sep 2013 RM'000	30-Sep 2014 RM'000	30-Sep 2013 RM'000
Operating loss before working capital changes brought forward	(1,175)	(6,569)	(923)	(6,569)
(Increase)/Decrease in:				
Securities held-for-trading	-	30,804	-	30,804
Loans, advances and financing	(321,740)	(147,449)	(321,740)	(147,449)
Other assets and derivatives financial assets	103,486	(61,772)	103,486	(61,772)
Statutory deposits with Bank Negara Malaysia	3,803	17,300	3,803	17,300
Cash collateral pledged for derivative transactions	(42,322)	231,350	(42,322)	231,350
Increase/(Decrease) in:				
Deposits from customers	(102,937)	(248,553)	(102,937)	(248,553)
Deposits and placements from banks and other financial institutions	188,393	(722,164)	188,393	(722,164)
Other liabilities and derivative financial liabilities	(216,541)	(25,620)	(216,541)	(25,620)
Cash used in operations	(389,033)	(932,673)	(388,781)	(932,673)
Income taxes paid	(4,975)	(5,737)	(4,975)	(5,737)
Income taxes refunded	15,809	-	15,809	-
Net cash used in operating activities	(378,199)	(938,410)	(377,947)	(938,410)
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(1,087)	(1,724)	(1,087)	(1,724)
Proceeds from capital repayment of investment in associated company	-	2,018	-	2,018
Dividend received	252	-	-	-
Net (purchase)/sale of securities available-for-sale	36,826	115,329	36,826	115,329
Proceeds from securities available-for-sale upon maturity	150,000	-	150,000	-
Net cash generated from investing activities	185,991	115,623	185,739	115,623

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STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2014

	Group		Bank	
	30-Sep 2014 RM'000	30-Sep 2013 RM'000	30-Sep 2014 RM'000	30-Sep 2013 RM'000
Cash Flows from Financing Activities				
Proceeds from share issuance	140,000	-	140,000	-
Redemption of subordinated debt capital	(200,000)	-	(200,000)	-
Net cash used in financing activities	<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(252,208)	(822,787)	(252,208)	(822,787)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,364,034</u>	<u>2,339,921</u>	<u>1,364,034</u>	<u>2,339,921</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,111,826</u>	<u>1,517,134</u>	<u>1,111,826</u>	<u>1,517,134</u>
Cash and cash equivalents comprise the following:				
Cash and short-term funds	1,199,148	1,135,807	1,199,148	1,135,807
Deposits and placements with other financial institutions	-	440,708	-	440,708
Cash collateral pledged	(87,322)	(59,381)	(87,322)	(59,381)
	<u>1,111,826</u>	<u>1,517,134</u>	<u>1,111,826</u>	<u>1,517,134</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the Group and the Bank for the year ended 31 December 2013.

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A. NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of the Financial Statements

The unaudited interim financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards 134 ("MFRS 134"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual audited financial statements of the Group and the Bank for the year ended 31 December 2013. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2013.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent financial statements for the year ended 31 December 2013.

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

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

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

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

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

Employee Benefits (Amendments to MFRS 119)

Effective for annual periods commencing on or after 1 January 2016:

Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)

MFRS 14 Regulatory Deferral Accounts

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)

Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)

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

MFRS 15 Revenue from Contracts with Customers

Effective for annual period to be announced by MASB:

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

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

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

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

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

The financial impact of the above MFRSs and amendments to MFRSs are still being assessed due to the complexity of these new MFRSs and Amendments to MFRSs, and their proposed changes.

Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2013 was not qualified.

Seasonal or cyclical factors

The business operations of the Group and the Bank are not subject to material seasonal or cyclical factors.

Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group and of the Bank in the 9 months ended 30 September 2014.

Changes in Estimates

There were no material changes in estimates of amounts reported that have a material effect on the financial results and position of the Group and of the Bank in the 9 months ended 30 September 2014.

Issuance and Repayment of Debt and Equity Securities

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

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

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

Dividend

No dividend was paid during the 9 months ended 30 September 2014.

Material Events Subsequent to the Balance Sheet Date

There are no material events subsequent to the Balance Sheet Date.

Changes in the composition of the Group

There were no changes in the composition of the Group in the 9 months ended 30 September 2014.

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

PERFORMANCE REVIEW

The Bank's pre-tax gain for the 9 months ended 30 September 2014 is RM3.8m, as compared to pre-tax loss of RM22.4m of the same period in 2013.

The Bank has reported an increase in net interest income of RM17.5m comparing to the same period in 2013, driven mainly by higher interest income from money at call and deposits placements with financial institutions as well as the Bank's redemption of its subordinated debt capital which resulted in a change in estimate of effective interest rate, and the resulting impact to income statement of RM7.9m.

Other operating expense reduced by RM8.9m compared to the same period in 2013, in line with the Bank's drive to reduce cost. Impairment allowances were kept at a minimal level.

While the level of gross loans, advances and financing has increased by RM322m from RM360m to RM681m, the Bank continues to manage its balance sheet prudently to ensure the loan growth is within the targeted customer group. The level of cash and short-term fund has remained stable in order to support client-driven financial markets activities. Total capital ratio of the Bank is at 18.826% which is above the minimum regulatory requirement of 8%.

CURRENT YEAR PROSPECT

Global economic activity continued to expand at a moderate pace in the second quarter. The US market recorded an increase in GDP at an annual rate of 4.6% in Q2 2014, a recovery after an unusual weather-related weakness in Q1 2014. Beside the US, other key economies are showing broader signs of improvement. In Asia, growth is supported by the continued expansion in domestic demand and the improved external environment.

For Malaysia, economic activity has been supported by the continued growth in domestic demand and exports as observed in the GDP growth of 6.4% for the first half of 2014. Going forward, domestic demand is expected to moderate but remain the key driver of growth. While private investment activity is projected to remain robust, private consumption is expected to moderate. Exports will continue to benefit from the recovery in the advanced economies and from regional demand, although its growth will be slower, partly reflecting the base effect in the second half of 2013. The prospects are for the Malaysian economy to remain on a steady growth path. Bank Negara Malaysia (BNM) forecasts GDP growth of between 5.0%-5.5% (2013: 4.7%) in 2014.

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

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

2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000
At Amortised Cost		
Cash and balances with banks and other financial institutions	153,085	125,826
Money at call and deposit placements maturing within one month	1,046,063	1,135,720
	<u>1,199,148</u>	<u>1,261,546</u>

3. SECURITIES AVAILABLE-FOR-SALE

	Group/Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	384,741	637,432
Malaysian Government Treasury Bills	99,606	-
Government Investment Issues	-	35,048
At Cost		
Unquoted shares in Malaysia	1,699	1,699
	<u>486,046</u>	<u>674,179</u>

4. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000
At amortised cost		
(i) By type		
Overdrafts	28,754	10,929
Term loans/financing:		
Housing loans/financing	17,453	19,815
Personal loan	10	11
Other term loans/financing	200	243
Factoring receivable	48,693	44,057
Bills receivable	36,032	35,704
Claims on customers under acceptance credits	50,005	43,707
Staff loans	2,902	3,518
Revolving credit	497,178	200,957
Trust receipt	141	708
	<u>681,368</u>	<u>359,649</u>
Less: Allowance for impaired loans and financing :		
- Collective assessment allowance	(6,198)	(5,548)
- Individual assessment allowance	(754)	(943)
Net loans, advances and financing	<u>674,416</u>	<u>353,158</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000
(ii) By type of customer		
Domestic business enterprises:		
Small medium enterprises	934	934
Others	649,559	321,859
Individuals	20,566	23,586
Foreign entity	9,053	9,093
Domestic banking institutions	1,256	4,177
	<u>681,368</u>	<u>359,649</u>
(iii) By interest rate sensitivity		
Fixed rate:		
Housing loans/financing	1,442	2,454
Other fixed rate loan/financing	1,316	1,064
Variable rate:		
BLR plus	32,639	31,705
Cost plus	645,971	324,426
	<u>681,368</u>	<u>359,649</u>
(iv) By residual contractual maturity		
Maturity within one year	661,321	339,906
More than one year to three years	977	655
More than three years to five years	878	247
More than five years	18,192	18,841
	<u>681,368</u>	<u>359,649</u>
(v) By geographical distribution		
Malaysia:		
Kuala Lumpur	666,581	342,816
Selangor	13,885	15,813
Penang	492	537
Negeri Sembilan	327	375
Melaka	82	103
Labuan	1	5
	<u>681,368</u>	<u>359,649</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

	Group/Bank	
	30-Sep-14	31-Dec-13
	RM'000	RM'000
(vi) By Sector		
Manufacturing	318,424	111,958
Construction	4,798	4,964
Purchase of landed properties (Residential)	19,036	22,079
Wholesale and retail	245,226	132,688
Finance, insurance and business services	20,447	13,270
Mining and quarrying	70,608	71,488
Consumption credit	137	199
Transport, storage and communication	1,298	1,695
Purchase of transport vehicles	1,394	1,308
	<u>681,368</u>	<u>359,649</u>
(vii) Movements in impaired loans, advances and financing are as follows:		
At 1 January	1,885	8,458
Impaired during the period/year	566	762
Reclassified as non-impaired	(677)	(7,335)
Amount written off	(33)	-
At 30 September/31 December	<u>1,741</u>	<u>1,885</u>
Individual assessment allowance	(754)	(943)
Net impaired loans, advances and financing	<u>987</u>	<u>942</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.26%</u>	<u>0.52%</u>
(viii) Impaired loans, advances and financing by sector		
Purchase of landed properties (Residential)	1,360	1,498
Purchase of transport vehicles	47	53
Wholesale and retail	334	334
	<u>1,741</u>	<u>1,885</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group/Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000
Collective Assessment Allowance		
At 1 January	5,548	4,156
Allowance made during the period / year	1,700	2,307
Amount written back	(1,050)	(915)
At 30 September/31 December	<u>6,198</u>	<u>5,548</u>
Individual Assessment Allowance		
At 1 January	943	933
Allowance made during the period/year	150	446
Amount written back	(306)	(436)
Amount written off	(33)	-
At 30 September/31 December	<u>754</u>	<u>943</u>

5. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994) to satisfy the Statutory Reserve Requirement ("SRR"), the amounts of which are determined at set percentages of total eligible liabilities.

6. OTHER ASSETS

	Group/Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000
Tax recoverable	10,358	21,652
Other debtors, deposits and prepayments	8,830	21,560
	<u>19,188</u>	<u>43,212</u>

7. PROPERTY, PLANT AND EQUIPMENT

Group and Bank	Freehold Land and Building RM'000	Motor Vehicle RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment RM'000	Total RM'000
At 30 September 2014						
Cost						
At 1 January 2014	388	616	3,459	12,472	15,110	32,045
Additions	-	-	124	198	765	1,087
At 30 September 2014	388	616	3,583	12,670	15,875	33,132
Accumulated Depreciation						
At 1 January 2014	-	345	3,265	6,344	10,580	20,534
Depreciation charge for the period	-	92	318	1,112	1,126	2,648
At 30 September 2014	-	437	3,583	7,456	11,706	23,182
Net Book Value	388	179	-	5,214	4,169	9,950

7. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group and Bank	Freehold Land and Building RM'000	Motor Vehicle RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment RM'000	Total RM'000
At 31 December 2013						
Cost						
At 1 January 2013	388	616	6,245	21,619	19,285	48,153
Additions	-	-	208	3,035	2,690	5,933
Write off	-	-	(2,994)	(12,182)	(6,865)	(22,041)
At 31 December 2013	388	616	3,459	12,472	15,110	32,045
Accumulated Depreciation						
At 1 January 2013	-	222	5,602	12,961	16,026	34,811
Depreciation charge for the year	-	123	576	1,771	1,283	3,753
Write off	-	-	(2,913)	(8,388)	(6,729)	(18,030)
At 31 December 2013	-	345	3,265	6,344	10,580	20,534
Accumulated Impairment Loss						
At 1 January 2013	-	-	-	3,002	-	3,002
Impairment loss for the year	-	-	-	(3,002)	-	(3,002)
At 31 December 2013	-	-	-	-	-	-
Net Book Value	388	271	194	6,128	4,530	11,511

8. INTANGIBLE ASSETS

	Group/Bank	
	30-Sep-14	31-Dec-13
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	3,831	3,640
Additions	-	540
Write off	-	(349)
At 30 September/31 December	<u>3,831</u>	<u>3,831</u>
Accumulated Amortisation		
At 1 January	2,916	3,075
Amortisation for the period/year	197	190
Write off	-	(349)
At 30 September/31 December	<u>3,113</u>	<u>2,916</u>
Net Book Value	<u>718</u>	<u>915</u>

9. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000	30-Sep-14 RM'000	31-Dec-13 RM'000
Demand deposits	914,320	910,938	914,340	910,958
Saving deposits	1,175	1,763	1,175	1,763
Fixed deposits	181,251	287,070	181,251	287,070
Negotiable instruments of deposits	3,249	3,161	3,249	3,161
	<u>1,099,995</u>	<u>1,202,932</u>	<u>1,100,015</u>	<u>1,202,952</u>

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

	Group/Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000
Due within six months	173,339	282,496
Six months to one year	11,161	1,960
One year to three years	-	5,775
	<u>184,500</u>	<u>290,231</u>

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

	Group		Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000	30-Sep-14 RM'000	31-Dec-13 RM'000
Business enterprises	966,207	898,577	966,207	898,577
Government and statutory bodies	23,120	29,381	23,120	29,381
Individuals	15,045	16,238	15,045	16,238
Others	95,623	258,736	95,643	258,756
	<u>1,099,995</u>	<u>1,202,932</u>	<u>1,100,015</u>	<u>1,202,952</u>

10. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000
Licensed banks	192,166	11,308
Other financial institutions	238,137	230,602
	<u>430,303</u>	<u>241,910</u>

11. OTHER LIABILITIES

	Group/Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000
Other liabilities	34,079	43,794
Internal settlement cost	42,555	123,852
	<u>76,634</u>	<u>167,646</u>

12. SHARE CAPITAL

	Group/Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000
Authorised:		
500,000,000 ordinary shares of RM1 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
Balance as at 1 January	203,000	203,000
140,000,000 ordinary shares of RM1 each	140,000	-
Balance as at 30 September/31 December	<u>343,000</u>	<u>203,000</u>

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

13. RESERVES

	Group		Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000	30-Sep-14 RM'000	31-Dec-13 RM'000
Non-distributable:				
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	163,742	163,742	163,742	163,742
Unrealised reserves	(649)	(809)	(649)	(809)
Other reserves	1,974	-	1,974	-
Distributable:				
Retained earnings	140,983	144,067	140,983	144,015
	<u>382,232</u>	<u>383,182</u>	<u>382,232</u>	<u>383,130</u>

14. INTEREST INCOME

	Group/Bank	
	Nine months ended	
	30-Sep-14	30-Sep-13
	RM'000	RM'000
Loans, advances and financing	15,105	13,840
Money at call and deposit placements with financial institutions	12,779	4,627
Securities - Available-for-sale	14,327	21,764
Securities - Held-for-trading	-	1,661
	<u>42,211</u>	<u>41,892</u>
Amortisation of premium less accretion of discount	(1,562)	(4,440)
Total Interest Income	<u>40,649</u>	<u>37,452</u>
Of which:		
Interest income earned on impaired loans, advances and financing	<u>20</u>	<u>154</u>

15. INTEREST EXPENSE

	Group/Bank	
	Nine months ended	
	30-Sep-14	30-Sep-13
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	3,391	3,842
Deposits from other customers	7,311	10,376
Subordinated debt capital	4,402	7,318
Subordinated debt capital effective interest rate	(7,904)	-
	<u>7,200</u>	<u>21,536</u>

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

16. OTHER OPERATING INCOME

	Group		Bank	
	Nine months ended		Nine months ended	
	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	1,381	820	1,381	820
Service charges and fees	1,425	1,144	1,425	1,144
Guarantee fees	3,459	3,381	3,459	3,381
Other fee income	653	1,401	653	1,401
	<u>6,918</u>	<u>6,746</u>	<u>6,918</u>	<u>6,746</u>
Net gain/ (loss) arising from sale of securities:				
Securities held-for-trading	-	1,154	-	1,154
Securities available for sale	43	(60)	43	(60)
	<u>43</u>	<u>1,094</u>	<u>43</u>	<u>1,094</u>
Unrealised gain on revaluation of securities:				
Securities held-for-trading	-	13	-	13
	<u>-</u>	<u>13</u>	<u>-</u>	<u>13</u>
Gross dividend income from:				
Securities available-for-sale	110	102	110	102
Associated company	-	-	252	-
	<u>110</u>	<u>102</u>	<u>362</u>	<u>102</u>
Other income:				
Foreign exchange gain/(loss)				
Unrealised	32,329	15,563	32,329	15,563
Realised	(21,501)	19,845	(21,501)	19,845
(Loss)/Gain on derivatives trading				
Unrealised	(29,924)	(19,951)	(29,924)	(19,951)
Realised	29,270	(4,351)	29,270	(4,351)
	<u>10,174</u>	<u>11,106</u>	<u>10,174</u>	<u>11,106</u>
	<u>17,245</u>	<u>19,061</u>	<u>17,497</u>	<u>19,061</u>

17. OTHER OPERATING EXPENSES

	Group		Bank	
	Nine months ended		Nine months ended	
	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	15,137	15,742	15,137	15,742
Establishment costs (Note b)	24,072	32,300	25,472	32,300
Marketing expenses (Note c)	619	614	619	614
Administration and general expenses (Note d)	5,447	6,901	5,447	6,901
	<u>45,275</u>	<u>55,557</u>	<u>46,675</u>	<u>55,557</u>
(a) Personnel costs				
Salaries, bonuses and allowances	11,492	11,712	11,492	11,712
Social security costs	366	142	366	142
EPF - defined contribution plan	1,805	2,061	1,805	2,061
Rental of accomodation	172	151	172	151
Other staff related expenses	1,302	1,676	1,302	1,676
	<u>15,137</u>	<u>15,742</u>	<u>15,137</u>	<u>15,742</u>
(b) Establishment costs				
Share of Group costs - current year	17,241	18,812	17,241	18,812
- prior years	444	4,071	444	4,071
Depreciation of property, plant and equipment	2,648	2,902	2,648	2,902
Amortisation of intangible assets	197	117	197	117
Impairment on investment in associated company	-	-	1,400	-
Rental of premises	1,044	1,602	1,044	1,602
Others	2,498	4,796	2,498	4,796
	<u>24,072</u>	<u>32,300</u>	<u>25,472</u>	<u>32,300</u>
(c) Marketing Expenses				
Advertising	291	345	291	345
Others	328	269	328	269
	<u>619</u>	<u>614</u>	<u>619</u>	<u>614</u>
(d) Administration and general expenses				
Legal and professional fees	719	498	719	498
Communication	1,686	2,006	1,686	2,006
Transportation	471	617	471	617
Property maintenance	737	844	737	844
Others	1,834	2,936	1,834	2,936
	<u>5,447</u>	<u>6,901</u>	<u>5,447</u>	<u>6,901</u>

18. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group/Bank	
	Nine months ended	
	30-Sep-14	30-Sep-13
	RM'000	RM'000
Allowance/(Write back) for impaired loans, advances and financing:		
Individual assessment allowance:		
- Made in the financial period	150	439
- Written back in the financial period	(306)	(266)
- Impaired loans, advances and financing recovered	(12)	-
Collective assesment allowance:		
- Made in the financial period	1,700	1,602
- Written back in the financial period	(1,050)	-
	482	1,775

19. CAPITAL ADEQUACY

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

	Group		Bank	
	30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	RM'000	RM'000	RM'000	RM'000
CET I/Tier-I capital				
Paid-up share capital	343,000	203,000	343,000	203,000
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	163,742	163,742	163,742	163,742
Retained earnings	140,983	144,067	140,983	144,015
Unrealised reserve	(649)	(809)	(649)	(809)
	723,258	586,182	723,258	586,130
Less :				
- Deferred tax assets	(23,695)	(28,135)	(23,695)	(28,135)
Total CET I/Tier-I capital	699,563	558,047	699,563	557,995

19. CAPITAL ADEQUACY (CONTD.)

	Group		Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000	30-Sep-14 RM'000	31-Dec-13 RM'000
Tier-II Capital				
Collective assessment allowance	6,198	5,548	6,198	5,548
Other reserves	1,974	-	1,974	-
Subordinated debt capital	-	140,000	-	140,000
Total Tier-II capital	<u>8,172</u>	<u>145,548</u>	<u>8,172</u>	<u>145,548</u>
Total capital funds	707,735	703,595	707,735	703,543
Less: Investment in subsidiary companies	-	-	(20)	(20)
Capital base	<u>707,735</u>	<u>703,595</u>	<u>707,715</u>	<u>703,523</u>
Capital Ratios				
CET I capital ratio	18.609%	14.289%	18.609%	14.287%
Tier 1 capital ratio	18.609%	14.289%	18.609%	14.287%
Total capital ratio	<u>18.827%</u>	<u>18.016%</u>	<u>18.826%</u>	<u>18.013%</u>

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

	Group		Bank	
	30-Sep-14 RM'000	31-Dec-13 RM'000	30-Sep-14 RM'000	31-Dec-13 RM'000
Credit Risk	2,462,846	2,445,283	2,462,846	2,445,205
Market Risk	1,133,436	1,311,955	1,133,436	1,311,955
Operational Risk	162,897	148,191	163,055	148,506
Total risk-weighted assets	<u>3,759,179</u>	<u>3,905,429</u>	<u>3,759,337</u>	<u>3,905,666</u>

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement remain at 8% for total capital ratio.

20. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies and their related counterparty credit risk of the group and the Bank are as follows:

	30-Sep-2014			31-Dec-2013		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk- weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk- weighted amount RM'000
<u>Commitments and Contingent Liabilities</u>						
Direct credit substitutes	50,624	50,624	50,624	48,273	48,273	48,273
Transaction-related contingent items	591,348	295,674	287,746	593,503	296,752	275,703
Short-term self-liquidating trade-related contingencies	118,202	23,640	23,546	106,869	21,374	21,350
Irrevocable commitments to extend credit:						
- maturity less than one year	1,430,126	286,025	272,292	1,697,114	339,423	303,432
- maturity more than one year	323	162	121	323	162	121
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	4,924,180	111,601	85,875	6,698,183	195,930	111,200
- one year to less than five years	451,442	31,110	17,116	345,033	24,245	9,651
- five years and above	19,581	1,958	979	26,997	2,700	1,350
Interest rate related contracts:						
- less than one year	4,888,115	97,466	53,666	4,306,665	34,339	15,645
- one year to less than five years	14,250,398	748,701	368,068	18,465,077	975,251	469,615
- five years and above	5,026,894	610,882	389,992	5,778,572	812,742	520,178
Equity related contracts:						
- less than one year	55,883	4,215	3,076	-	-	-
- one year to less than five years	-	-	-	75,569	8,990	6,355
	<u>31,807,116</u>	<u>2,262,058</u>	<u>1,553,101</u>	<u>38,142,178</u>	<u>2,760,181</u>	<u>1,782,873</u>

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