

THE ROYAL BANK OF SCOTLAND BERHAD

(Company No. 301932 - A)

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

For Period Ended

30 September 2015

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 2015

	Note	Group		Bank	
		30-Sep 2015 RM'000	31-Dec 2014 RM'000	30-Sep 2015 RM'000	31-Dec 2014 RM'000
ASSETS					
Cash and short-term funds	2	2,902,493	1,682,256	2,902,493	1,682,256
Securities available-for-sale	3	198,381	385,332	198,381	385,332
Loans, advances and financing	4	458,488	731,157	458,488	731,157
Derivatives financial assets		864,351	689,173	864,351	689,173
Statutory deposits with Bank Negara Malaysia	5	1,337	4,741	1,337	4,741
Other assets	6	30,156	49,710	30,156	49,710
Investments in subsidiary companies		-	-	20	20
Investment in associated company		1,300	1,300	1,300	1,300
Property, plant and equipment	7	5,919	9,121	5,919	9,121
Intangible assets	8	1,217	666	1,217	666
Deferred tax assets		18,053	19,170	18,053	19,170
TOTAL ASSETS		4,481,695	3,572,626	4,481,715	3,572,646
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	9	1,124,808	1,215,387	1,124,828	1,215,407
Deposits and placements from banks and other financial institutions	10	1,040,884	705,952	1,040,884	705,952
Derivatives financial liabilities		1,459,994	837,976	1,459,994	837,976
Other liabilities	11	77,136	70,295	77,136	70,295
TOTAL LIABILITIES		3,702,822	2,829,610	3,702,842	2,829,630

THE ROYAL BANK OF SCOTLAND BERHAD
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UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015 (CONT'D)

		Group		Bank	
	Note	30-Sep 2015 RM'000	31-Dec 2014 RM'000	30-Sep 2015 RM'000	31-Dec 2014 RM'000
Share capital	12	343,000	343,000	343,000	343,000
Reserves	13	435,873	400,016	435,873	400,016
SHAREHOLDER'S FUNDS		<u>778,873</u>	<u>743,016</u>	<u>778,873</u>	<u>743,016</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>4,481,695</u>	<u>3,572,626</u>	<u>4,481,715</u>	<u>3,572,646</u>
COMMITMENTS AND CONTINGENCIES	20	<u>22,535,702</u>	<u>31,758,198</u>	<u>22,535,702</u>	<u>31,758,198</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 2014.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2015

	Note	Group		Bank	
		30-Sep 2015 RM'000	30-Sep 2014 RM'000	30-Sep 2015 RM'000	30-Sep 2014 RM'000
Operating revenue		71,530	57,894	71,530	58,146
Interest income	14	58,541	40,649	58,541	40,649
Interest expense	15	(7,284)	(7,200)	(7,284)	(7,200)
Net interest income		51,257	33,449	51,257	33,449
Other operating income	16	12,989	17,245	12,989	17,497
Other operating expenses	17	(26,701)	(45,275)	(26,701)	(46,675)
Write back/(Allowance) for impairment on loans, advances and financing	18	77	(482)	77	(482)
Share of loss of associated company		-	(1,200)	-	-
Profit before taxation		37,622	3,737	37,622	3,789
Taxation		(2,655)	(4,847)	(2,655)	(4,847)
Profit/(Loss) for the period attributable to equity holder of the Bank		34,967	(1,110)	34,967	(1,058)
Other comprehensive profit:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net profit on securities available-for-sale		890	160	890	160
Total comprehensive profit/(loss) for for the period		35,857	(950)	35,857	(898)
Earnings/(Loss) per share (sen)		10.19	(0.32)	10.19	(0.31)

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THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2015

Group	← Non-distributable Reserves →					Distributable Reserve Retained earnings RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Regulatory reserves RM'000		
At 1 January 2014	203,000	76,182	163,742	(809)	-	144,067	586,182
Issuance of ordinary shares	140,000	-	-	-	-	-	140,000
Profit for the year	-	-	-	-	-	16,981	16,981
Transfer to statutory reserves	-	-	8,517	-	-	(8,517)	-
Transfer to regulatory reserves	-	-	-	-	4,237	(4,237)	-
Net loss on securities available-for-sale	-	-	-	(196)	-	-	(196)
Deferred tax	-	-	-	49	-	-	49
Other comprehensive loss	-	-	-	(147)	-	-	(147)
At 31 December 2014	343,000	76,182	172,259	(956)	4,237	148,294	743,016
At 1 January 2015	343,000	76,182	172,259	(956)	4,237	148,294	743,016
Profit for the period	-	-	-	-	-	34,967	34,967
Transfer from regulatory reserve	-	-	-	-	(3,262)	3,262	-
Net gain on securities available-for-sale	-	-	-	1,186	-	-	1,186
Deferred tax	-	-	-	(296)	-	-	(296)
Other comprehensive profit	-	-	-	890	-	-	890
At 30 September 2015	343,000	76,182	172,259	(66)	975	186,523	778,873

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 2014.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2015

Bank	← Non-distributable Reserves →					Distributable Reserve Retained earnings RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Unrealised reserves RM'000	Regulatory reserves RM'000		
At 1 January 2014	203,000	76,182	163,742	(809)	-	144,015	586,130
Issuance of ordinary shares	140,000	-	-	-	-	-	140,000
Profit for the year	-	-	-	-	-	17,033	17,033
Transfer to statutory reserves	-	-	8,517	-	-	(8,517)	-
Transfer to regulatory reserves	-	-	-	-	4,237	(4,237)	-
Net loss on securities available-for-sale	-	-	-	(196)	-	-	(196)
Deferred tax	-	-	-	49	-	-	49
Other comprehensive loss	-	-	-	(147)	-	-	(147)
At 31 December 2014	343,000	76,182	172,259	(956)	4,237	148,294	743,016
At 1 January 2015	343,000	76,182	172,259	(956)	4,237	148,294	743,016
Profit for the period	-	-	-	-	-	34,967	34,967
Transfer from regulatory reserve	-	-	-	-	(3,262)	3,262	-
Net gain on securities available-for-sale	-	-	-	1,186	-	-	1,186
Deferred tax	-	-	-	(296)	-	-	(296)
Other comprehensive profit	-	-	-	890	-	-	890
At 30 September 2015	343,000	76,182	172,259	(66)	975	186,523	778,873

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 2014.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2015

	Group		Bank	
	30-Sep 2015 RM'000	30-Sep 2014 RM'000	30-Sep 2015 RM'000	30-Sep 2014 RM'000
Cash Flows from Operating Activities				
Profit before taxation	37,622	3,737	37,622	3,789
Adjustments for:				
Depreciation of property, plant and equipment	2,050	2,648	2,050	2,648
Net gain on disposal of property and equipment	(15,345)	-	(15,345)	-
Amortisation of intangible assets	251	197	251	197
Impairment of investment in associate	-	-	-	1,400
Net (writeback)/allowance for impairment on loans, advances and financing	(77)	482	(77)	482
Amortisation of premium less accretion of discount	1,720	1,562	1,720	1,562
Gain from sale of securities available-for-sale	-	(43)	-	(43)
Unrealised foreign exchange gain	(224,854)	(32,329)	(224,854)	(32,329)
Unrealised loss on derivatives trading	107,144	29,924	107,144	29,924
Amortisation of cost and premium relating to subordinated debt capital	-	(8,553)	-	(8,553)
Dividends received	(123)	(110)	(123)	(362)
Share of loss of associated company	-	1,200	-	-
Operating profit before working capital changes	(91,612)	(1,285)	(91,612)	(1,285)

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2015

	Group		Bank	
	30-Sep 2015 RM'000	30-Sep 2014 RM'000	30-Sep 2015 RM'000	30-Sep 2014 RM'000
Operating profit before working capital changes brought forward	(91,612)	(1,285)	(91,612)	(1,285)
(Increase)/Decrease in:				
Loans, advances and financing	272,747	(321,740)	272,747	(321,740)
Other assets and derivatives financial assets	(38,917)	103,486	(38,917)	103,486
Statutory deposits with Bank Negara Malaysia	3,403	3,803	3,403	3,803
Cash collateral pledged for derivative transactions	(559,435)	(42,322)	(559,435)	(42,322)
Increase/(Decrease) in:				
Deposits from customers	(90,579)	(102,937)	(90,579)	(102,937)
Deposits and placements from banks and other financial institutions	334,932	188,393	334,932	188,393
Other liabilities and derivative financial liabilities	629,134	(216,541)	629,134	(216,541)
Cash used in operations	459,673	(389,143)	459,673	(389,143)
Income taxes paid	(857)	(4,975)	(857)	(4,975)
Income taxes refunded	1,500	15,809	1,500	15,809
Net cash used in operating activities	460,316	(378,309)	460,316	(378,309)
Cash Flows from/(used in) Investing Activities				
Purchase of property, plant and equipment	(1,197)	(1,087)	(1,197)	(1,087)
Purchase of intangible assets	(1,098)	-	(1,098)	-
Dividends received	123	362	123	362
Proceeds from securities available-for-sale upon maturity	295,750	150,000	295,750	150,000
Net (purchase)/sale of securities available-for-sale	(109,332)	36,826	(109,332)	36,826
Proceeds from disposal of property and equipment	16,241	-	16,241	-
Net cash generated from investing activities	200,487	186,101	200,487	186,101

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STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2015

	Group		Bank	
	30-Sep 2015 RM'000	30-Sep 2014 RM'000	30-Sep 2015 RM'000	30-Sep 2014 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	-	(60,000)	-	(60,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	660,803	(252,208)	660,803	(252,208)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,530,831	1,364,034	1,530,831	1,364,034
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,191,634	1,111,826	2,191,634	1,111,826
Cash and cash equivalents comprise the following:				
Cash and short-term funds	2,902,493	1,199,148	2,902,493	1,199,148
Cash collateral pledged	(710,859)	(87,322)	(710,859)	(87,322)
	2,191,634	1,111,826	2,191,634	1,111,826

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 2014.

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PERFORMANCE REVIEW

The Bank recorded pre-tax profit of RM37.6m for the 9 months ended 30 September 2015, as compared to pre-tax profit of RM3.8m of the same period in 2014.

The Bank has reported an increase in net interest income of RM17.9m comparing to the same period in 2014, driven by higher interest income from loans, advances and financing and money market placements.

Other operating expenses reduced by RM20.0m compared to the same period in 2014 as a result of reduction in establishment expenses and in line with the Bank's continuous effort to reduce cost. Impairment allowances were kept at a minimal level.

Gross loans, advances and financing remained stable. Total capital ratio of the Bank is at 30.0% as a result of reduction of assets that consumed higher risk weight.

CURRENT YEAR PROSPECT

From Malaysia market perspective, the latest indicators are pointing to a continued expansion of the economy, albeit the ongoing adjustments to external and domestic developments. Private consumption is expected to moderate while adjusting to the implementation of the Goods and Services Tax (GST) which came effect on 1st April 2015 coupled with uncertain economic environment. Investment activity is projected to be driven by capital spending in the manufacturing and services sectors, as well as for infrastructure projects. Economic growth is projected between 4.5% to 5.5%.

Headline inflation averaged at 2.9% in Q3 2015 and is expected to increase following the impact of the GST and the higher domestic fuel prices, before moderating towards the second half of 2016. The Ringgit continues to weaken with the recent global and domestic developments.

The Bank continues to serve its existing customers and expected to carry its strong capital base for the remainder of 2015.

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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 2014. 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 2014.

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 2014.

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

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 or reduction in impairment required is transferred between other reserves and 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 January 2016:

Equity Method in Separate Financial Statements

(Amendments to MFRS 127)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(Amendments to MFRS 10 and MFRS 128)

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012–2014 Cycle"

Disclosure Initiative (Amendments to MFRS 101)

Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)

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

MFRS 15 Revenue from Contracts with Customers

Effective for annual periods commencing on or after 1 January 2018

MFRS 9 Financial Instruments (2014)

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 2014 was not qualified.

Significant Event

In February 2015, The Royal Bank of Scotland Group Plc (“RBS Group”) announced that it will reduce its geographical footprint to approximately 13 countries, compared with 38 at the end of 2014, and the RBS Group is evaluating the options to implement the strategy announced. In addition to its main distribution and trading hubs in the UK, US and Singapore, RBS Group will remain present in a number of Western European countries with coverage teams.

The Bank operates outside RBS Group’s prospective geographical footprint and has ceased marketing to new customers. It continues to serve existing customers and regards its business as a going concern.

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

During the 9 months ended 30 September 2015, the Bank had disposed its freehold land and building located in Penang, Malaysia along with certain office equipment and machinery, furniture, fixtures and fittings. The net gain arising from the disposal is RM15.3m.

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 2015.

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 2015.

Dividend

No dividend was paid during the 9 months ended 30 September 2015.

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 2015.

2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000
Cash and balances with banks and other financial institutions	81,634	357,896
Money at call and deposit placements maturing within one month	2,820,859	1,324,360
	<u>2,902,493</u>	<u>1,682,256</u>

3. SECURITIES AVAILABLE-FOR-SALE

	Group/Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	147,414	383,633
Malaysian Government Treasury Bills	49,268	-
At Cost		
Unquoted shares in Malaysia	1,699	1,699
	<u>198,381</u>	<u>385,332</u>

4. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000
At amortised cost		
(i) By type		
Overdrafts	11,279	38,043
Term loans/financing:		
Housing loans/financing	15,650	17,626
Other term loans/financing	149	196
Factoring receivable	26,347	51,258
Bills receivable	10,006	84,296
Claims on customers under acceptance credits	61,581	47,333
Staff loans	1,465	2,287
Revolving credit	336,118	495,369
Trust receipt	1,200	141
	<u>463,795</u>	<u>736,549</u>
Less: Allowance for impaired loans, advances and financing :		
Collective assessment allowance	(4,581)	(4,592)
Individual assessment allowance	(726)	(800)
Net loans, advances and financing	<u>458,488</u>	<u>731,157</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

(ii) By type of customer

	Group/Bank	
	30-Sep-15	31-Dec-14
	RM'000	RM'000
Domestic business enterprises:		
Small medium enterprises	934	933
Others	439,962	703,068
Individuals	17,264	20,108
Foreign entity	5,635	11,152
Domestic banking institutions	-	1,288
	<u>463,795</u>	<u>736,549</u>

(iii) By interest rate sensitivity

	Group/Bank	
	30-Sep-15	31-Dec-14
	RM'000	RM'000
Fixed rate:		
Housing loans/financing	712	1,450
Other fixed rate loan/financing	623	837
Variable rate:		
BLR plus	18,475	20,224
Cost plus	443,985	714,038
	<u>463,795</u>	<u>736,549</u>

(iv) By residual contractual maturity

	Group/Bank	
	30-Sep-15	31-Dec-14
	RM'000	RM'000
Maturity within one year	437,585	717,205
More than one year to three years	9,419	844
More than three years to five years	909	753
More than five years	15,882	17,747
	<u>463,795</u>	<u>736,549</u>

(v) By geographical distribution

	Group/Bank	
	30-Sep-15	31-Dec-14
	RM'000	RM'000
Malaysia:		
Selangor	257,652	449,249
Kuala Lumpur	191,045	234,493
Johor	8,732	20,917
Perak	-	19,948
Pulau Pinang	348	388
Negeri Sembilan	325	327
Melaka	58	75
Outside of Malaysia	5,635	11,152
	<u>463,795</u>	<u>736,549</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

(vi) By Sector

	Group/Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000
Manufacturing	62,327	272,200
Construction	-	9,583
Purchase of landed properties (Residential)	16,493	18,747
Wholesale and retail	295,121	278,790
Finance, insurance and business services	78,368	80,899
Mining and quarrying	9,412	74,718
Transport, storage and communication	1,302	251
Purchase of transport vehicles	743	1,246
Consumption credit	29	115
	<u>463,795</u>	<u>736,549</u>

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

	Group/Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000
At 1 January	2,028	1,885
Impaired during the period/year	263	674
Reclassified as non-impaired	(456)	(498)
Amount written off	(80)	(33)
At 30 September/31 December	<u>1,755</u>	<u>2,028</u>
Individual assessment allowance	<u>(726)</u>	<u>(800)</u>
Net impaired loans, advances and financing	<u>1,029</u>	<u>1,228</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.38%</u>	<u>0.28%</u>

(viii) Impaired loans, advances and financing by sector

	Group/Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000
Purchase of landed properties (Residential)	1,422	1,646
Purchase of motor vehicles	-	48
Wholesale and retail	333	334
	<u>1,755</u>	<u>2,028</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group/Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000
Collective Assessment Allowance		
At 1 January	4,592	5,548
Allowance made during the period / year	1,403	1,700
Amount written back	(1,414)	(2,656)
At 30 September/31 December	<u>4,581</u>	<u>4,592</u>
Individual Assessment Allowance		
At 1 January	800	943
Allowance made during the period/year	309	864
Amount written back	(303)	(974)
Amount written off	(80)	(33)
At 30 September/31 December	<u>726</u>	<u>800</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-15 RM'000	31-Dec-14 RM'000
Tax recoverable	10,154	11,654
Other receivables, deposits and prepayments	20,002	38,056
	<u>30,156</u>	<u>49,710</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 2015						
Cost						
At 1 January 2015	388	616	3,583	12,670	15,907	33,164
Additions	-	-	5	-	1,192	1,197
Disposals	(388)	-	(395)	(8,740)	(752)	(10,275)
Reclassification	-	-	566	(1)	(4,074)	(3,509)
At 30 September 2015	-	616	3,759	3,929	12,273	20,577
Accumulated Depreciation						
At 1 January 2015	-	468	3,583	7,932	12,060	24,043
Depreciation charge for the period	-	92	-	654	1,304	2,050
Disposals	-	-	(395)	(6,484)	(752)	(7,631)
Reclassification	-	46	323	(201)	(3,973)	(3,805)
At 30 September 2015	-	606	3,511	1,901	8,640	14,658
Net Book Value	-	10	248	2,028	3,633	5,919

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 2014						
Cost						
At 1 January 2014	388	616	3,459	12,472	15,110	32,045
Additions	-	-	124	198	797	1,119
At 31 December 2014	388	616	3,583	12,670	15,907	33,164
Accumulated Depreciation						
At 1 January 2014	-	345	3,265	6,344	10,580	20,534
Depreciation charge for the year	-	123	318	1,588	1,480	3,509
At 31 December 2014	-	468	3,583	7,932	12,060	24,043
Carrying Amounts	388	148	-	4,738	3,847	9,121

8. INTANGIBLE ASSETS

	Group/Bank	
	30-Sep-15	31-Dec-14
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	3,831	3,831
Additions	1,098	-
Write off	(24)	-
Reclassification	3,509	-
At 30 September/31 December	<u>8,414</u>	<u>3,831</u>
Accumulated Amortisation		
At 1 January	3,165	2,916
Amortisation for the period/year	251	249
Write off	(24)	-
Reclassification	3,805	-
At 30 September/31 December	<u>7,197</u>	<u>3,165</u>
Net Book Value	<u>1,217</u>	<u>666</u>

9. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000	30-Sep-15 RM'000	31-Dec-14 RM'000
Demand deposits	1,042,756	1,032,137	1,042,776	1,032,157
Saving deposits	1,093	1,293	1,093	1,293
Fixed deposits	80,959	178,678	80,959	178,678
Negotiable instruments of deposits	-	3,279	-	3,279
	<u>1,124,808</u>	<u>1,215,387</u>	<u>1,124,828</u>	<u>1,215,407</u>

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

	Group/Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000
Due within six months	72,933	177,352
Six months to one year	8,026	4,605
	<u>80,959</u>	<u>181,957</u>

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

	Group		Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000	30-Sep-15 RM'000	31-Dec-14 RM'000
Business enterprises	986,397	1,089,461	986,417	1,089,481
Government and statutory bodies	1,535	22,112	1,535	22,112
Individuals	14,485	14,044	14,485	14,044
Others	122,391	89,770	122,391	89,770
	<u>1,124,808</u>	<u>1,215,387</u>	<u>1,124,828</u>	<u>1,215,407</u>

10. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000
Licensed banks	36,190	19,091
Other financial institutions	1,004,694	686,861
	<u>1,040,884</u>	<u>705,952</u>

11. OTHER LIABILITIES

	Group/Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000
Other liabilities	57,794	33,225
Internal settlement cost	16,590	35,294
Tax liabilities	2,752	1,776
	<u>77,136</u>	<u>70,295</u>

12. SHARE CAPITAL

	Group/Bank	
	30-Sep-15 RM'000	31-Dec-14 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	343,000	203,000
140,000,000 ordinary shares of RM1 each	-	140,000
Balance as at 30 September/31 December	<u>343,000</u>	<u>343,000</u>

As approved by the shareholder at an Extraordinary General Meeting held on 30 May 2014, the issued and paid-up share capital of the Bank was increased from RM203,000,002, comprising 203,000,002 ordinary shares of RM1.00 each, to RM343,000,002 comprising 343,000,002 ordinary shares of RM1.00 each by way of issuance of 140,000,000 new ordinary shares at RM1.00 each in the Company for the purpose of maintaining a strong Risk Weighted Capital Ratio ("RWCR") through the redemption of subordinate debt capital.

13. RESERVES

	Group		Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000	30-Sep-15 RM'000	31-Dec-14 RM'000
Non-distributable:				
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	172,259	172,259	172,259	172,259
Unrealised reserves	(66)	(956)	(66)	(956)
Regulatory reserves	975	4,237	975	4,237
Distributable:				
Retained earnings	186,523	148,294	186,523	148,294
	<u>435,873</u>	<u>400,016</u>	<u>435,873</u>	<u>400,016</u>

14. INTEREST INCOME

	Group/Bank	
	Nine months ended	
	30-Sep-15	30-Sep-14
	RM'000	RM'000
Loans, advances and financing	18,275	15,105
Money at call and deposit placements with financial institutions	31,708	12,779
Securities - Available-for-sale	10,278	14,327
	<u>60,261</u>	<u>42,211</u>
Amortisation of premium less accretion of discount	(1,720)	(1,562)
Total Interest Income	<u>58,541</u>	<u>40,649</u>
Of which:		
Interest income earned on impaired loans, advances and financing	<u>101</u>	<u>20</u>

15. INTEREST EXPENSE

	Group/Bank	
	Nine months ended	
	30-Sep-15	30-Sep-14
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	990	3,391
Deposits from other customers	6,294	7,311
Subordinated debt capital	-	4,402
Subordinated debt capital effective interest rate	-	(7,904)
	<u>7,284</u>	<u>7,200</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-15	30-Sep-14	30-Sep-15	30-Sep-14
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	787	1,381	787	1,381
Service charges and fees	1,411	1,425	1,411	1,425
Guarantee fees	1,851	3,459	1,851	3,459
Other fee income	439	653	439	653
	<u>4,488</u>	<u>6,918</u>	<u>4,488</u>	<u>6,918</u>
Net gain/ (loss) arising from sale of securities:				
Securities available for sale	-	43	-	43
	<u>-</u>	<u>43</u>	<u>-</u>	<u>43</u>
Net gain arising from disposal of property, plant and equipment	15,345	-	15,345	-
	<u>15,345</u>	<u>-</u>	<u>15,345</u>	<u>-</u>
Gross dividend income from:				
Securities available-for-sale	123	110	123	110
Associated company	-	-	-	252
	<u>123</u>	<u>110</u>	<u>123</u>	<u>362</u>
Other income:				
Foreign exchange gain/(loss)				
Unrealised	224,854	32,329	224,854	32,329
Realised	(151,843)	(21,501)	(151,843)	(21,501)
(Loss)/Gain on derivatives trading				
Unrealised	(107,144)	(29,924)	(107,144)	(29,924)
Realised	26,674	29,270	26,674	29,270
Others	492	-	492	-
	<u>(6,967)</u>	<u>10,174</u>	<u>(6,967)</u>	<u>10,174</u>
	<u>12,989</u>	<u>17,245</u>	<u>12,989</u>	<u>17,497</u>

17. OTHER OPERATING EXPENSES

	Group		Bank	
	Nine months ended		Nine months ended	
	30-Sep-15	30-Sep-14	30-Sep-15	30-Sep-14
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	14,586	15,137	14,586	15,137
Establishment costs (Note b)	6,143	24,072	6,143	25,472
Marketing expenses (Note c)	195	619	195	619
Administration and general expenses (Note d)	5,777	5,447	5,777	5,447
	<u>26,701</u>	<u>45,275</u>	<u>26,701</u>	<u>46,675</u>
(a) Personnel costs				
Salaries, bonuses and allowances	11,093	11,492	11,093	11,492
Social security costs	344	366	344	366
EPF - defined contribution plan	1,686	1,805	1,686	1,805
Rental of accomodation	83	172	83	172
Other staff related expenses	1,380	1,302	1,380	1,302
	<u>14,586</u>	<u>15,137</u>	<u>14,586</u>	<u>15,137</u>
(b) Establishment costs				
Share of Group costs - current year	3,187	17,241	3,187	17,241
- prior years	(498)	444	(498)	444
Depreciation of property, plant and equipment	2,050	2,648	2,050	2,648
Amortisation of intangible assets	251	197	251	197
Impairment on investment in associated company	-	-	-	1,400
Rental of premises	971	1,044	971	1,044
Others	182	2,498	182	2,498
	<u>6,143</u>	<u>24,072</u>	<u>6,143</u>	<u>25,472</u>
(c) Marketing Expenses				
Advertising	114	291	114	291
Others	81	328	81	328
	<u>195</u>	<u>619</u>	<u>195</u>	<u>619</u>
(d) Administration and general expenses				
Legal and professional fees	1,244	719	1,244	719
Communication	1,254	1,686	1,254	1,686
Transportation	392	471	392	471
Property maintenance	976	737	976	737
Others	1,911	1,834	1,911	1,834
	<u>5,777</u>	<u>5,447</u>	<u>5,777</u>	<u>5,447</u>

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

	Group/Bank	
	Nine months ended	
	30-Sep-15	30-Sep-14
	RM'000	RM'000
(Write back)/Allowance for impairment on loans, advances and financing:		
Individual assessment allowance:		
Made in the financial period	309	150
Written back in the financial period	(303)	(306)
Impaired loans and financing recovered	(72)	(12)
Collective assesment allowance:		
Made in the financial period	1,403	1,700
Written back in the financial period	(1,414)	(1,050)
	<u>(77)</u>	<u>482</u>

19. CAPITAL ADEQUACY

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

	Group		Bank	
	30-Sep-15	31-Dec-14	30-Sep-15	31-Dec-14
	RM'000	RM'000	RM'000	RM'000
CET I/Tier-I capital				
Paid-up share capital	343,000	343,000	343,000	343,000
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	172,259	172,259	172,259	172,259
Retained earnings	151,556	148,294	151,556	148,294
Unrealised reserve	(66)	(956)	(66)	(956)
	<u>742,931</u>	<u>738,779</u>	<u>742,931</u>	<u>738,779</u>
Less :				
- Deferred tax assets	(18,053)	(19,170)	(18,053)	(19,170)
Total CET I/Tier-I capital	<u>724,878</u>	<u>719,609</u>	<u>724,878</u>	<u>719,609</u>

19. CAPITAL ADEQUACY (CONTD.)

	Group		Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000	30-Sep-15 RM'000	31-Dec-14 RM'000
Tier-II Capital				
Collective assessment allowance	4,581	4,592	4,581	4,592
Regulatory reserves	975	4,237	975	4,237
Total Tier-II capital	<u>5,556</u>	<u>8,829</u>	<u>5,556</u>	<u>8,829</u>
Total capital funds	730,434	728,438	730,434	728,438
Less: Investment in subsidiary companies	-	-	(20)	(20)
Capital base	<u>730,434</u>	<u>728,438</u>	<u>730,414</u>	<u>728,418</u>
Capital Ratios				
CET I capital ratio	29.747%	18.541%	29.747%	18.540%
Tier 1 capital ratio	29.747%	18.541%	29.747%	18.540%
Total capital ratio	<u>29.975%</u>	<u>18.769%</u>	<u>29.975%</u>	<u>18.767%</u>

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

	Group		Bank	
	30-Sep-15 RM'000	31-Dec-14 RM'000	30-Sep-15 RM'000	31-Dec-14 RM'000
Credit Risk	1,732,196	2,737,313	1,732,196	2,737,313
Market Risk	573,324	1,036,089	573,324	1,036,089
Operational Risk	<u>131,264</u>	<u>107,750</u>	<u>131,264</u>	<u>107,907</u>
Total risk-weighted assets	<u>2,436,784</u>	<u>3,881,152</u>	<u>2,436,784</u>	<u>3,881,309</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-2015			31-Dec-2014		
	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	1,407	1,407	1,407	6,338	6,338	6,338
Transaction-related contingent items	325,657	162,829	158,744	644,368	322,184	314,521
Short-term self-liquidating trade-related contingencies	55,805	11,161	11,161	124,068	24,814	24,766
Irrevocable commitments to extend credit:						
- maturity less than one year	1,931,585	386,317	369,844	1,714,432	342,886	327,188
- maturity more than one year	320	160	121	323	162	121
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	4,953,192	165,766	111,856	5,019,236	159,122	125,160
- one year to less than five years	305,286	41,176	32,106	449,488	38,957	23,763
Interest rate related contracts:						
- less than one year	4,914,881	303,169	149,055	5,984,083	154,793	115,634
- one year to less than five years	7,558,665	544,152	204,867	13,058,632	820,425	332,081
- five years and above	2,488,904	437,988	178,217	4,734,832	600,754	391,776
Equity related contracts:						
- less than one year	-	-	-	22,398	2,074	1,221
	<u>22,535,702</u>	<u>2,054,125</u>	<u>1,217,378</u>	<u>31,758,198</u>	<u>2,472,509</u>	<u>1,662,569</u>

* 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 2015

Analysis of the Group's financial performance

(i) Total Assets

	30-Sep-15		As at 30-Sep-14		Variance		30-Jun-15		As at 30-Jun-14		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	4,481,715	100%	2,946,326	100%	1,535,389	0%	3,224,873	100%	2,869,151	100%	355,722	0%
Others	(20)	0%	(20)	0%	-	0%	(20)	0%	(20)	0%	-	0%
RBS Group	4,481,695	100%	2,946,306	100%	1,535,389	0%	3,224,853	100%	2,869,131	100%	355,722	0%

(ii) Profit before tax

	2015		9 months ended 30 September 2014		Variance		2015		3 months ended 30 September (current interim period) 2014		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	37,622	100%	3,789	101%	33,833	-1%	10,165	100%	1,051	100%	9,114	0%
Others	-	0%	(52)	-1%	52	1%	-	0%	-	0%	-	0%
Total profit before tax	37,622	100%	3,737	100%	33,885	0%	10,165	100%	1,051	100%	9,114	0%

(iii) Profit after tax

	2015		9 months ended 30 September 2014		Variance		2015		3 months ended 30 September (current interim period) 2014		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	34,967	100%	(1,058)	95%	36,025	5%	10,529	100%	(994)	100%	11,523	0%
Others	-	0%	(52)	5%	52	-5%	-	0%	-	0%	-	0%
Total profit after tax	34,967	100%	(1,110)	100%	36,077	0%	10,529	100%	(994)	100%	11,523	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)	
	2015	2014	2015	2014
	%	%	%	%
RBS Berhad	4.94%	0.58%	1.31%	0.14%
RBS Group	4.94%	0.57%	1.31%	0.14%

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

	9 months ended 30 September (cumulative)		3 months ended 30 September (current interim period)	
	2015	2014	2015	2014
	%	%	%	%
RBS Berhad	0.93%	0.12%	0.26%	0.04%
RBS Group	0.93%	0.12%	0.26%	0.04%