

THE ROYAL BANK OF SCOTLAND BERHAD

(Company No. 301932 - A)

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

For Period Ended

30 September 2016

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 2016

	Note	Group		Bank	
		30-Sep 2016 RM'000	31-Dec 2015 RM'000	30-Sep 2016 RM'000	31-Dec 2015 RM'000
ASSETS					
Cash and short-term funds	2	682,170	2,136,446	682,170	2,136,446
Securities available-for-sale	3	212,274	240,465	212,274	240,465
Loans, advances and financing	4	140,006	414,350	140,006	414,350
Derivatives financial assets		129,289	531,672	129,289	531,672
Statutory deposits with Bank Negara Malaysia	5	1,337	1,337	1,337	1,337
Other assets	6	13,751	63,615	13,751	63,615
Investments in subsidiary companies		-	-	-	10
Investment in associated company		-	1,300	-	1,300
Property, plant and equipment	7,20	-	5,367	-	5,367
Intangible assets	8	-	1,127	-	1,127
Deferred tax assets	20	-	11,876	-	11,876
TOTAL ASSETS		1,178,827	3,407,555	1,178,827	3,407,565
LIABILITIES AND SHAREHOLDER'S FUNDS					
Deposits from customers	9	153,430	1,165,590	153,430	1,165,600
Deposits and placements from banks and other financial institutions	10	1,662	329,488	1,662	329,488
Derivatives financial liabilities		231,588	1,086,749	231,588	1,086,749
Other liabilities	11	9,344	55,002	9,344	55,002
Provision for restructuring	12	17,404	-	17,404	-
TOTAL LIABILITIES		413,428	2,636,829	413,428	2,636,839

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UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016 (CONT'D)

	Note	Group		Bank	
		30-Sep 2016 RM'000	31-Dec 2015 RM'000	30-Sep 2016 RM'000	31-Dec 2015 RM'000
Share capital	13	343,000	343,000	343,000	343,000
Reserves	14	422,399	427,726	422,399	427,726
SHAREHOLDER'S FUNDS		<u>765,399</u>	<u>770,726</u>	<u>765,399</u>	<u>770,726</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>1,178,827</u>	<u>3,407,555</u>	<u>1,178,827</u>	<u>3,407,565</u>
COMMITMENTS AND CONTINGENCIES	21	<u>2,380,661</u>	<u>18,461,580</u>	<u>2,380,661</u>	<u>18,461,580</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 2015.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2016

	Note	Group		Bank	
		30-Sep 2016 RM'000	30-Sep 2015 RM'000	30-Sep 2016 RM'000	30-Sep 2015 RM'000
Operating revenue		48,567	71,530	48,567	71,530
Interest income	15	37,390	58,541	37,390	58,541
Interest expense	16	(3,726)	(7,284)	(3,726)	(7,284)
Net interest income		33,664	51,257	33,664	51,257
Other operating income	17	11,177	12,989	11,177	12,989
Other operating expenses	18	(17,937)	(26,701)	(17,937)	(26,701)
Writeback for impairment on loans, advances and financing		2,390	77	2,390	77
Restructuring costs	20	(22,280)	-	(22,280)	-
Profit before taxation		7,014	37,622	7,014	37,622
Taxation	20	(11,882)	(2,655)	(11,882)	(2,655)
(Loss)/Profit for the period attributable to equity holder of the Bank		(4,868)	34,967	(4,868)	34,967
Other comprehensive (loss)/profit:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net (loss)/profit on securities available-for-sale		(459)	890	(459)	890
Total comprehensive (loss)/profit for for the period		(5,327)	35,857	(5,327)	35,857
(Loss)/Earnings per share (sen)		(1.42)	10.19	(1.42)	10.19

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 2015.

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2016

	Group		Bank	
	30-Sep	30-Sep	30-Sep	30-Sep
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash Flows from Operating Activities				
Profit before taxation	7,014	37,622	7,014	37,622
Adjustments for:				
Depreciation of property, plant and equipment	1,267	2,050	1,267	2,050
Net gain on disposal of property and equipment	-	(15,345)	-	(15,345)
Amortisation of intangible assets	376	251	376	251
Write back for impairment on loans, advances and financing	(2,390)	(77)	(2,390)	(77)
Amortisation of premium less accretion of discount	346	1,720	346	1,720
Unrealised foreign exchange gain	(130,266)	(224,854)	(130,266)	(224,854)
Unrealised loss on derivatives trading	2,327	107,144	2,327	107,144
Dividends received	(123)	(123)	(123)	(123)
Restructuring costs:				
- provision for severance payments	15,680	-	15,680	-
- property, plant and equipment written off	4,119	-	4,119	-
- intangible assets written off	757	-	757	-
- other provisions	1,724	-	1,724	-
Operating loss before working capital changes	(99,169)	(91,612)	(99,169)	(91,612)

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (CONT'D)

	Group		Bank	
	30-Sep 2016 RM'000	30-Sep 2015 RM'000	30-Sep 2016 RM'000	30-Sep 2015 RM'000
Operating loss before working capital changes brought forward	(99,169)	(91,612)	(99,169)	(91,612)
(Increase)/Decrease in:				
Loans, advances and financing	276,735	272,747	276,735	272,747
Other assets and derivatives financial assets	580,729	(38,917)	580,729	(38,917)
Statutory deposits with Bank Negara Malaysia	-	3,403	-	3,403
Cash collateral pledged for derivative transactions	393,575	(559,435)	393,575	(559,435)
Increase/(Decrease) in:				
Deposits from customers	(1,012,160)	(90,579)	(1,012,170)	(90,579)
Deposits and placements from banks and other financial institutions	(327,826)	334,932	(327,826)	334,932
Other liabilities and derivative financial liabilities	(901,235)	629,134	(901,235)	629,134
Cash used in operations	(1,089,351)	459,673	(1,089,361)	459,673
Income taxes paid	(2)	(857)	(2)	(857)
Income taxes refunded	-	1,500	-	1,500
Net cash (used in)/generated from operating activities	(1,089,353)	460,316	(1,089,363)	460,316

Cash Flows from Investing Activities

Purchase of property, plant and equipment	(19)	(1,197)	(19)	(1,197)
Purchase of intangible assets	(6)	(1,098)	(6)	(1,098)
Dividends received	123	123	123	123
Proceeds from securities available-for-sale upon maturity	432,400	295,750	432,400	295,750
Net purchase of securities available-for-sale	(405,145)	(109,332)	(405,145)	(109,332)
Dissolution of dormant subsidiary	-	-	10	-
Proceeds from disposal of property and equipment	-	16,241	-	16,241
Proceeds from capital repayment of investment in associated company	1,300	-	1,300	-
Net cash generated from investing activities	28,653	200,487	28,663	200,487

THE ROYAL BANK OF SCOTLAND BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2016 (CONT'D)

	Group		Bank	
	30-Sep	30-Sep	30-Sep	30-Sep
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,060,700)	660,803	(1,060,700)	660,803
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,602,986</u>	<u>1,530,831</u>	<u>1,602,986</u>	<u>1,530,831</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>542,286</u>	<u>2,191,634</u>	<u>542,286</u>	<u>2,191,634</u>

Cash and cash equivalents comprise the following:

Cash and short-term funds	682,170	2,902,493	682,170	2,902,493
Cash collateral pledged	<u>(139,884)</u>	<u>(710,859)</u>	<u>(139,884)</u>	<u>(710,859)</u>
	<u>542,286</u>	<u>2,191,634</u>	<u>542,286</u>	<u>2,191,634</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 2015.

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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 2015	343,000	76,182	172,259	(956)	4,237	148,294	743,016
Profit for the year	-	-	-	-	-	26,337	26,337
Transfer to statutory reserves	-	-	6,584	-	-	(6,584)	-
Transfer from regulatory reserves	-	-	-	-	(3,084)	3,084	-
Net gain on securities available-for-sale	-	-	-	1,823	-	-	1,823
Deferred tax	-	-	-	(450)	-	-	(450)
Other comprehensive income	-	-	-	1,373	-	-	1,373
At 31 December 2015	<u>343,000</u>	<u>76,182</u>	<u>178,843</u>	<u>417</u>	<u>1,153</u>	<u>171,131</u>	<u>770,726</u>
At 1 January 2016	343,000	76,182	178,843	417	1,153	171,131	770,726
Loss for the period	-	-	-	-	-	(4,868)	(4,868)
Transfer from regulatory reserves	-	-	-	-	(1,020)	1,020	-
Net loss on securities available-for-sale	-	-	-	(590)	-	-	(590)
Deferred tax	-	-	-	131	-	-	131
Other comprehensive loss	-	-	-	(459)	-	-	(459)
At 30 September 2016	<u>343,000</u>	<u>76,182</u>	<u>178,843</u>	<u>(42)</u>	<u>133</u>	<u>167,283</u>	<u>765,399</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 2015.

THE ROYAL BANK OF SCOTLAND BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2016

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 2015	343,000	76,182	172,259	(956)	4,237	148,294	743,016
Profit for the year	-	-	-	-	-	26,337	26,337
Transfer to statutory reserves	-	-	6,584	-	-	(6,584)	-
Transfer from regulatory reserves	-	-	-	-	(3,084)	3,084	-
Net gain on securities available-for-sale	-	-	-	1,823	-	-	1,823
Deferred tax	-	-	-	(450)	-	-	(450)
Other comprehensive income	-	-	-	1,373	-	-	1,373
At 31 December 2015	<u>343,000</u>	<u>76,182</u>	<u>178,843</u>	<u>417</u>	<u>1,153</u>	<u>171,131</u>	<u>770,726</u>
At 1 January 2016	343,000	76,182	178,843	417	1,153	171,131	770,726
Loss for the period	-	-	-	-	-	(4,868)	(4,868)
Transfer from regulatory reserves	-	-	-	-	(1,020)	1,020	-
Net loss on securities available-for-sale	-	-	-	(590)	-	-	(590)
Deferred tax	-	-	-	131	-	-	131
Other comprehensive loss	-	-	-	(459)	-	-	(459)
At 30 September 2016	<u>343,000</u>	<u>76,182</u>	<u>178,843</u>	<u>(42)</u>	<u>133</u>	<u>167,283</u>	<u>765,399</u>

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PERFORMANCE REVIEW AND CURRENT YEAR PROSPECT

The Bank recorded pre-tax profit of RM7.0m for the 9 months ended 30 September 2016, as compared to pre-tax profit of RM37.6m of the same period in 2015.

The Bank has reported a decrease in net interest income of RM17.6m comparing to the same period in 2015, driven by decreasing loan book size throughout 2016.

Other operating expenses reduced by RM8.8m compared to the same period in 2015 as a result of reduction in establishment expenses driven by cessation of group recharges in 2016 which was in line with the Bank's continuous effort to reduce cost. Impairment allowances were kept at a minimal level.

Total capital ratio of the Bank improved significantly to 126.2% as at 30 September 2016 as compared to 36.9% as at 31 December 2015. This trend is expected to continue in line with the Bank's continuous derisking initiatives and its current wind down strategy.

On 8 August 2016, the Bank, together with Taiwan's CTBC Holding, announced that both parties have mutually agreed to terminate the implementation agreement after concluding that completion will not be achieved within the timelines stated. Following the announcement, the Bank commenced the wind down of the Malaysia business accordingly.

Restructuring costs such as provisions for severance payments, write off of deferred tax assets, property, plant and equipment, intangible assets and various other provisions have been made to reflect the potential costs of wind down. Please refer to Note 12 and 20 for further details.

THE ROYAL BANK OF SCOTLAND BERHAD
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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 2015. 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 2015.

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

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent financial statements for the year ended 31 December 2015.

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

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

Effective for annual periods beginning on or after 1 January 2016

Investment Entities: Applying the Consolidation Exception

(Amendments to MFRS 10, MFRS 12 and MFRS 128)

Accounting for Acquisitions of Interests in Joint Operations

(Amendments to MFRS 11)

Disclosure Initiative

(Amendments to MFRS 101)

Clarification of Acceptable Methods of Depreciation and Amortisation

(Amendments to MFRS 116 and MFRS 138)

Equity Method in Separate Financial Statements

(Amendments to MFRS 127)

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

Effective for annual periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments

MFRS 15 Revenue from Contracts with Customers

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 2015 was not qualified.

Significant Event

On 8 August 2016, the Bank, together with Taiwan's CTBC Holding, announced that both parties have mutually agreed to terminate the implementation agreement after concluding that completion will not be achieved within the timelines stated. Following the announcement, the Bank commenced the wind down of the Malaysia business accordingly.

Seasonal or cyclical factors

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

Changes in Estimates

There were no material changes in estimates of amounts reported that have a material effect on the financial results and position of the Group and of the Bank in the 9 months ended 30 September 2016.

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 2016.

Dividend

No dividend was paid during the 9 months ended 30 September 2016.

Changes in the composition of the Group

The Group's subsidiaries, RBS Nominees (Tempatan) Sdn. Bhd. and RBS Nominees (Asing) Sdn. Bhd. have been officially dissolved by the Companies Commission of Malaysia ("CCM").

2. CASH AND SHORT-TERM FUNDS

	Group/Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000
Cash and balances with banks and other financial institutions	52,285	59,886
Money at call and deposit placements maturing within one month	629,885	2,076,560
	682,170	2,136,446

3. SECURITIES AVAILABLE-FOR-SALE

	Group/Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000
At Fair Value		
Quoted securities:		
Malaysian Government Securities	160,730	189,017
Malaysian Government Treasury Bills	49,845	49,749
At Cost		
Unquoted shares in Malaysia	1,699	1,699
	212,274	240,465

4. LOANS, ADVANCES AND FINANCING

	Group/Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000
At amortised cost		
(i) By type		
Overdrafts	-	20,461
Term loans/financing:		
Housing loans/financing	13,854	15,366
Other term loans/financing	88	130
Factoring receivable	5,789	37,878
Bills receivable	-	684
Claims on customers under acceptance credits	9,562	70,975
Staff loans	1,447	1,539
Revolving credit	111,000	271,435
	141,740	418,468
Less: Allowance for impaired loans, advances and financing :		
Collective assessment allowance	(1,566)	(3,866)
Individual assessment allowance	(168)	(252)
Net loans, advances and financing	140,006	414,350

4. LOANS, ADVANCES AND FINANCING (CONTD.)

(ii) By type of customer

	Group/Bank	
	30-Sep-16	31-Dec-15
	RM'000	RM'000
Domestic business enterprises:		
Others	126,351	401,432
Individuals	15,389	17,036
	<u>141,740</u>	<u>418,468</u>

(iii) By interest rate sensitivity

	Group/Bank	
	30-Sep-16	31-Dec-15
	RM'000	RM'000
Fixed rate:		
Housing loans/financing	899	841
Other fixed rate loan/financing	405	564
Variable rate:		
BLR plus	14,085	15,631
Cost plus	126,351	401,432
	<u>141,740</u>	<u>418,468</u>

(iv) By residual contractual maturity

	Group/Bank	
	30-Sep-16	31-Dec-15
	RM'000	RM'000
Maturity within one year	126,689	401,624
More than one year to three years	560	418
More than three years to five years	419	898
More than five years	14,072	15,528
	<u>141,740</u>	<u>418,468</u>

(v) By geographical distribution

	Group/Bank	
	30-Sep-16	31-Dec-15
	RM'000	RM'000
Malaysia:		
Selangor	136,763	241,470
Kuala Lumpur	4,246	155,739
Johor	-	20,460
Negeri Sembilan	377	409
Pulau Pinang	327	343
Melaka	27	47
	<u>141,740</u>	<u>418,468</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

(vi) By Sector

	Group/Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000
Wholesale and retail	100,000	261,958
Finance, insurance and business services	-	70,835
Manufacturing	20,562	47,678
Mining and quarrying	5,789	20,961
Purchase of residential landed properties	14,895	16,341
Purchase of transport vehicles	490	679
Consumption credit	4	16
	<u>141,740</u>	<u>418,468</u>

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

	Group/Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000
At 1 January	1,416	2,028
Impaired during the period/year	538	381
Reclassified as non-impaired	(505)	(580)
Amount written off	-	(413)
At 30 September/31 December	<u>1,449</u>	<u>1,416</u>
Individual assessment allowance	<u>(168)</u>	<u>(252)</u>
Net impaired loans, advances and financing	<u>1,281</u>	<u>1,164</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>1.02%</u>	<u>0.34%</u>

(viii) Impaired loans, advances and financing by sector

	Group/Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000
Purchase of landed properties (Residential)	1,423	1,416
Purchase of motor vehicles	26	-
	<u>1,449</u>	<u>1,416</u>

4. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group/Bank	
	30-Sep-16	31-Dec-15
	RM'000	RM'000
Collective Assessment Allowance		
At 1 January	3,866	4,592
Allowance made during the period / year	102	1,403
Amount written back	(2,402)	(2,129)
At 30 September/31 December	<u>1,566</u>	<u>3,866</u>
Individual Assessment Allowance		
At 1 January	252	800
Allowance made during the period/year	205	405
Amount written back	(289)	(539)
Amount written off	-	(414)
At 30 September/31 December	<u>168</u>	<u>252</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-16	31-Dec-15
	RM'000	RM'000
Tax recoverable	10,197	9,654
Other receivables, deposits and prepayments	3,554	53,961
	<u>13,751</u>	<u>63,615</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 2016						
Cost						
At 1 January 2016	-	616	3,618	3,821	10,600	18,655
Additions	-	-	-	-	19	19
Write off (Notes 12 and 20)	-	-	(3,618)	(3,821)	(10,619)	(18,058)
Disposals	-	(616)	-	-	-	(616)
At 30 September 2016	-	-	-	-	-	-
Accumulated Depreciation						
At 1 January 2016	-	616	3,398	1,955	7,319	13,288
Depreciation charge for the period	-	-	62	435	770	1,267
Write off (Notes 12 and 20)	-	-	(3,460)	(2,390)	(8,089)	(13,939)
Disposals	-	(616)	-	-	-	(616)
At 30 September 2016	-	-	-	-	-	-
Net Book Value	-	-	-	-	-	-

7. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group and Bank	Freehold Land and Building RM'000	Motor Vehicle RM'000	Office Equipment and Machinery RM'000	Furniture, Fixtures and Fittings RM'000	Computer Equipment RM'000	Total RM'000
At 31 December 2015						
Cost						
At 1 January 2015	388	616	3,583	12,670	15,907	33,164
Additions	-	-	5	-	1,230	1,235
Write off	-	-	(536)	(760)	(2,462)	(3,758)
Disposals	(388)	-	-	(8,089)	-	(8,477)
Reclassification (Note 8)	-	-	566	-	(4,075)	(3,509)
At 31 December 2015	-	616	3,618	3,821	10,600	18,655
Accumulated Depreciation						
At 1 January 2015	-	468	3,583	7,932	12,060	24,043
Depreciation charge for the year	-	103	-	827	1,691	2,621
Write off	-	-	(533)	(760)	(2,446)	(3,739)
Disposals	-	-	-	(5,835)	-	(5,835)
Reclassification (Note 8)	-	45	348	(209)	(3,986)	(3,802)
At 31 December 2015	-	616	3,398	1,955	7,319	13,288
Net Book Value	-	-	220	1,866	3,281	5,367

8. INTANGIBLE ASSETS

	Group/Bank	
	30-Sep-16	31-Dec-15
	RM'000	RM'000
<u>Computer Software:</u>		
Cost		
At 1 January	4,536	3,831
Additions	6	1,149
Write off (Notes 12 and 20)	(4,542)	(3,953)
Reclassification (Note 7)	-	3,509
At 30 September/31 December	<u>-</u>	<u>4,536</u>
Accumulated Amortisation		
At 1 January	3,409	3,165
Amortisation for the period/year	376	394
Write off (Notes 12 and 20)	(3,785)	(3,952)
Reclassification (Note 7)	-	3,802
At 30 September/31 December	<u>-</u>	<u>3,409</u>
Net Book Value	<u>-</u>	<u>1,127</u>

9. DEPOSITS FROM CUSTOMERS

Type	Group		Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000	30-Sep-16 RM'000	31-Dec-15 RM'000
Demand deposits	151,836	1,080,448	151,836	1,080,458
Saving deposits	1,594	962	1,594	962
Fixed deposits	-	84,180	-	84,180
	<u>153,430</u>	<u>1,165,590</u>	<u>153,430</u>	<u>1,165,600</u>

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

	Group/Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000
Due within six months	-	84,137
Six months to one year	-	43
	<u>-</u>	<u>84,180</u>

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

	Group		Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000	30-Sep-16 RM'000	31-Dec-15 RM'000
Business enterprises	110,915	1,001,169	110,915	1,001,179
Government and statutory bodies	2	1,499	2	1,499
Individuals	1,834	14,669	1,834	14,669
Others	40,679	148,253	40,679	148,253
	<u>153,430</u>	<u>1,165,590</u>	<u>153,430</u>	<u>1,165,600</u>

10. DEPOSITS AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group/Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000
Licensed banks	-	29,879
Other financial institutions	1,662	299,609
	<u>1,662</u>	<u>329,488</u>

11. OTHER LIABILITIES

	Group/Bank	
	30-Sep-16	31-Dec-15
	RM'000	RM'000
Other liabilities	6,267	36,607
Internal settlement cost	-	15,734
Tax liabilities	3,077	2,661
	<u>9,344</u>	<u>55,002</u>

12. PROVISION FOR RESTRUCTURING

	Group/Bank	
	30-Sep-16	31-Dec-15
	RM'000	RM'000
Provision for severance payments	15,680	-
Other provisions	1,724	-
	<u>17,404</u>	<u>-</u>

13. SHARE CAPITAL

	Group/Bank	
	Number of shares	
	30-Sep-16	31-Dec-15
	'000	'000
Authorised:		
Ordinary shares of RM1 each:		
At beginning/end of the year	<u>500,000</u>	<u>500,000</u>

	Group/Bank	
	30-Sep-16	31-Dec-15
	RM'000	RM'000
Issued and fully paid:		
Ordinary shares of RM1 each:		
At beginning of year	<u>343,000</u>	<u>343,000</u>
Balance as at 30 September/31 December	<u>343,000</u>	<u>343,000</u>

14. RESERVES

	Group/Bank	
	30-Sep-16 RM'000	31-Dec-15 RM'000
Non-distributable:		
Share premium	76,182	76,182
Statutory reserves	178,843	178,843
Unrealised reserves	(42)	417
Regulatory reserves	133	1,153
Distributable:		
Retained earnings	167,283	171,131
	<u>422,399</u>	<u>427,726</u>

15. INTEREST INCOME

	Group/Bank	
	Nine months ended	
	30-Sep-16 RM'000	30-Sep-15 RM'000
Loans, advances and financing	9,886	18,275
Money at call and deposit placements with financial institutions	20,890	31,708
Securities - Available-for-sale	6,960	10,278
	<u>37,736</u>	<u>60,261</u>
Amortisation of premium less accretion of discount	(346)	(1,720)
Total Interest Income	<u>37,390</u>	<u>58,541</u>
Of which:		
Interest income earned on impaired loans, advances and financing	289	101

16. INTEREST EXPENSE

	Group/Bank	
	Nine months ended	
	30-Sep-16 RM'000	30-Sep-15 RM'000
Deposits and placements of banks and other financial institutions	332	990
Deposits from other customers	3,394	6,294
	<u>3,726</u>	<u>7,284</u>

17. OTHER OPERATING INCOME

	Group		Bank	
	Nine months ended		Nine months ended	
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	661	787	661	787
Service charges and fees	719	1,411	719	1,411
Guarantee fees	1,029	1,851	1,029	1,851
Other fee income	5,369	439	5,369	439
	<u>7,778</u>	<u>4,488</u>	<u>7,778</u>	<u>4,488</u>
Net gain arising from disposal of property, plant and equipment	-	15,345	-	15,345
	<u>-</u>	<u>15,345</u>	<u>-</u>	<u>15,345</u>
Gross dividend income from:				
Securities available-for-sale	123	123	123	123
	<u>123</u>	<u>123</u>	<u>123</u>	<u>123</u>
Other income:				
Foreign exchange gain/(loss)				
Unrealised	130,266	224,854	130,266	224,854
Realised	(64,652)	(151,843)	(64,652)	(151,843)
Gain/(Loss) on derivatives trading			-	
Unrealised	(2,327)	(107,144)	(2,327)	(107,144)
Realised	(60,725)	26,674	(60,725)	26,674
Others	714	492	714	492
	<u>3,276</u>	<u>(6,967)</u>	<u>3,276</u>	<u>(6,967)</u>
	<u>11,177</u>	<u>12,989</u>	<u>11,177</u>	<u>12,989</u>

18. OTHER OPERATING EXPENSES

	Group		Bank	
	Nine months ended		Nine months ended	
	30-Sep-16	30-Sep-15	30-Sep-16	30-Sep-15
	RM'000	RM'000	RM'000	RM'000
Personnel costs (Note a)	12,841	14,586	12,841	14,586
Establishment costs (Note b)	823	6,143	823	6,143
Marketing expenses (Note c)	116	195	116	195
Administration and general expenses (Note d)	4,157	5,777	4,157	5,777
	<u>17,937</u>	<u>26,701</u>	<u>17,937</u>	<u>26,701</u>
(a) Personnel costs				
Salaries, bonuses and allowances	9,258	11,093	9,258	11,093
Social security costs	290	344	290	344
EPF - defined contribution plan	1,562	1,686	1,562	1,686
Rental of accomodation	-	83	-	83
Other staff related expenses	1,731	1,380	1,731	1,380
	<u>12,841</u>	<u>14,586</u>	<u>12,841</u>	<u>14,586</u>
(b) Establishment costs				
Share of Group costs - current year	-	3,187	-	3,187
- prior years	(3,595)	(498)	(3,595)	(498)
Depreciation of property, plant and equipment	1,267	2,050	1,267	2,050
Amortisation of intangible assets	376	251	376	251
Rental of premises	1,208	971	1,208	971
Others	1,567	182	1,567	182
	<u>823</u>	<u>6,143</u>	<u>823</u>	<u>6,143</u>
(c) Marketing Expenses				
Advertising	33	114	33	114
Others	83	81	83	81
	<u>116</u>	<u>195</u>	<u>116</u>	<u>195</u>
(d) Administration and general expenses				
Legal and professional fees	512	1,244	512	1,244
Communication	1,379	1,254	1,379	1,254
Transportation	100	392	100	392
Property maintenance	718	976	718	976
Others	1,448	1,911	1,448	1,911
	<u>4,157</u>	<u>5,777</u>	<u>4,157</u>	<u>5,777</u>

19. WRITEBACK FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group/Bank	
	Nine months ended	
	30-Sep-16	30-Sep-15
	RM'000	RM'000
Write back for impairment on loans, advances and financing:		
Individual assessment allowance:		
Made in the financial period	205	309
Written back in the financial period	(289)	(303)
Impaired loans and financing recovered	(6)	(72)
Collective assesment allowance:		
Made in the financial period	102	1,403
Written back in the financial period	(2,402)	(1,414)
	<u>(2,390)</u>	<u>(77)</u>

20. RESTRUCTURING COSTS

On 8 August 2016, the Bank, together with Taiwan's CTBC Holding, announced that both parties have mutually agreed to terminate the implementation agreement after concluding that completion will not be achieved within the timelines stated. Following the announcement, the Bank commenced the wind down of the Malaysia business accordingly.

Restructuring costs such as provisions for severance payments, write off of deferred tax assets, property, plant and equipment, intangible assets and various other provisions have been made to reflect the potential costs of wind down. Please refer to Note 12 and 20 for further details.

	Group/Bank	
	Nine months ended	
	30-Sep-16	31-Dec-15
	RM'000	RM'000
Provision for severance payments	15,680	-
Property, plant and equipment written off (Note 7)	4,119	-
Intangible assets written off (Note 8)	757	-
Other provisions	1,724	-
	<u>22,280</u>	<u>-</u>
Deferred tax assets write off	11,876	-
	<u>34,156</u>	<u>-</u>

21. CAPITAL ADEQUACY

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

	Group		Bank	
	30-Sep-16	31-Dec-15	30-Sep-16	31-Dec-15
	RM'000	RM'000	RM'000	RM'000
CET I/Tier-I capital				
Paid-up share capital	343,000	343,000	343,000	343,000
Share premium	76,182	76,182	76,182	76,182
Statutory reserves	178,843	178,843	178,843	178,843
Retained earnings	172,151	171,131	172,151	171,131
Interim losses	(4,868)	-	(4,868)	-
Unrealised reserve	(42)	417	(42)	417
	<u>765,266</u>	<u>769,573</u>	<u>765,266</u>	<u>769,573</u>
Less :				
- Deferred tax assets	-	(12,105)	-	(12,105)
Total CET I/Tier-I capital	<u>765,266</u>	<u>757,468</u>	<u>765,266</u>	<u>757,468</u>

	Group		Bank	
	30-Sep-16	31-Dec-15	30-Sep-16	31-Dec-15
	RM'000	RM'000	RM'000	RM'000
Tier-II Capital				
Collective assessment allowance	1,566	3,866	1,566	3,866
Regulatory reserves	133	1,153	133	1,153
Total Tier-II capital	<u>1,699</u>	<u>5,019</u>	<u>1,699</u>	<u>5,019</u>
Total capital funds	766,965	762,487	766,965	762,487
Less: Investment in subsidiary companies	-	-	-	(10)
Capital base	<u>766,965</u>	<u>762,487</u>	<u>766,965</u>	<u>762,477</u>

Capital Ratios

CET I capital ratio	125.90%	36.61%	125.90%	36.61%
Tier 1 capital ratio	125.90%	36.61%	125.90%	36.61%
Total capital ratio	<u>126.18%</u>	<u>36.85%</u>	<u>126.18%</u>	<u>36.85%</u>

21. CAPITAL ADEQUACY (CONTD.)

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

	Group		Bank	
	30-Sep-16	31-Dec-15	30-Sep-16	31-Dec-15
	RM'000	RM'000	RM'000	RM'000
Credit Risk	418,667	1,403,900	418,667	1,403,900
Market Risk	53,067	572,917	53,067	572,917
Operational Risk	136,086	92,309	136,086	92,467
Total risk-weighted assets	<u>607,820</u>	<u>2,069,126</u>	<u>607,820</u>	<u>2,069,284</u>

The capital adequacy ratios of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement as at 30 September 2016 is 8.6% (2015: 8%).

The Group and the Bank enter into derivative transactions under the International Swaps and Derivatives Association ("ISDA") master netting agreements and with the Netting of Financial Agreement Act 2015 effected on 30 March 2015, the ISDA agreements allow all transactions under the financial agreement to be terminated and the sum values to be aggregated, resulting in a single net amount being payable by one party to the other upon the occurrence of a credit event such as insolvency or default. As at 30 September 2016, netting has been applied when computing the Group and the Bank's credit risk.

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-2016			31-Dec-2015		
	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	390	390	390	1,370	1,370	1,370
Transaction-related contingent items	93,008	46,504	45,433	240,279	120,140	116,781
Short-term self-liquidating trade-related contingencies	-	-	-	72,844	14,569	14,569
Other commitments, such as formal standby						
- maturity less than one year	530,348	106,070	104,644	1,694,305	338,861	324,766
- maturity more than one year	173	87	65	179	90	67
<u>Derivative Financial Contracts</u>						
Foreign exchange related contracts:						
- less than one year	254,516	1,031	1,373	3,573,493	47,789	37,929
- one year to less than five years	-	-	-	245,100	29,569	22,326
Interest rate related contracts:						
- less than one year	1,161,745	141,719	69,449	3,167,600	270,872	132,030
- one year to less than five years	340,481	27,342	11,019	7,543,711	514,708	193,823
- five years and above	-	-	-	1,922,699	223,564	57,765
	2,380,661	323,143	232,373	18,461,580	1,561,532	901,426

* 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 2016

Analysis of the Group's financial performance

(i) Total Assets

	30-Sep-16		As at 30-Sep-15		Variance		31-Dec-15		As at 31-Dec-14		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	1,178,827	100%	3,224,873	100%	(2,046,046)	0%	3,407,565	100%	3,572,646	100%	(165,081)	0%
Others	-	0%	(20)	0%	20	0%	(10)	0%	(20)	0%	10	0%
RBS Group	1,178,827	100%	3,224,853	100%	(2,046,026)	0%	3,407,555	100%	3,572,626	100%	(165,071)	0%

(ii) Profit before tax

	2016		9 months ended 30 September 2015		Variance		2016		3 months ended 30 September (current interim period) 2015		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	7,014	100%	37,622	100%	(30,608)	0%	(16,850)	100%	10,165	100%	(27,015)	0%
Others	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total profit before tax	7,014	100%	37,622	100%	(30,608)	0%	(16,850)	100%	10,165	100%	(27,015)	0%

(iii) Profit after tax

	2016		9 months ended 30 September 2015		Variance		2016		3 months ended 30 September (current interim period) 2015		Variance	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RBS Berhad	(4,868)	100%	34,967	100%	(39,835)	0%	(26,955)	100%	10,529	100%	(37,484)	0%
Others	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Total profit after tax	(4,868)	100%	34,967	100%	(39,835)	0%	(26,955)	100%	10,529	100%	(37,484)	0%

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

	9 months ended 30 September (cumulative)		3 months ended 30 June (current interim period)	
	2016	2015	2016	2015
	%	%	%	%
RBS Berhad	0.91%	4.98%	-2.19%	1.34%
RBS Group	0.91%	4.98%	-2.19%	1.34%

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

	9 months ended 30 September (cumulative)		3 months ended 30 June (current interim period)	
	2016	2015	2016	2015
	%	%	%	%
RBS Berhad	0.31%	1.11%	-0.73%	0.30%
RBS Group	0.31%	1.11%	-0.73%	0.30%