

The Bank of Nova Scotia Berhad

(Company No. 308035 U)

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

31 July 2017

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 31 JULY 2017

	Note	Group		Bank	
		31 July 2017 RM'000	31 October 2016 RM'000	31 July 2017 RM'000	31 October 2016 RM'000
ASSETS					
Cash and short-term funds	11	907,261	1,216,415	907,231	1,216,385
Financial investments					
available-for-sale	12	103,762	105,364	103,762	105,364
Loans and advances	13	1,834,912	2,065,850	1,834,912	2,065,850
Derivative financial assets	28	22,788	49,634	22,788	49,634
Other assets	15	12,342	15,741	12,342	15,741
Statutory deposits with					
Bank Negara Malaysia		5,522	2,700	5,522	2,700
Investment in subsidiaries		-	-	30	30
Plant and equipment		7,134	7,585	7,134	7,585
Deferred tax assets		1,565	2,100	1,565	2,100
Tax recoverable		13,362	14,251	13,362	14,251
TOTAL ASSETS		2,908,648	3,479,640	2,908,648	3,479,640
LIABILITIES					
Deposits from customers	16	516,756	473,134	516,756	473,134
Deposits and placements of					
banks and other financial					
institutions	17	779,334	1,080,569	779,334	1,080,569
Derivative financial liabilities	28	21,992	57,554	21,992	57,554
Other liabilities	18	35,555	62,815	35,555	62,815
Amounts owing to holding					
company		582,149	853,066	582,149	853,066
Deferred tax liabilities		-	-	-	-
TOTAL LIABILITIES		1,935,786	2,527,138	1,935,786	2,527,138

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2017 (CONTD.)

	Group		Bank	
	31 July 2017 RM'000	31 October 2016 RM'000	31 July 2017 RM'000	31 October 2016 RM'000
EQUITY				
Share capital	122,375	122,375	122,375	122,375
Reserves	850,487	830,127	850,487	830,127
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK	<u>972,862</u>	<u>952,502</u>	<u>972,862</u>	<u>952,502</u>
TOTAL LIABILITIES AND EQUITY	<u>2,908,648</u>	<u>3,479,640</u>	<u>2,908,648</u>	<u>3,479,640</u>
COMMITMENTS AND CONTINGENCIES	29 <u>2,304,163</u>	<u>3,055,862</u>	<u>2,304,163</u>	<u>3,055,862</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 2016.

THE BANK OF NOVA SCOTIA BERHAD

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 JULY 2017

	Note	Group and Bank 3rd Quarter Ended		Group and Bank 9 Months To	
		31 July 2017 RM'000	31 July 2016 RM'000	31 July 2017 RM'000	31 July 2016 RM'000
Interest income	20	28,862	35,574	90,587	104,997
Interest expense	21	(12,333)	(19,133)	(41,248)	(48,669)
Net interest income		16,529	16,441	49,339	56,328
Net fee and commission income	22	2,250	3,304	7,229	9,287
Net trading income	23	705	(719)	442	1,235
Other operating income	24	95	49	111	65
Net income		19,579	19,075	57,121	66,915
Other operating expenses	25	(8,815)	(9,856)	(24,453)	(28,742)
Operating profit		10,764	9,219	32,668	38,173
Loans impairment charges	26	(1,893)	(3,331)	(7,105)	(7,633)
Profit before taxation		8,871	5,888	25,563	30,540
Tax expense		(363)	(1,654)	(4,875)	(7,515)
Profit for the period		8,508	4,234	20,688	23,025
Other comprehensive income, net of income tax					
Fair value reserve (financial investments available-for-sale):-					
Net changes in fair value		(58)	(122)	(328)	(167)
Total other comprehensive income, net of income tax		(58)	(122)	(328)	(167)
Total comprehensive income for the period		8,450	4,112	20,360	22,858

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 2016.

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JULY 2017

	←	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 2015	122,375	42,625	122,375	5,910	215	638,725	932,225
Profit for the period	-	-	-	-	-	23,025	23,025
Other comprehensive income net of tax	-	-	-	-	(167)	-	(167)
Total comprehensive income for the period	-	-	-	-	(167)	23,025	22,858
As at 31 July 2016	122,375	42,625	122,375	5,910	48	661,750	955,083
As at 1 November 2016	122,375	42,625	122,375	5,910	(388)	659,605	952,502
Profit for the period	-	-	-	-	-	20,688	20,688
Other comprehensive income net of tax	-	-	-	-	(328)	-	(328)
Total comprehensive income for the period	-	-	-	-	(328)	20,688	20,360
As at 31 July 2017	122,375	42,625	122,375	5,910	(716)	680,293	972,862

Note 19

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 2016.

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UNAUDITED CONDENSED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 JULY 2017

	Group		Bank	
	31 July 2017 RM'000	31 July 2016 RM'000	31 July 2017 RM'000	31 July 2016 RM'000
Cash flows from operating activities				
Profit before taxation	25,563	30,540	25,563	30,540
Adjustments for non-cash item	13	7,869	13	7,869
Operating profit before working capital changes	25,576	38,409	25,576	38,409
Changes in working capital:				
Net changes in operating assets	251,195	612,317	251,195	612,317
Net changes in operating liabilities	(582,610)	(512,898)	(582,610)	(512,898)
Income taxes paid	(3,347)	(14,025)	(3,347)	(14,025)
Net cash used in operating activities	(309,186)	123,803	(309,186)	123,803
Net cash generated from investing activities	32	95,653	32	95,653
Net (decrease)/increase in cash and cash equivalents	(309,154)	219,456	(309,154)	219,456
Cash and cash equivalents at beginning of the financial period	1,216,415	1,066,154	1,216,385	1,066,124
Cash and cash equivalents at end of the financial period	907,261	1,285,610	907,231	1,285,580
Cash and cash equivalents comprise:				
Cash and short term funds	907,261	1,285,610	907,231	1,285,580
Deposits and placements with financial institutions	-	-	-	-
	907,261	1,285,610	907,231	1,285,580

THE BANK OF NOVA SCOTIA BERHAD

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AND ITS SUBSIDIARIES**REVIEW OF PERFORMANCE**

Profit before tax for the third quarter ended 31 July 2017 was RM25.6 million; RM5.0 million lower compared to the corresponding period in financial year 2016. The decline was primarily contributed by lower net interest income (on the back of lower interest-bearing assets held) and lower fee income earned, partially offset by a reduction in operating expenses.

Total assets of the Bank decreased by RM571 million or 16.4% as compared to financial year ended 2016 mainly due to the drop in cash and loans totalling RM540 million. This has resulted in a drop in intercompany and interbank borrowings of a similar amount on the liabilities side.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2017

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 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 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows- Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

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*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 140, *Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

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

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments*

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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, where applicable:

- from the annual period beginning on 1 November 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017;
- from the annual period beginning on 1 November 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018; and,
- from the annual period beginning on 1 November 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

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:

(i) 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 and the Bank are currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) 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 and the Bank are currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and the Bank are currently assessing the financial impact that may arise from the adoption of MFRS 16.

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2. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 October 2016 was not qualified.

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 31 July 2017.

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 31 July 2017.

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 31 July 2017.

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 31 July 2017.

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	
	31 July 2017 RM'000	31 October 2016 RM'000	31 July 2017 RM'000	31 October 2016 RM'000
Cash and balances with banks and other financial institutions	28,323	6,665	28,293	6,635
Money at call and deposit placements maturing within one month	878,938	1,209,750	878,938	1,209,750
	<u>907,261</u>	<u>1,216,415</u>	<u>907,231</u>	<u>1,216,385</u>

12. Financial investments available-for-sale

	Group and Bank	
	31 July 2017 RM'000	31 October 2016 RM'000
Quoted money market instruments - at fair value:		
- Malaysian Government Securities	102,008	103,610
	102,008	103,610
Unquoted equity securities - at cost:		
- Unquoted shares in Malaysia	1,754	1,754
	<u>103,762</u>	<u>105,364</u>

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13. Loans and advances

	Group and Bank	
	31 July	31 October
	2017	2016
	RM'000	RM'000
(i) By type		
Overdrafts	26,520	30,906
Term loans		
- housing loans	117,158	128,283
- syndicated term loans	137,469	145,316
- other term loans	92,646	129,040
Bills receivable	346,294	522,837
Revolving credit	1,184,050	1,179,857
Staff loans	1,826	1,931
	<u>1,905,963</u>	<u>2,138,170</u>
Less: Unearned interest	(1,293)	(1,316)
	1,904,670	2,136,854
Gross loans and advances		
Less: Impairment provisions on loans and advances		
- Individual impairment provisions (Note 14(ii))	(49,310)	(49,800)
- Collective impairment provisions (Note 14(ii))	(20,448)	(21,204)
	<u>1,834,912</u>	<u>2,065,850</u>
Net loans and advances		
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	201,180	247,629
Domestic business enterprises		
- Small medium enterprises	13,643	31,891
- Others	1,278,177	1,237,158
Individuals	169,457	183,692
Foreign entities	242,213	436,484
	<u>1,904,670</u>	<u>2,136,854</u>
Gross loans and advances		

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13. Loans and advances (contd.)

	Group and Bank	
	31 July	31 October
	2017	2016
	RM'000	RM'000
(iii) By geographical distribution		
Northern region	179,139	173,052
Southern region	389,918	439,895
Central region	956,773	945,467
Eastern region	154,971	160,825
Outside Malaysia	223,869	417,615
	<u>1,904,670</u>	<u>2,136,854</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	
	31 July	31 October
	2017	2016
	RM'000	RM'000
(iv) By interest rate sensitivity		
Fixed rate:		
- Housing loans	1,564	1,710
- Other fixed rate loans	257,338	437,255
Variable rate:		
- Base Lending Rate plus	283,594	404,946
- Cost plus	1,362,174	1,292,943
Gross loans and advances	<u>1,904,670</u>	<u>2,136,854</u>

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13. Loans and advances (contd.)

	Group and Bank	
	31 July	31 October
	2017	2016
	RM'000	RM'000
(v) By sector		
Agriculture	539,466	549,832
Manufacturing	520,381	525,201
Construction	80,000	-
Purchase of landed property:		
- Residential	118,546	129,428
- Non-residential	43,590	46,187
Wholesale & retail trade and restaurants & hotels	76,266	151,892
Transport, storage and communication	95,615	93,884
Finance, insurance and business services	313,968	556,993
Purchase of transport vehicles	258	204
Consumption credit	58,580	60,871
Others	58,000	22,362
	<u>1,904,670</u>	<u>2,136,854</u>
Gross loans and advances	<u>1,904,670</u>	<u>2,136,854</u>
(vi) By residual contractual maturity		
Within one year	1,739,600	1,952,613
One year to five years	21,741	26,528
Over five years	143,329	157,713
	<u>1,904,670</u>	<u>2,136,854</u>

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14. Impaired loans and advances

	Group and Bank	
	31 July	31 October
	2017	2016
	RM'000	RM'000
(i) Movements in impaired loans and advances		
At beginning of financial period	124,555	126,223
Classified as impaired during the financial period	13,620	20,955
Reclassified as performing during the financial period	(5,269)	(4,122)
Amount recovered	(1,523)	(18,501)
Amount written off	(8,412)	-
	<u>122,971</u>	<u>124,555</u>
Individual impairment provisions	(49,310)	(49,800)
	<u>73,661</u>	<u>74,755</u>
Net impaired loans and advances		
	<u>73,661</u>	<u>74,755</u>
Ratio of net impaired loans and advances to net loans and advances (less individual impairment provisions)	<u>3.97%</u>	<u>3.58%</u>
(ii) Movements in collective and individual impairment provisions for loans and advances		
Collective impairment provisions		
At beginning of financial period/year	21,204	28,564
Amount written back	(756)	(7,360)
	<u>20,448</u>	<u>21,204</u>
At end of financial period/year		
	<u>20,448</u>	<u>21,204</u>
As % of gross loans and advances less individual impairment provisions	<u>1.10%</u>	<u>1.02%</u>
Individual impairment provisions		
At beginning of financial period/year	49,800	24,550
Impairment made during the financial period/year	9,571	27,993
Amount written back	(1,649)	(2,743)
Amount written off	(8,412)	-
	<u>49,310</u>	<u>49,800</u>
At end of financial period/year		
	<u>49,310</u>	<u>49,800</u>

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14. Impaired loans and advances (contd.)

	Group and Bank	
	31 July	31 October
	2017	2016
	RM'000	RM'000
(iii) By geographical distribution		
Northern region	71	66
Southern region	268	283
Central region	111,273	114,701
Outside Malaysia	11,359	9,505
	<u>122,971</u>	<u>124,555</u>
(iv) By sector		
Manufacturing	87,925	82,866
Purchase of landed property:		
- Residential	21,980	21,745
- Non-residential	12,533	10,909
Wholesale & retail trade and restaurants & hotels	-	8,248
Consumption credit	533	787
	<u>122,971</u>	<u>124,555</u>

15. Other assets

	Group and Bank	
	31 July	31 October
	2017	2016
	RM'000	RM'000
Interest receivable	7,667	7,819
Other receivables, deposits and prepayments	4,675	7,922
	<u>12,342</u>	<u>15,741</u>

16. Deposits from customers

	Group and Bank	
	31 July	31 October
	2017	2016
	RM'000	RM'000
(i) By type of deposit		
Demand deposits	58,989	29,416
Savings deposits	1,411	1,152
Fixed/Investment deposits	197,592	262,503
Others	258,764	180,063
	<u>516,756</u>	<u>473,134</u>

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16. Deposits from customers (contd.)

	Group and Bank	
	31 July	31 October
	2017	2016
	RM'000	RM'000
(ii) Maturity structure of fixed/investment deposits		
Due within six months	191,354	249,854
Six months to one year	6,238	12,457
More than one year	-	192
	<u>197,592</u>	<u>262,503</u>
(iii) By type of customer		
Business enterprises	484,620	434,955
Individuals	32,125	38,166
Others	11	13
	<u>516,756</u>	<u>473,134</u>

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 July	31 October
	2017	2016
	RM'000	RM'000
Licensed banks	629,739	575,000
Other financial institutions	149,595	505,569
	<u>779,334</u>	<u>1,080,569</u>

18. Other liabilities

	Group and Bank	
	31 July	31 October
	2017	2016
	RM'000	RM'000
Interest payable	3,257	4,900
Other payables and accruals	32,298	57,915
	<u>35,555</u>	<u>62,815</u>

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19. 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 July 2017, the collective impairment provisions and regulatory reserve stands at 1.42% (October 2016: 1.3%) .

20. **Interest income**

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans and advances:				
- Interest income other than on impaired loans	17,119	20,014	50,848	61,398
- Interest income on impaired loans	2,799	88	8,353	812
Money at call and deposit placements with financial institutions	7,383	8,099	25,304	24,443
Financial investments available-for-sale	762	831	2,237	2,498
Others	799	6,542	3,845	15,846
Total interest income	<u>28,862</u>	<u>35,574</u>	<u>90,587</u>	<u>104,997</u>

21. **Interest expense**

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	6,143	6,279	20,239	14,189
Deposits from customers	5,370	6,870	17,313	18,927
Arbitrage interest	-	(152)	-	867
Others	820	6,136	3,696	14,686
	<u>12,333</u>	<u>19,133</u>	<u>41,248</u>	<u>48,669</u>

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22. Net fee and commission income

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other fees relating to loans	430	520	1,508	2,216
Commitment fees	129	164	604	353
Guarantee fees	67	24	252	456
Acceptance commissions	174	167	426	448
Others	1,450	2,429	4,439	5,814
	<u>2,250</u>	<u>3,304</u>	<u>7,229</u>	<u>9,287</u>

23. Net trading income

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Gains/(Losses) arising from dealing in foreign currency	2,933	(265)	(8,300)	1,278
Unrealised losses from derivative trading	(54)	(491)	(453)	(43)
Unrealised revaluation (losses)/gains in foreign exchange	(2,174)	37	9,195	-
	<u>705</u>	<u>(719)</u>	<u>442</u>	<u>1,235</u>

24. Other operating income

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Dividend income:				
- Financial investments available-for-sale	95	49	111	65
	<u>95</u>	<u>49</u>	<u>111</u>	<u>65</u>

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25. Other operating expenses

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries and bonuses	4,007	3,628	9,900	11,166
- Pension fund contributions	630	559	1,607	1,532
- Other staff costs	678	1,333	2,358	3,570
Marketing expenses:				
- Advertising and promotion	49	30	83	63
- Others	119	149	380	485
Establishment costs:				
- Depreciation of plant and equipment	178	213	530	473
- Rental	259	249	778	1,103
- Others	781	1,263	3,089	3,315
Administrative expenses:				
- Fees	1,320	1,690	4,178	5,033
- Others	794	742	1,550	2,002
	<u>8,815</u>	<u>9,856</u>	<u>24,453</u>	<u>28,742</u>

26. Loan impairment charges/(recovery)

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Individual impairment provisions for loans and advances				
- made in the financial period	3,213	3,469	9,571	9,659
- written back in respect of recoveries	(498)	(138)	(1,649)	(2,026)
Collective impairment provisions				
- written back in the financial period	(756)	-	(756)	-
Bad debts on loans and advances:				
- Recovered	(66)	-	(61)	-
	<u>1,893</u>	<u>3,331</u>	<u>7,105</u>	<u>7,633</u>

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27. Capital adequacy

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

	Group and Bank	
	31 July	31 October
	2017	2016
	RM'000	RM'000
Common Equity Tier 1 ("CET1") / Tier 1 capital		
Paid-up share capital	122,375	122,375
Share premium	42,625	42,625
Retained earnings	659,605	659,605
Reserves	121,659	122,375
	<u>946,264</u>	<u>946,980</u>
Less: Deferred tax assets	(1,565)	(1,982)
Total CET1 / Tier 1 capital	<u>944,699</u>	<u>944,998</u>
Tier 2 capital		
Collective impairment provisions	9,115	9,891
Regulatory Reserve	5,910	5,910
	<u>959,724</u>	<u>960,799</u>
Less: Investment in subsidiaries	(30)	(30)
Total capital	<u>959,694</u>	<u>960,769</u>
CET 1 / Tier 1 capital ratio	44.457%	40.303%
Total capital ratio	45.163%	40.976%

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

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27. Capital adequacy (contd.)

	31 July 2017		31 October 2016	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	2,975,393	1,963,686	3,609,695	2,122,519
Market risk	-	5,151	-	47,445
Operational risk	-	156,139	-	174,742
	<u>2,975,393</u>	<u>2,124,976</u>	<u>3,609,695</u>	<u>2,344,706</u>

The total capital and capital adequacy ratios of the Group are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II Risk Weighted Assets) Guidelines issued on 13 October 2015 and 2 March 2017 respectively. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

28. Derivative financial instruments

	Nominal value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
At 31 July 2017			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	723,662	4,562	3,950
Cross currency interest rate swaps	132,717	18,110	17,943
Interest rate swaps	129,043	116	99
	<u>985,422</u>	<u>22,788</u>	<u>21,992</u>
At 31 October 2016			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	1,216,077	6,556	15,141
Cross currency interest rate swaps	315,438	42,705	42,070
Interest rate swaps	80,427	373	343
	<u>1,611,942</u>	<u>49,634</u>	<u>57,554</u>

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29. Commitments and contingencies

Group and Bank 31 July 2017	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>				
Transaction-related contingent items	29,689		14,845	10,989
Short term self liquidating trade-related contingencies	9,052		1,810	1,774
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	1,143		572	572
- not exceeding one year	23,178		4,636	4,636
Unutilised uncommitted credit lines	1,255,679		-	-
	<u>1,318,741</u>		<u>21,863</u>	<u>17,971</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	723,662	4,562	12,421	6,208
- exceeding one year	132,717	18,110	26,073	13,037
Interest rate related contracts:				
- less than one year	16,920	9	26	22
- one year to less than five years	112,123	107	1,225	893
	<u>985,422</u>	<u>22,788</u>	<u>39,745</u>	<u>20,160</u>
Total	<u><u>2,304,163</u></u>	<u><u>22,788</u></u>	<u><u>61,608</u></u>	<u><u>38,131</u></u>

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29. Commitments and contingencies (contd.)

Group and Bank	Principal Amount	Positive Fair	Credit	Risk Weighted
31 October 2016	RM'000	Value of Derivate	Equivalent	Assets
		Contracts	Amount	RM'000
		RM'000	RM'000	
<u>Credit-related exposures</u>				
Transaction-related contingent items	80,980		40,490	21,577
Short term self liquidating trade-related contingencies	30,938		6,188	6,063
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	1,144		572	572
- not exceeding one year	109,092		21,818	21,818
Unutilised uncommitted credit lines	1,221,766		-	-
	<u>1,443,920</u>		<u>69,068</u>	<u>50,030</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	1,436,957	49,261	25,895	9,319
- exceeding one year	94,558	-	8,510	4,255
Interest rate related contracts:				
- less than one year	8,460	-	9	9
- one year to less than five years	71,967	373	747	660
	<u>1,611,942</u>	<u>49,634</u>	<u>35,161</u>	<u>14,243</u>
Total	<u><u>3,055,862</u></u>	<u><u>49,634</u></u>	<u><u>104,229</u></u>	<u><u>64,273</u></u>