

The Bank of Nova Scotia Berhad

(Company No. 308035 U)

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

30 April 2016

Domiciled in Malaysia
Registered office
Level 10, Menara Hap Seng 2
Plaza Hap Seng
No. 1, Jalan P. Ramlee
50250 Kuala Lumpur

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 308035 U)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2016

	Note	Group		Bank	
		30 April 2016 RM'000	31 October 2015 RM'000	30 April 2016 RM'000	31 October 2015 RM'000
ASSETS					
Cash and short-term funds	11	659,471	706,154	659,441	706,124
Deposits and placements with financial institutions	12	339,159	360,000	339,159	360,000
Financial investments available-for-sale	13	102,329	202,870	102,329	202,870
Loans and advances	14	2,721,053	2,848,508	2,721,053	2,848,508
Derivative financial assets	30	127,670	317,747	127,670	317,747
Other assets	16	391,077	206,883	391,077	206,883
Statutory deposits with Bank Negara Malaysia		10,249	449	10,249	449
Investment in subsidiaries		-	-	30	30
Plant and equipment		7,996	2,918	7,996	2,918
Deferred tax assets		2,102	2,514	2,102	2,514
Tax recoverable		13,065	8,327	13,065	8,327
TOTAL ASSETS		4,374,172	4,656,370	4,374,172	4,656,370
LIABILITIES					
Deposits from customers	17	725,953	704,292	725,953	704,292
Deposits and placements of banks and other financial institutions	18	854,860	142,250	854,860	142,250
Derivative financial liabilities	30	93,351	223,071	93,351	223,071
Other liabilities	19	411,048	330,930	411,048	330,930
Amounts owing to holding company		1,337,989	2,323,602	1,337,989	2,323,602
Amounts owing to related company		-	-	-	-
TOTAL LIABILITIES		3,423,201	3,724,145	3,423,201	3,724,145

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2016 (CONTD.)

	Group		Bank	
	30 April 2016 RM'000	31 October 2015 RM'000	30 April 2016 RM'000	31 October 2015 RM'000
EQUITY				
Share capital	122,375	122,375	122,375	122,375
Reserves	828,596	809,850	828,596	809,850
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK	<u>950,971</u>	<u>932,225</u>	<u>950,971</u>	<u>932,225</u>
TOTAL LIABILITIES AND EQUITY	<u>4,374,172</u>	<u>4,656,370</u>	<u>4,374,172</u>	<u>4,656,370</u>
COMMITMENTS AND CONTINGENCIES	31 <u>3,440,798</u>	<u>4,031,146</u>	<u>3,440,798</u>	<u>4,031,146</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the year ended 31 October 2015.

THE BANK OF NOVA SCOTIA BERHAD

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 APRIL 2016

	Note	Group and Bank 2nd Quarter Ended		Group and Bank Half Year To	
		30 April 2016 RM'000	30 April 2015 RM'000	30 April 2016 RM'000	30 April 2015 RM'000
Interest income	21	35,213	36,256	69,423	78,718
Interest expense	22	(15,122)	(16,098)	(29,536)	(37,042)
Net interest income		20,091	20,158	39,887	41,676
Net fee and commission income	23	3,007	3,294	5,983	5,444
Net trading income	24	275	3,468	1,954	6,472
Other operating income	25	-	49	16	65
Net income		23,373	26,969	47,840	53,657
Other operating expenses	26	(10,860)	(9,088)	(18,886)	(17,613)
Operating profit		12,513	17,881	28,954	36,044
Loans impairment charges	27	(4,486)	(519)	(4,302)	(1,424)
Impairment on other assets	28	-	-	-	-
Profit before taxation		8,027	17,362	24,652	34,620
Tax expense		189	(4,260)	(5,861)	(8,437)
Profit for the period		8,216	13,102	18,791	26,183
Other comprehensive income, net of income tax					
Fair value reserve (financial investments available-for-sale):-					
Net changes in fair value		(153)	406	(45)	586
Total other comprehensive income, net of income tax		(153)	406	(45)	586
Total comprehensive income for the period		8,063	13,508	18,746	26,769

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the year ended 31 October 2015.

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 APRIL 2016

	←	Non-distributable		→	Distributable		
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Regulatory Reserve RM'000	Other Reserve RM'000	Retained Profit RM'000	Total RM'000
Group and Bank							
As at 1 November 2014	122,375	42,625	122,375	1,710	(377)	594,838	883,546
Profit for the period	-	-	-	-	-	26,183	26,183
Other comprehensive income net of tax	-	-	-	-	586	-	586
Total comprehensive income for the year	-	-	-	-	586	26,183	26,769
As at 30 April 2015	122,375	42,625	122,375	1,710	209	621,021	910,315
As at 1 November 2015	122,375	42,625	122,375	5,910	215	638,725	932,225
Profit for the period	-	-	-	-	-	18,791	18,791
Other comprehensive income net of tax	-	-	-	-	(45)	-	(45)
Total comprehensive income for the period	-	-	-	-	(45)	18,791	18,746
As at 30 April 2016	122,375	42,625	122,375	5,910	170	657,516	950,971

Note 20

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the year ended 31 October 2015.

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UNAUDITED CONDENSED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 APRIL 2016

	Group		Bank	
	30 April 2016 RM'000	30 April 2015 RM'000	30 April 2016 RM'000	30 April 2015 RM'000
Cash flows from operating activities				
Profit before taxation	24,652	34,620	24,652	34,620
Adjustments for non-cash item	4,106	62	4,106	62
Operating profit before working capital changes	28,758	34,682	28,758	34,682
Changes in working capital:				
Net changes in operating assets	119,265	433,256	119,265	433,256
Net changes in operating liabilities	(300,566)	(1,005,541)	(300,566)	(1,005,541)
Income taxes paid	(10,200)	(12,000)	(10,200)	(12,000)
Net cash used in operating activities	(162,743)	(549,603)	(162,743)	(549,603)
Net cash (used in)/generated from investing activities	95,219	(70,515)	95,219	(70,515)
Net decrease in cash and cash equivalents	(67,523)	(620,118)	(67,523)	(620,118)
Cash and cash equivalents at beginning of the financial period	1,066,154	1,490,502	1,066,124	1,490,472
Cash and cash equivalents at end of the financial period	998,631	870,384	998,601	870,354
Cash and cash equivalents comprise:				
Cash and short term funds	659,471	859,384	659,441	859,354
Deposits and placements with financial institutions	339,159	11,000	339,159	11,000
	998,631	870,384	998,601	870,354

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the year ended 31 October 2015.

THE BANK OF NOVA SCOTIA BERHAD

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AND ITS SUBSIDIARIES**REVIEW OF PERFORMANCE**

The Bank recorded lower assets by RM282 million or 6.06% compared to financial year ended 2015 due to decline in loan and advances of RM127 million as a result of loan settlement coupled with planned exits and maturity of MGS.

On the funding side, lower reliance on funding from holding company resulted in a decline in overall liabilities of RM301 million. Shift in funding strategy saw an increase in interbank borrowings and customer deposits.

The Bank recorded profit after tax of RM18.8 million for the half year ended 30 April 2016; RM7.3 million lower compared to corresponding period last year. The drop was mainly due to lower interest income from loans, interbank lending and securities. Interest expense was lower in line with lower deposit balance.

THE BANK OF NOVA SCOTIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 APRIL 2016

1. Basis of preparation of the financial statements

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 31 October 2015.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Bank:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets*
- *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective from a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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1. Basis of preparation of the financial statements (contd.)

The Group and the Bank plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 November 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016 except for MFRS 14, Amendments to MFRS 11, Amendments to MFRS 138, Amendments to MFRS 141, Amendments to MFRS 127 and Amendments to MFRS 128 which are not applicable to the Group and the Bank.
- from the annual period beginning on 1 November 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Bank except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, Revenue, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

2. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 October 2015 was not qualified.

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3. Seasonal or cyclical factors

The business operations of the Group and the Bank have not been affected by any material seasonal or cyclical factors.

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the period ended 30 April 2016.

5. Changes in accounting estimates

There were no material changes in estimates of amounts reported that have a material effect on the unaudited condensed interim financial statements for the period ended 30 April 2016.

6. Debt and Equity Securities

There were no issuances, cancellations, repurchase, resale and repayments of debt and equity securities.

7. Dividend

No dividend was paid during the period ended 30 April 2016.

8. Carrying amount of revalued assets

The Group's and the Bank's plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

9. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the period ended 30 April 2016.

10. Subsequent events

There were no material events subsequent to the reporting date that requires disclosure or adjustments to the unaudited condensed interim financial statements.

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11. Cash and short-term funds

	Group		Bank	
	30 April 2016 RM'000	31 October 2015 RM'000	30 April 2016 RM'000	31 October 2015 RM'000
Cash and balances with banks and other financial institutions	343,232	9,154	343,202	9,124
Money at call and deposit placements maturing within one month	316,239	697,000	316,239	697,000
	<u>659,471</u>	<u>706,154</u>	<u>659,441</u>	<u>706,124</u>

12. Deposits and placements with financial institutions

	Group and Bank	
	30 April 2016 RM'000	31 October 2015 RM'000
Licensed banks	<u>339,159</u>	<u>360,000</u>

13. Financial investments available-for-sale

	Group and Bank	
	30 April 2016 RM'000	31 October 2015 RM'000
Quoted money market instruments - at fair value:		
- Bank Negara Malaysia Bills	-	100,000
- Malaysian Government Securities	100,575	101,116
- Bankers' acceptance	-	-
	<u>100,575</u>	<u>201,116</u>
Unquoted equity securities - at cost:		
- Unquoted shares in Malaysia	<u>1,754</u>	<u>1,754</u>
	<u>102,329</u>	<u>202,870</u>

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14. Loans and advances

	Group and Bank	
	30 April	31 October
	2016	2015
	RM'000	RM'000
(i) By type		
Overdrafts	34,217	35,893
Term loans		
- housing loans	134,779	144,879
- syndicated term loans	140,839	159,928
- other term loans	152,493	190,261
Bills receivable	726,728	882,763
Revolving credit	1,588,844	1,487,278
Staff loans	2,034	2,154
	<u>2,779,934</u>	<u>2,903,156</u>
Less: Unearned interest	(1,465)	(1,534)
	<u>2,778,469</u>	<u>2,901,622</u>
Gross loans and advances	2,778,469	2,901,622
Less: Impairment provisions on loans and advances		
- Individual impairment provisions (Note 15(ii))	(28,852)	(24,550)
- Collective impairment provisions (Note 15(ii))	(28,564)	(28,564)
	<u>2,721,053</u>	<u>2,848,508</u>
Net loans and advances	<u>2,721,053</u>	<u>2,848,508</u>
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	562,396	452,738
Domestic business enterprises		
- Small medium enterprises	34,244	28,926
- Others	1,381,599	1,277,752
Individuals	210,037	229,705
Foreign entities	590,193	912,501
	<u>2,778,469</u>	<u>2,901,622</u>
Gross loans and advances	<u>2,778,469</u>	<u>2,901,622</u>

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14. Loans and advances (contd.)

	Group and Bank	
	30 April 2016 RM'000	31 October 2015 RM'000
(iii) By geographical distribution		
Northern region	154,502	158,194
Southern region	522,137	449,871
Central region	1,412,216	1,259,945
Eastern region	118,630	140,596
Outside Malaysia	570,984	893,016
	<u>2,778,469</u>	<u>2,901,622</u>

The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Kelantan and Terengganu.

The Southern region consists of the states of Johor, Melaka and Pahang.

The Central region consists of the states of Selangor, Negeri Sembilan and the Federal Territory of Kuala Lumpur.

The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

	Group and Bank	
	30 April 2016 RM'000	31 October 2015 RM'000
(iv) By interest rate sensitivity		
Fixed rate:		
- Housing loans	1,790	1,874
- Other fixed rate loans	648,881	880,039
Variable rate:		
- Base Lending Rate plus	459,478	520,667
- Cost plus	1,668,320	1,499,042
	<u>2,778,469</u>	<u>2,901,622</u>
Gross loans and advances	<u>2,778,469</u>	<u>2,901,622</u>

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14. Loans and advances (contd.)

	Group and Bank	
	30 April	31 October
	2016	2015
	RM'000	RM'000
(v) By sector		
Agriculture	400,269	489,275
Manufacturing	744,446	802,799
Construction	80,000	80,000
Real estate	-	-
Purchase of landed property:		
- Residential	136,354	146,758
- Non-residential	47,752	51,061
Wholesale & retail trade and restaurants & hotels	123,962	63,393
Transport, storage and communication	87,427	96,073
Finance, insurance and business services	1,052,774	1,068,736
Purchase of securities	18,000	23,000
Purchase of transport vehicles	239	273
Consumption credit	61,700	64,826
Others	25,546	15,428
	<u>2,778,469</u>	<u>2,901,622</u>
Gross loans and advances	<u>2,778,469</u>	<u>2,901,622</u>
(vi) By residual contractual maturity		
Within one year	2,584,820	2,693,581
One year to five years	26,310	23,643
Over five years	167,339	184,398
	<u>2,778,469</u>	<u>2,901,622</u>

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15. Impaired loans and advances

	Group and Bank	
	30 April 2016 RM'000	31 October 2015 RM'000
(i) Movements in impaired loans and advances		
At beginning of financial period	126,223	37,770
Classified as impaired during the financial period	8,146	98,079
Reclassified as performing during the financial period	(1,573)	(2,025)
Amount recovered	(434)	(7,535)
Amount written off	-	(66)
	<u>132,362</u>	<u>126,223</u>
Individual impairment provisions	(28,852)	(24,550)
	<u>103,510</u>	<u>101,673</u>
Net impaired loans and advances		
Ratio of net impaired loans and advances to net loans and advances (less individual impairment provisions)	<u>3.80%</u>	<u>3.57%</u>
(ii) Movements in collective and individual impairment provisions for loans and advances		
Collective impairment provisions		
At beginning of financial period/year	28,564	31,953
Impairment made during the financial period	-	-
Amount written back	-	(3,389)
	<u>28,564</u>	<u>28,564</u>
At end of financial period/year		
As % of gross loans and advances less individual impairment provisions	<u>1.04%</u>	<u>0.99%</u>
Individual impairment provisions		
At beginning of financial period/year	24,550	22,122
Impairment made during the financial period/year	6,190	4,588
Amount written back	(1,888)	(2,094)
Amount written off	-	(66)
	<u>28,852</u>	<u>24,550</u>
At end of financial period/year		

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15. Impaired loans and advances (contd.)

	Group and Bank	
	30 April	31 October
	2016	2015
	RM'000	RM'000
(iii) By geographical distribution		
Northern region	67	65
Southern region	287	287
Central region	123,478	118,149
Outside Malaysia	8,530	7,722
	<u>132,362</u>	<u>126,223</u>
(iv) By sector		
Manufacturing	91,822	87,315
Purchase of landed property:		
- Residential	21,865	21,870
- Non-residential	9,884	8,495
Wholesale & retail trade and restaurants & hotels	7,975	7,719
Consumption credit	816	824
Finance, insurance and business services	-	-
	<u>132,362</u>	<u>126,223</u>

16. Other assets

	Group and Bank	
	30 April	31 October
	2016	2015
	RM'000	RM'000
Interest receivable	9,415	8,519
Other receivables, deposits and prepayments	381,662	198,364
	<u>391,077</u>	<u>206,883</u>

17. Deposits from customers

	Group and Bank	
	30 April	31 October
	2016	2015
	RM'000	RM'000
(i) By type of deposit		
Demand deposits	31,114	53,240
Savings deposits	1,261	4,664
Fixed/Investment deposits	303,504	444,674
Others	390,074	201,714
	<u>725,953</u>	<u>704,292</u>

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17. Deposits from customers (contd.)

	Group and Bank	
	30 April	31 October
	2016	2015
	RM'000	RM'000
(ii) Maturity structure of fixed/investment deposits		
Due within six months	275,148	424,440
Six months to one year	17,333	20,214
More than one year	11,023	20
	<u>303,504</u>	<u>444,674</u>
(iii) By type of customer		
Business enterprises	674,798	634,780
Individuals	51,095	69,437
Others	60	75
	<u>725,953</u>	<u>704,292</u>

18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 April	31 October
	2016	2015
	RM'000	RM'000
Licensed banks	708,365	15,000
Other financial institutions	146,495	127,250
	<u>854,860</u>	<u>142,250</u>

19. Other liabilities

	Group and Bank	
	30 April	31 October
	2016	2015
	RM'000	RM'000
Interest payable	3,186	5,370
Other payables and accruals	407,862	325,560
	<u>411,048</u>	<u>330,930</u>

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20. BNM requires the Bank to maintain, in aggregate, collective impairment provisions and regulatory reserve no less than 1.2% of total outstanding loans, net of individual impairment provisions. As at 31 October 2015, the collective impairment provisions stands at 0.99%. Accordingly, the Bank has transferred RM5.9 million from retained earnings to regulatory reserve.

21. Interest income

	Group and Bank 2nd Quarter Ended		Group and Bank Half Year To	
	30 April 2016 RM'000	30 April 2015 RM'000	30 April 2016 RM'000	30 April 2015 RM'000
Loans and advances:				
- Interest income other than recoveries from impaired loans	21,844	20,042	41,384	44,902
- Recoveries from impaired loans	165	274	724	461
Money at call and deposit placements with financial institutions	7,098	10,161	16,344	21,716
Financial investments available-for-sale	-	2,440	1,667	4,907
Others	5,288	3,339	9,304	6,732
Total interest income	35,213	36,256	69,423	78,718

22. Interest expense

	Group and Bank 2nd Quarter Ended		Group and Bank Half Year To	
	30 April 2016 RM'000	30 April 2015 RM'000	30 April 2016 RM'000	30 April 2015 RM'000
Deposits and placements of banks and other financial institutions	4,499	3,144	7,910	8,467
Deposits from customers	6,144	5,962	12,057	13,740
Arbitrage interest	(413)	3,840	1,019	8,489
Others	4,892	3,152	8,550	6,346
	15,122	16,098	29,536	37,042

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23. Net fee and commission income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Half Year To	
	30 April	30 April	30 April	30 April
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Other fees relating to loans	907	2,593	1,696	3,741
Commitment fees	73	192	189	455
Guarantee fees	150	184	432	403
Acceptance commissions	113	86	281	206
Others	1,764	239	3,385	639
	<u>3,007</u>	<u>3,294</u>	<u>5,983</u>	<u>5,444</u>

24. Net trading income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Half Year To	
	30 April	30 April	30 April	30 April
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Gains arising from dealing in foreign currency	604	3,498	1,543	5,007
Unrealised (loss)/gain from derivative	(292)	(81)	448	1,567
Unrealised revaluation gain/(loss) in foreign exchange	(37)	51	(37)	(102)
	<u>275</u>	<u>3,468</u>	<u>1,954</u>	<u>6,472</u>

25. Other operating income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Half Year To	
	30 April	30 April	30 April	30 April
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Dividend income:				
- Financial investments available-for-sale	-	49	16	65
	<u>-</u>	<u>49</u>	<u>16</u>	<u>65</u>

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26. Other operating expenses

	Group and Bank 2nd Quarter Ended		Group and Bank Half Year To	
	30 April 2016 RM'000	30 April 2015 RM'000	30 April 2016 RM'000	30 April 2015 RM'000
Personnel costs:				
- Salaries and bonuses	4,512	3,160	7,538	6,265
- Pension fund contributions	536	465	973	976
- Other staff costs	1,296	1,116	2,237	2,559
Marketing expenses:				
- Advertising and promotion	5	99	33	141
- Others	164	156	336	328
Establishment costs:				
- Depreciation of plant and equipment	- 222	- 64	- 260	- 134
- Rental	371	485	854	1,078
- Others	1,212	1,388	2,052	2,440
Administrative expenses:				
- Fees	1,955	1,847	3,343	3,013
- Others	587	308	1,260	679
	<u>10,860</u>	<u>9,088</u>	<u>18,886</u>	<u>17,613</u>

27. Loan impairment charges/(recovery)

	Group and Bank 2nd Quarter Ended		Group and Bank Half Year To	
	30 April 2016 RM'000	30 April 2015 RM'000	30 April 2016 RM'000	30 April 2015 RM'000
Individual impairment provisions for loans and advances				
- made in the financial period	5,536	1,076	6,190	2,473
- written back in respect of recoveries	(1,079)	(534)	(1,888)	(1,015)
Bad debts on loans and advances:				
- Recovered	29	(23)	-	(34)
	<u>4,486</u>	<u>519</u>	<u>4,302</u>	<u>1,424</u>

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28. Impairment on other assets

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Half Year To	
	30 April	30 April	30 April	30 April
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale - equity securities	-	-	-	-

29. Capital adequacy

The capital adequacy ratios of the Group and of the Bank are analysed as follows:

	Group and Bank	
	30 April	31 October
	2016	2015
	RM'000	RM'000
Tier 1 capital		
Paid-up share capital	122,375	122,375
Share premium	42,625	42,625
Retained earnings	638,725	638,725
Reserves	122,375	122,375
	926,100	926,100
Less: Deferred tax assets	(2,587)	(2,587)
Total Tier 1 capital	923,513	923,513
Tier 2 capital		
Collective impairment provisions, representing total Tier 2 capital	18,153	18,153
Regulatory Reserve	5,910	5,910
Total capital	947,576	947,576
Less: Investment in subsidiaries	(30)	(30)
Capital base	947,546	947,546
Core capital ratio	30.95%	29.11%
Risk-weighted capital ratio	31.76%	29.86%

Breakdown of gross risk-weighted assets in the various categories of risk-weights are as follows:

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29. Capital adequacy (contd.)

	30 April 2016		31 October 2015	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	4,122,607	2,762,275	4,383,905	2,964,464
Market risk	-	39,774	-	17,687
Operational risk	-	181,671	-	190,688
	<u>4,122,607</u>	<u>2,983,720</u>	<u>4,383,905</u>	<u>3,172,839</u>

With effect from 1 January 2008, the capital adequacy ratios of the Group and 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 the Basic Indicator Approach for Operational Risk.

30. Derivative financial instruments

	Nominal value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
At 30 April 2016			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	1,591,102	53,403	20,570
Cross currency interest rate swaps	759,587	73,679	72,265
Interest rate swaps	85,102	588	516
	<u>2,435,791</u>	<u>127,670</u>	<u>93,351</u>
At 31 October 2015			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	1,882,927	219,524	126,346
Cross currency interest rate swaps	653,806	97,678	96,267
Interest rate swaps	98,632	545	458
	<u>2,635,365</u>	<u>317,747</u>	<u>223,071</u>

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31. Commitments and contingencies

Group and Bank 30 April 2016	Principal Amount RM'000	Positive Fair Value of Derivate Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	-		-	-
Transaction-related contingent items	94,379		47,190	25,794
Short term self liquidating trade-related contingencies	40,166		8,033	7,029
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	1,159		580	580
- not exceeding one year	65,512		13,102	13,102
Unutilised uncommitted credit lines	803,791		-	-
	1,005,007		68,905	46,505
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	2,235,892	127,082	89,637	23,683
- exceeding one year	114,797	-	10,597	5,299
Interest rate related contracts:				
- less than one year	-	-	-	-
- one year to less than five years	85,102	588	1,273	1,184
	2,435,791	127,670	101,507	30,166
Total	3,440,798	127,670	170,412	76,671

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31. Commitments and contingencies (contd.)

Group and Bank 31 October 2015	Principal Amount RM'000	Positive Fair Value of Derivate Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	-		-	-
Transaction-related contingent items	172,202		86,101	30,628
Short term self liquidating trade-related contingencies	100,656		20,131	20,094
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	1,115		558	558
- not exceeding one year	93,353		18,671	18,671
Unutilised uncommitted credit lines	1,028,455		-	-
	1,395,781		125,461	69,951
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	2,309,835	317,202	163,692	61,518
- exceeding one year	226,898	-	20,200	10,100
Interest rate related contracts:				
- less than one year	-	-	-	-
- one year to less than five years	98,632	545	1,768	1,594
	2,635,365	317,747	185,660	73,212
Total	4,031,146	317,747	311,121	143,163