



**The Royal Bank of Scotland N.V., (Hong Kong) Branch**

**Financial Disclosure Statements**

**30 June 2015**

**The Royal Bank of Scotland N.V., (Hong Kong) Branch**  
**Financial Disclosure Statements for the six months ended 30 June 2015**

In compliance with the disclosure standards set out in the “Banking (Disclosure) Rules” issued by the Hong Kong Monetary Authority (“HKMA”), the following key financial information has been provided. The information is also available at the branch of the Bank (7/F, Lincoln House, Taikoo Place, 979 King’s Road, Quarry Bay) and the Public Registry of the HKMA.

| <b>Profit and Loss Information</b>                                                  | <b>6 months ended<br/>30 Jun 2015<br/>HK\$’000</b> | <b>6 months ended<br/>30 Jun 2014<br/>HK\$’000</b> |
|-------------------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Interest income                                                                     | 2,605                                              | 12,887                                             |
| Interest expense                                                                    | (3,881)                                            | (3,768)                                            |
| Net interest (expense)/income                                                       | (1,276)                                            | 9,119                                              |
| Other operating income                                                              |                                                    |                                                    |
| Net fees and commission income                                                      | 448                                                | 881                                                |
| Others                                                                              | 2,010                                              | (32,316)                                           |
| <i>Total operating income/(loss)</i>                                                | <i>1,182</i>                                       | <i>(22,316)</i>                                    |
| Operating expenses                                                                  | (7,579)                                            | 16,973                                             |
| Net release for impairment losses and provisions for impaired loans and receivables | -                                                  | 3,222                                              |
| <i>Loss before taxation</i>                                                         | <i>(6,397)</i>                                     | <i>(2,121)</i>                                     |
| Tax expenses                                                                        | -                                                  | -                                                  |
| <b>Loss for the period</b>                                                          | <b>(6,397)</b>                                     | <b>(2,121)</b>                                     |

| <b>Balance Sheet Information</b>                    | <b>30 Jun 2015<br/>HK\$’000</b> | <b>31 Dec 2014<br/>HK\$’000</b> |
|-----------------------------------------------------|---------------------------------|---------------------------------|
| <i>Assets</i>                                       |                                 |                                 |
| Cash and balances with banks                        | 44,550                          | 781,230                         |
| Amount due from overseas offices of the institution | 108,532                         | -                               |
| Advances and other accounts                         | 318,084                         | 994,932                         |
| Investment securities                               | 67,983                          | 73,883                          |
| Other investments                                   | 1,592                           | 1,639                           |
| <b>Total assets</b>                                 | <b>540,741</b>                  | <b>1,851,684</b>                |
| <i>Liabilities</i>                                  |                                 |                                 |
| Deposits and balances of banks                      | 21,035                          | 34,417                          |
| Deposits from customers                             | 6,756                           | 6,544                           |
| Amount due to overseas offices of the institution   | 193,808                         | 1,458,053                       |
| Issued investment securities                        | 67,983                          | 73,883                          |
| Other accounts and provisions                       | 251,159                         | 278,787                         |
| <b>Total liabilities</b>                            | <b>540,741</b>                  | <b>1,851,684</b>                |

**Additional Profit and Loss Information**

|                                        | 6 months ended<br>30 Jun 2015<br>HK\$'000 | 6 months ended<br>30 Jun 2014<br>HK\$'000 |
|----------------------------------------|-------------------------------------------|-------------------------------------------|
| <b>Net fees and commission income</b>  |                                           |                                           |
| Fees and commission income             | 1,023                                     | 1,615                                     |
| Fees and commission expense            | (575)                                     | (734)                                     |
|                                        | 448                                       | 881                                       |
| <b>Other operating income - Others</b> |                                           |                                           |
| Investment gain/(loss)                 | 16,457                                    | (32,872)                                  |
| Loss on sale of loans                  | (14,335)                                  | -                                         |
| Others                                 | (112)                                     | 556                                       |
|                                        | 2,010                                     | (32,316)                                  |
| <b>Operating expenses</b>              |                                           |                                           |
| Staff and rental expenses              | (2,570)                                   | (2,249)                                   |
| Recoveries of prior year provision     | 10,473                                    | 22,124                                    |
| Intercompany receivables written off   | (15,392)                                  | -                                         |
| Net disposal gain on club debentures   | 3,477                                     | -                                         |
| Others                                 | (3,567)                                   | (2,902)                                   |
|                                        | (7,579)                                   | 16,973                                    |

**Additional Balance Sheet Information**

|                                               | 30 Jun 2015<br>HK\$'000 | 31 Dec 2014<br>HK\$'000 |
|-----------------------------------------------|-------------------------|-------------------------|
| <b>Advances and other accounts</b>            |                         |                         |
| Advances to customers                         | 103,728                 | 761,728                 |
| Impairment allowances                         |                         |                         |
| Collective impairment allowances <sup>#</sup> | -                       | -                       |
| Individual impairment allowances              | (5,446)                 | (5,446)                 |
|                                               | 98,282                  | 756,282                 |
| Other accounts                                |                         |                         |
| Accrued interest receivable                   | 156                     | 1,974                   |
| Other accounts and receivables                | 219,646                 | 236,676                 |
|                                               | 219,802                 | 238,650                 |
|                                               | 318,084                 | 994,932                 |
| <b>Trade bills</b>                            |                         |                         |
| Trade bills                                   | 1,025                   | 1,026                   |
| Impairment allowances                         |                         |                         |
| Collective impairment allowances <sup>#</sup> | -                       | -                       |
| Individual impairment allowances              | (1,025)                 | (1,026)                 |
|                                               | -                       | -                       |

<sup>#</sup> Collective impairment allowances for impaired assets are made at head office level.

**Provisions made by the head office against the exposures of the branch**

|                                               |     |       |
|-----------------------------------------------|-----|-------|
| Collective impairment allowances <sup>#</sup> | 109 | 7,597 |
| Individual impairment allowances              | -   | -     |
|                                               | 109 | 7,597 |

**Loan impairment allowances**

Loan impairment allowances are established to recognise incurred impairment losses in its portfolio of loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate. There are two components to the branch's loan impairment provisions: individual and collective.

### ***Loan impairment provisions (Continued)***

Individual impairment allowances - all impaired loans that exceed specific thresholds are individually assessed for impairment. Individually assessed loans principally comprise the branch's portfolio of commercial loans to medium and large businesses. Impairment losses are recognised as the difference between the carrying value of the loan and the discounted value of management's best estimate of future cash repayments and proceeds from any security held. These estimates take into account the customer's debt capacity and financial flexibility; the level and quality of its earnings; the amount and sources of cash flows; the industry in which the counterparty operates; and the realisable value of any security held. Estimating the quantum and timing of future recoveries involves significant judgement. The size of receipts will depend on the future performance of the borrower and the value of security, both of which will be affected by future economic conditions; additionally, collateral may not be readily marketable. The actual amount of future cash flows and the date they are received may differ from these estimates and consequently actual losses incurred may differ from those recognised in these financial statements.

#Collective impairment allowances - this is made up of two elements: loan impairment provisions for impaired loans that are below individual assessment thresholds (collectively assessed provisions) and for loan losses that have been incurred but have not been separately identified at the balance sheet date (latent loss provisions). Collectively assessed provisions are established on a portfolio basis using a present value methodology taking into account the level of arrears, security, past loss experience, credit scores and defaults based on portfolio trends. The most significant factors in establishing these provisions are the expected loss rates and the related average life. The Royal Bank of Scotland N.V., (Hong Kong) Branch does not have portfolio subjected to collectively assessed provisions. Latent loss provisions are held against estimated impairment losses in the performing portfolio that have yet to be identified as at the balance sheet date. To assess the latent loss within its portfolios, the Group has developed methodologies to estimate the time that an asset can remain impaired within a performing portfolio before it is identified and reported as such. Latent loss provisions are provided at head office level.

|                                             | <b>30 Jun 2015</b> | <b>31 Dec 2014</b> |
|---------------------------------------------|--------------------|--------------------|
|                                             | <b>HK\$'000</b>    | <b>HK\$'000</b>    |
| <b><i>Deposits from customers</i></b>       |                    |                    |
| Demand deposits and current accounts        | 6,559              | 6,335              |
| Savings deposits                            | 197                | 209                |
| Time, call and notice deposits              | -                  | -                  |
|                                             | <u>6,756</u>       | <u>6,544</u>       |
| <b><i>Other accounts and provisions</i></b> |                    |                    |
| Accrued interest payable                    | 65                 | 617                |
| Other accounts and payables                 | 251,094            | 278,170            |
|                                             | <u>251,159</u>     | <u>278,787</u>     |

### ***Analysis of impaired loans***

Upon adoption of HKAS39, the concept of suspended interest and non-performing advances are no longer relevant as interest is recognized on the recoverable element of impaired advances. Impaired advances are incurred if there is objective evidence of impairment resulting from loss event and the loss event has an impact on the estimated future cash flows of the advances that can be reliably estimated.

|                                                                                       | <b>30 Jun 2015</b> | <b>31 Dec 2014</b> |
|---------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                       | <b>HK\$'000</b>    | <b>HK\$'000</b>    |
| Gross impaired advances to customers which are individually determined to be impaired | 5,446              | 5,446              |
| Individual impairment allowances                                                      | (5,446)            | (5,446)            |
|                                                                                       | <u>-</u>           | <u>-</u>           |
| Percentage of impaired advances to total advances to customers                        | <u>5.3%</u>        | <u>0.7%</u>        |
| Current market value of collateral related to impaired advances to customers          | <u>-</u>           | <u>-</u>           |
| Covered portion of impaired advances to customers                                     | <u>-</u>           | <u>-</u>           |
| Uncovered portion of impaired advances to customers                                   | <u>5,446</u>       | <u>5,446</u>       |

As at 30 June 2015 and 31 December 2014, there were no impaired advances to banks.

*Analysis of overdue advances to customers*

|                                                                                                                         | <b>30 Jun 2015</b> | *          | <b>31 Dec 2014</b> | *          |
|-------------------------------------------------------------------------------------------------------------------------|--------------------|------------|--------------------|------------|
|                                                                                                                         | <b>HK\$'000</b>    | <b>%</b>   | <b>HK\$'000</b>    | <b>%</b>   |
| <i>Gross advances to customers which have been overdue with respect to either principal or interest for periods of:</i> |                    |            |                    |            |
| Six months or less but over three months                                                                                | -                  | -          | -                  | -          |
| One year or less but over six months                                                                                    | -                  | -          | -                  | -          |
| Over one year                                                                                                           | 5,446              | 5.3        | 5,446              | 0.7        |
|                                                                                                                         | <u>5,446</u>       | <u>5.3</u> | <u>5,446</u>       | <u>0.7</u> |
| Current market value of collateral held against the covered portion of overdue advances to customers                    | <u>-</u>           |            | <u>-</u>           |            |
| Covered portion of overdue advances to customers                                                                        | <u>-</u>           |            | <u>-</u>           |            |
| Uncovered portion of overdue advances to customers                                                                      | <u>5,446</u>       |            | <u>5,446</u>       |            |
| Individual impairment allowances against overdue advances to customers                                                  | <u>5,446</u>       |            | <u>5,446</u>       |            |

As at 30 June 2015 and 31 December 2014, there were no overdue advances to banks.

*\*as a percentage of total advances to customers*

*Analysis of rescheduled advances to customers*

There were no rescheduled advances to customers which have been overdue for more than 3 months included in the above "Analysis of overdue advances to customers" as at 30 June 2015 and 31 December 2014.

As at 30 June 2015 and 31 December 2014, there were no rescheduled advances to banks.

*Analysis of overdue other assets – trade bills*

|                                                                                                          | <b>30 Jun 2015</b> | <b>31 Dec 2014</b> |
|----------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                          | <b>HK\$'000</b>    | <b>HK\$'000</b>    |
| <i>Other assets which have been overdue with respect to either principal or interest for periods of:</i> |                    |                    |
| Six months or less but over three months                                                                 | -                  | -                  |
| One year or less but over six months                                                                     | -                  | -                  |
| Over one year                                                                                            | 1,025              | 1,026              |
|                                                                                                          | <u>1,025</u>       | <u>1,026</u>       |

*Repossessed assets*

As at 30 June 2015 and 31 December 2014, there were no repossessed assets.

**Off-balance sheet exposures**

| <i>Contractual/ notional amounts of each of the following class of off-balance sheet exposures outstanding:</i> | <b>30 Jun 2015</b> | <b>31 Dec 2014</b> |
|-----------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                                 | <b>HK\$'000</b>    | <b>HK\$'000</b>    |
| <i>Contingent liabilities and commitments</i>                                                                   |                    |                    |
| Transaction-related contingencies                                                                               | 280                | 280                |
| Forward forward deposits placed                                                                                 | 108,532            | 44                 |
|                                                                                                                 | <u>108,812</u>     | <u>324</u>         |

**Derivatives and others**

|                         | 30 Jun 2015<br>HK\$'000 | 31 Dec 2014<br>HK\$'000 |
|-------------------------|-------------------------|-------------------------|
| Exchange rate contracts | -                       | -                       |
| Interest rate contracts | 15,070                  | -                       |
| Others                  | -                       | -                       |
|                         | 15,070                  | -                       |
|                         | 15,070                  | -                       |

The contract amount of these instruments indicates the volume of transactions outstanding as at the balance sheet date. They do not represent the value at risk.

|                         | 30 Jun 2015<br>HK\$'000 |                           | 31 Dec 2014<br>HK\$'000 |                           |
|-------------------------|-------------------------|---------------------------|-------------------------|---------------------------|
|                         | Fair value<br>assets    | Fair value<br>liabilities | Fair value<br>assets    | Fair value<br>liabilities |
| Exchange rate contracts | -                       | -                         | -                       | -                         |
| Interest rate contracts | -                       | -                         | -                       | -                         |
| Others                  | -                       | -                         | -                       | -                         |
|                         | -                       | -                         | -                       | -                         |
|                         | -                       | -                         | -                       | -                         |

The contractual amount and fair value above do not take into account the effect of bilateral netting arrangements.

**Advances to customers by industry sectors**

|                                        | 30 Jun 2015                                |                                                      | 31 Dec 2014                                |                                                      |
|----------------------------------------|--------------------------------------------|------------------------------------------------------|--------------------------------------------|------------------------------------------------------|
|                                        | Gross loans<br>and<br>advances<br>HK\$'000 | % of gross<br>loans<br>covered by<br>collateral<br>% | Gross loans<br>and<br>advances<br>HK\$'000 | % of gross<br>loans<br>covered by<br>collateral<br>% |
| <i>Loan for use in Hong Kong</i>       |                                            |                                                      |                                            |                                                      |
| Industrial, commercial and financial : |                                            |                                                      |                                            |                                                      |
| Property development                   | -                                          | -                                                    | -                                          | -                                                    |
| Financial concerns                     | -                                          | -                                                    | -                                          | -                                                    |
| Wholesale and retail trade             | -                                          | -                                                    | -                                          | -                                                    |
|                                        | -                                          | -                                                    | -                                          | -                                                    |
| <i>Trade finance</i>                   | 3,767                                      | -                                                    | 3,767                                      | -                                                    |
| <i>Loans for use outside Hong Kong</i> | 99,961                                     | -                                                    | 757,961                                    | 44.67                                                |
|                                        | 103,728                                    | -                                                    | 761,728                                    | 44.45                                                |
|                                        | 103,728                                    | -                                                    | 761,728                                    | 44.45                                                |

**Analysis of advances to customers by significant geographical area**

|                                 | Gross<br>advances to<br>customers<br>HK\$'000 | Advances<br>overdue for<br>over three<br>months<br>HK\$'000 | Impaired<br>advances to<br>customers<br>HK\$'000 | Individual<br>impairment<br>allowances<br>HK\$'000 |
|---------------------------------|-----------------------------------------------|-------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| <b><u>As at 30 Jun 2015</u></b> |                                               |                                                             |                                                  |                                                    |
| US                              | -                                             | -                                                           | -                                                | -                                                  |
| Pakistan                        | -                                             | -                                                           | -                                                | -                                                  |
| Angola                          | 98,282                                        | -                                                           | -                                                | -                                                  |
| <b><u>As at 31 Dec 2014</u></b> |                                               |                                                             |                                                  |                                                    |
| US                              | 288,106                                       | -                                                           | -                                                | -                                                  |
| Pakistan                        | 338,602                                       | -                                                           | -                                                | -                                                  |
| Angola                          | 112,370                                       | -                                                           | -                                                | -                                                  |

Significant geographical area constitutes 10% or more of the aggregate gross amount of advances to customers after taking into consideration of transfers of risks.

**Analysis of International claims by significant geographical area (excluding local claims in local currency)**

|                                   | <b>Banks<br/>HK\$m</b> | <b>Official<br/>sector<br/>HK\$m</b> | <b>Non-bank<br/>financial<br/>institutions<br/>HK\$m</b> | <b>Non-bank<br/>private<br/>sector<br/>HK\$m</b> | <b>Others<br/>HK\$m</b> | <b>Total<br/>HK\$m</b> |
|-----------------------------------|------------------------|--------------------------------------|----------------------------------------------------------|--------------------------------------------------|-------------------------|------------------------|
| <b>As at 30 Jun 2015</b>          |                        |                                      |                                                          |                                                  |                         |                        |
| Developed countries               | 199                    | -                                    | 5                                                        | -                                                | -                       | 204                    |
| <i>of which Netherlands</i>       | 177                    | -                                    | 5                                                        | -                                                | -                       | 182                    |
| <i>of which United Kingdom</i>    | 21                     | -                                    | -                                                        | -                                                | -                       | 21                     |
| <i>of which United States</i>     | -                      | -                                    | -                                                        | -                                                | -                       | -                      |
| Offshore centres                  | 4                      | -                                    | 158                                                      | 1                                                | -                       | 163                    |
| <i>of which Hong Kong</i>         | 4                      | -                                    | 158                                                      | 1                                                | -                       | 163                    |
| Developing Africa and Middle East | -                      | 98                                   | -                                                        | -                                                | -                       | 98                     |
| <i>of which Angola</i>            | -                      | 98                                   | -                                                        | -                                                | -                       | 98                     |
| Developing Asia-Pacific           | 46                     | -                                    | -                                                        | -                                                | -                       | 46                     |
| <i>of which Pakistan</i>          | -                      | -                                    | -                                                        | -                                                | -                       | -                      |
| <b>As at 31 Dec 2014</b>          |                        |                                      |                                                          |                                                  |                         |                        |
| Developed countries               | 814                    | -                                    | 5                                                        | 289                                              | -                       | 1,108                  |
| <i>of which Netherlands</i>       | 74                     | -                                    | 5                                                        | -                                                | -                       | 79                     |
| <i>of which United Kingdom</i>    | 740                    | -                                    | -                                                        | -                                                | -                       | 740                    |
| <i>of which United States</i>     | -                      | -                                    | -                                                        | 289                                              | -                       | 289                    |
| Offshore centres                  | 27                     | -                                    | 159                                                      | 1                                                | -                       | 187                    |
| <i>of which Hong Kong</i>         | 27                     | -                                    | 159                                                      | 1                                                | -                       | 187                    |
| Developing Africa and Middle East | -                      | 113                                  | -                                                        | -                                                | -                       | 113                    |
| <i>of which Angola</i>            | -                      | 113                                  | -                                                        | -                                                | -                       | 113                    |
| Developing Asia-Pacific           | 60                     | -                                    | -                                                        | 340                                              | -                       | 400                    |
| <i>of which Pakistan</i>          | -                      | -                                    | -                                                        | 340                                              | -                       | 340                    |

*Significant geographical segment constitutes 10% or more of the aggregate international claims after taking into consideration of transfers of risks.*

## Non-bank Mainland exposures

### As at 30 Jun 2015

|                                                                                                                                                        | On-balance<br>sheet exposure<br>HK\$m | Off-balance<br>sheet exposure<br>HK\$m | Total<br>HK\$m |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|----------------------------------------|----------------|
| 1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)                                               | -                                     | -                                      | -              |
| 2. Local governments, local government-owned entities and their subsidiaries and JVs                                                                   | -                                     | -                                      | -              |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs                            | -                                     | -                                      | -              |
| 4. Other entities of central government not reported in item 1 above                                                                                   | -                                     | -                                      | -              |
| 5. Other entities of local governments not reported in item 2 above                                                                                    | -                                     | -                                      | -              |
| 6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 2                                     | -                                      | 2              |
| 7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures                        | 103                                   | -                                      | 103            |
| Total                                                                                                                                                  | <u>105</u>                            | <u>-</u>                               | <u>105</u>     |
| Total assets after provision                                                                                                                           | <u>541</u>                            |                                        |                |
| On-balance sheet exposures as percentage of total assets                                                                                               | <u>19.40%</u>                         |                                        |                |

### As at 31 Dec 2014

|                                                                                                                                                        | On-balance<br>sheet exposure<br>HK\$m | Off-balance<br>sheet exposure<br>HK\$m | Total<br>HK\$m |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|----------------------------------------|----------------|
| 1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)                                               | -                                     | -                                      | -              |
| 2. Local governments, local government-owned entities and their subsidiaries and JVs                                                                   | -                                     | -                                      | -              |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs                            | -                                     | -                                      | -              |
| 4. Other entities of central government not reported in item 1 above                                                                                   | 340                                   | -                                      | 340            |
| 5. Other entities of local governments not reported in item 2 above                                                                                    | -                                     | -                                      | -              |
| 6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 6                                     | -                                      | 6              |
| 7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures                        | 130                                   | -                                      | 130            |
| Total                                                                                                                                                  | <u>476</u>                            | <u>-</u>                               | <u>476</u>     |
| Total assets after provision                                                                                                                           | <u>1,852</u>                          |                                        |                |
| On-balance sheet exposures as percentage of total assets                                                                                               | <u>25.70%</u>                         |                                        |                |

*Figures of the previous period have been adjusted as for the comparison with figures of the current period.*



## Currency risks

Foreign currency exposures arising from trading, non-trading and structural positions with net position (in absolute terms) in a particular foreign currency constituting not less than 10% of the total net position in all foreign currencies are disclosed as follows:

### As at 30 Jun 2015

| Equivalent in millions of HK\$ | USD   | GBP  | CNY   | Total |
|--------------------------------|-------|------|-------|-------|
| Spot assets                    | 253   | 44   | 200   | 497   |
| Spot liabilities               | (249) | (43) | (200) | (492) |
| Forward purchases              | -     | -    | -     | -     |
| Forward sales                  | -     | -    | -     | -     |
| Net option position *          | -     | -    | -     | -     |
| Net long position              | 4     | 1    | -     | 5     |
| Net structural position        | -     | -    | -     | -     |

### As at 31 Dec 2014

| Equivalent in millions of HK\$ | USD     | GBP  | CNY   | Total   |
|--------------------------------|---------|------|-------|---------|
| Spot assets                    | 1,547   | 47   | 200   | 1,794   |
| Spot liabilities               | (1,534) | (47) | (198) | (1,779) |
| Forward purchases              | -       | -    | -     | -       |
| Forward sales                  | -       | -    | -     | -       |
| Net option position *          | -       | -    | -     | -       |
| Net long position              | 13      | -    | 2     | 15      |
| Net structural position        | -       | -    | -     | -       |

\* The delta equivalent approach was used for calculating the net position in options.

## Liquidity risks

### Liquidity information

The liquidity maintenance ratio (LMR) is calculated in accordance with the Banking (Liquidity) Rules effective from 1<sup>st</sup> January 2015. It is the first reporting period of LMR disclosure and provision of comparative figure is not available.

#### Average liquidity maintenance ratio for the financial period

**30 Jun 2015**  
160.01%

The average liquidity ratio calculated in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance for the year ended 2014 is as follow:

#### Average liquidity ratio for the year ended

**31 Dec 2014**  
563.78%

Liquidity risk is the risk that RBS cannot meet its actual or potential obligations in a timely manner as they fall due. Funding risk is the risk that RBS cannot maintain a diversified, stable and cost effective funding base. RBS manages its funding and liquidity risk through a formal governance structure. RBS Bank ALCO sets the global and overall strategic direction for liquidity management within the liquidity risk appetite set by the RBS Board. RBS Global Liquidity Policy sets out the governance and control framework within the RBS in order to ensure effective and prudent management of liquidity, which is fundamental to the financial safety and soundness of the bank.

APAC ALCO sets the specific strategic direction for the APAC countries through regional liquidity risk framework. Hong Kong ALCO has the responsibility of setting detailed liquidity risk management framework for the country and to monitor progress and compliance. The liquidity and funding policy of the RBS NV Hong Kong branch ensures compliance with the global policy and regulatory requirements set out in Supervisory Manual LM-2 Sound Systems and Controls for Liquidity Risk Management issued by HKMA. RBS NV Hong Kong branch periodically stress tests its liquidity positions. All policy and governance documents are periodically reviewed and approved by Hong Kong ALCO.

**RBS Holdings N.V.**

**Group Information (consolidated basis)**

|                                                                                                                                                                                                                                       | <b>30 Jun 2015</b><br>(in EUR million)                          | <b>31 Dec 2014</b><br>(in EUR million)                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| <b>Capital and capital adequacy</b>                                                                                                                                                                                                   |                                                                 |                                                                 |
| Shareholders equity                                                                                                                                                                                                                   | 3,547                                                           | 3,473                                                           |
| Capital adequacy ratio                                                                                                                                                                                                                |                                                                 |                                                                 |
| Tier 1 capital ratio                                                                                                                                                                                                                  | 24.6%                                                           | 24.5%                                                           |
| Total capital ratio                                                                                                                                                                                                                   | 35.0%                                                           | 33.9%                                                           |
| <p>The risk-based capital ratios have been calculated in accordance with the Basel Capital Accord and the European Community's Capital Adequacy Directive. An allowance for market risk has been incorporated in the calculation.</p> |                                                                 |                                                                 |
| <b>Other financial information</b>                                                                                                                                                                                                    |                                                                 |                                                                 |
|                                                                                                                                                                                                                                       | <b>30 Jun 2015</b><br>(in EUR million)                          | <b>31 Dec 2014</b><br>(in EUR million)                          |
| Total assets                                                                                                                                                                                                                          | 18,464                                                          | 23,551                                                          |
| Total liabilities                                                                                                                                                                                                                     | 14,917                                                          | 20,078                                                          |
| Total liabilities (excluding subordinated liabilities)                                                                                                                                                                                | 10,540                                                          | 14,974                                                          |
| Total loans and advances                                                                                                                                                                                                              | 2,773                                                           | 3,539                                                           |
| Total customer deposits                                                                                                                                                                                                               | 1,924                                                           | 2,934                                                           |
|                                                                                                                                                                                                                                       | <b>6 months ended</b><br><b>30 Jun 2015</b><br>(in EUR million) | <b>6 months ended</b><br><b>30 Jun 2014</b><br>(in EUR million) |
| Group (loss) / profit before tax                                                                                                                                                                                                      | (40)                                                            | 74                                                              |

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