

**The Bank of Nova Scotia Berhad**

(Company No. 308035 U)

(Incorporated in Malaysia)

**and its subsidiaries**

**Unaudited Condensed Interim Financial Statements**

**30 April 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 30 APRIL 2017

	Note	Group		Bank	
		30 April 2017 RM'000	31 October 2016 RM'000	30 April 2017 RM'000	31 October 2016 RM'000
<b>ASSETS</b>					
Cash and short-term funds	11	1,098,017	1,216,415	1,097,987	1,216,385
Financial investments					
available-for-sale	12	104,233	105,364	104,233	105,364
Loans and advances	13	1,876,670	2,065,850	1,876,670	2,065,850
Derivative financial assets	28	38,015	49,634	38,015	49,634
Other assets	15	12,076	15,741	12,076	15,741
Statutory deposits with					
Bank Negara Malaysia		6,457	2,700	6,457	2,700
Investment in subsidiaries		-	-	30	30
Plant and equipment		7,311	7,585	7,311	7,585
Deferred tax assets		-	2,100	-	2,100
Tax recoverable		15,930	14,251	15,930	14,251
<b>TOTAL ASSETS</b>		<b>3,158,709</b>	<b>3,479,640</b>	<b>3,158,709</b>	<b>3,479,640</b>
<b>LIABILITIES</b>					
Deposits from customers	16	605,795	473,134	605,795	473,134
Deposits and placements of					
banks and other financial					
institutions	17	766,437	1,080,569	766,437	1,080,569
Derivative financial liabilities	28	34,982	57,554	34,982	57,554
Other liabilities	18	52,915	62,815	52,915	62,815
Amounts owing to holding					
company		733,511	853,066	733,511	853,066
Deferred tax liabilities		657	-	657	-
<b>TOTAL LIABILITIES</b>		<b>2,194,297</b>	<b>2,527,138</b>	<b>2,194,297</b>	<b>2,527,138</b>

## 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 2017 (CONTD.)

	Group		Bank	
	30 April 2017 RM'000	31 October 2016 RM'000	30 April 2017 RM'000	31 October 2016 RM'000
<b>EQUITY</b>				
Share capital	122,375	122,375	122,375	122,375
Reserves	842,037	830,127	842,037	830,127
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK</b>	<u>964,412</u>	<u>952,502</u>	<u>964,412</u>	<u>952,502</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>3,158,709</u>	<u>3,479,640</u>	<u>3,158,709</u>	<u>3,479,640</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	29 <u>2,544,581</u>	<u>3,055,862</u>	<u>2,544,581</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

(Company No. 308035 U)

(Incorporated in Malaysia)

## AND ITS SUBSIDIARIES

### UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 APRIL 2017

	Note	Group and Bank 2nd Quarter Ended		Group and Bank Half Year To	
		30 April 2017 RM'000	30 April 2016 RM'000	30 April 2017 RM'000	30 April 2016 RM'000
Interest income	20	30,573	35,213	61,725	69,423
Interest expense	21	(14,184)	(15,122)	(28,915)	(29,536)
Net interest income		16,389	20,091	32,810	39,887
Net fee and commission income	22	2,535	3,007	4,979	5,983
Net trading income	23	(209)	275	(263)	1,954
Other operating income	24	-	-	16	16
Net income		18,715	23,373	37,542	47,840
Other operating expenses	25	(8,342)	(10,860)	(15,638)	(18,886)
Operating profit		10,373	12,513	21,904	28,954
Loans impairment charges	26	(2,637)	(4,486)	(5,212)	(4,302)
Profit before taxation		7,736	8,027	16,692	24,652
Tax expense		(2,294)	189	(4,512)	(5,861)
<b>Profit for the period</b>		<b>5,442</b>	<b>8,216</b>	<b>12,180</b>	<b>18,791</b>
Other comprehensive income, net of income tax					
Fair value reserve (financial investments available-for-sale):-					
Net changes in fair value		(291)	(153)	(270)	(45)
Total other comprehensive income, net of income tax		(291)	(153)	(270)	(45)
<b>Total comprehensive income for the period</b>		<b>5,151</b>	<b>8,063</b>	<b>11,910</b>	<b>18,746</b>

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**

(Company No. 308035 U)

(Incorporated in Malaysia)

**AND ITS SUBSIDIARIES****UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 APRIL 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
<b>Group and Bank</b>							
<b>As at 1 November 2015</b>	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)
<b>Total comprehensive income for the year</b>	-	-	-	-	(45)	18,791	18,746
<b>As at 30 April 2016</b>	<u>122,375</u>	<u>42,625</u>	<u>122,375</u>	<u>5,910</u>	<u>170</u>	<u>657,516</u>	<u>950,971</u>
<b>As at 1 November 2016</b>	<u>122,375</u>	<u>42,625</u>	<u>122,375</u>	<u>5,910</u>	<u>(388)</u>	<u>659,605</u>	<u>952,502</u>
Profit for the period	-	-	-	-	-	12,180	12,180
Other comprehensive income net of tax	-	-	-	-	(270)	-	(270)
<b>Total comprehensive income for the period</b>	-	-	-	-	(270)	12,180	11,910
Transfer to Regulatory Reserve	-	-	-	-	-	-	-
<b>As at 30 April 2017</b>	<u>122,375</u>	<u>42,625</u>	<u>122,375</u>	<u>5,910</u>	<u>(658)</u>	<u>671,785</u>	<u>964,412</u>

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.

# THE BANK OF NOVA SCOTIA BERHAD

(Company No. 308035 U)

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## AND ITS SUBSIDIARIES

### UNAUDITED CONDENSED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 APRIL 2017

	Group		Bank	
	30 April 2017 RM'000	30 April 2016 RM'000	30 April 2017 RM'000	30 April 2016 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	16,692	24,652	16,692	24,652
Adjustments for non-cash item	8,462	4,106	8,462	4,106
Operating profit before working capital changes	25,154	28,758	25,154	28,758
Changes in working capital:				
Net changes in operating assets	203,473	119,265	203,473	119,265
Net changes in operating liabilities	(344,468)	(300,566)	(344,468)	(300,566)
Income taxes paid	(3,347)	(10,200)	(3,347)	(10,200)
<b>Net cash used in operating activities</b>	<b>(119,188)</b>	<b>(162,743)</b>	<b>(119,188)</b>	<b>(162,743)</b>
<b>Net cash generated from investing activities</b>	<b>790</b>	<b>95,219</b>	<b>790</b>	<b>95,219</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(118,398)</b>	<b>(67,523)</b>	<b>(118,398)</b>	<b>(67,523)</b>
<b>Cash and cash equivalents at beginning of the financial period</b>	<b>1,216,415</b>	<b>1,066,154</b>	<b>1,216,385</b>	<b>1,066,124</b>
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,098,017</b>	<b>998,631</b>	<b>1,097,987</b>	<b>998,601</b>
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds	1,098,017	659,471	1,097,987	659,441
Deposits and placements with financial institutions	-	339,159	-	339,159
	<b>1,098,017</b>	<b>998,630</b>	<b>1,097,987</b>	<b>998,600</b>

**THE BANK OF NOVA SCOTIA BERHAD**

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**AND ITS SUBSIDIARIES****REVIEW OF PERFORMANCE**

Profit before tax for half ended 30 April 2017 was RM16.7 million; RM7.9 million lower compared to the corresponding period in financial year 2016. The decline was mainly contributed by lower interest income (on the back of lower loan base) and trading income (due to loss from FX transactions). Higher loan impairment charges also contributed to the drop in profit before tax.

Total assets of the Bank decreased by RM321 million or 9.2% as compared to financial year ended 2016 mainly due to the drop in cash and loans (RM307 million). This has resulted in the drop in borrowings of a similar amount on the liabilities side.

# THE BANK OF NOVA SCOTIA BERHAD

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## AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 APRIL 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*
- 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, *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*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

***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 30 April 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 30 April 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 30 April 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 30 April 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**

	<b>Group</b>		<b>Bank</b>	
	<b>30 April 2017 RM'000</b>	<b>31 October 2016 RM'000</b>	<b>30 April 2017 RM'000</b>	<b>31 October 2016 RM'000</b>
Cash and balances with banks and other financial institutions	12,192	6,665	12,162	6,635
Money at call and deposit placements maturing within one month	<u>1,085,825</u>	<u>1,209,750</u>	<u>1,085,825</u>	<u>1,209,750</u>
	<u><u>1,098,017</u></u>	<u><u>1,216,415</u></u>	<u><u>1,097,987</u></u>	<u><u>1,216,385</u></u>

**12. Financial investments available-for-sale**

	<b>Group and Bank</b>	
	<b>30 April 2017 RM'000</b>	<b>31 October 2016 RM'000</b>
Quoted money market instruments - at fair value: - Malaysian Government Securities	<u>102,479</u>	<u>103,610</u>
	102,479	103,610
Unquoted equity securities - at cost: - Unquoted shares in Malaysia	<u>1,754</u>	<u>1,754</u>
	<u><u>104,233</u></u>	<u><u>105,364</u></u>

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**13. Loans and advances**

	<b>Group and Bank</b>	
	<b>30 April 2017 RM'000</b>	<b>31 October 2016 RM'000</b>
<b>(i) By type</b>		
Overdrafts	27,788	30,906
Term loans		
- housing loans	119,423	128,283
- syndicated term loans	143,141	145,316
- other term loans	99,555	129,040
Bills receivable	389,345	522,837
Revolving credit	1,164,872	1,179,857
Staff loans	1,882	1,931
	<u>1,946,006</u>	<u>2,138,170</u>
Less: Unearned interest	(1,498)	(1,316)
	<u>1,944,508</u>	<u>2,136,854</u>
Gross loans and advances		
Less: Impairment provisions on loans and advances		
- Individual impairment provisions (Note 14(ii))	(46,634)	(49,800)
- Collective impairment provisions (Note 14(ii))	(21,204)	(21,204)
	<u>1,876,670</u>	<u>2,065,850</u>
Net loans and advances		
<b>(ii) By type of customer</b>		
Domestic non-bank financial institutions		
- Others	160,335	247,629
Domestic business enterprises		
- Small medium enterprises	25,965	31,891
- Others	1,319,670	1,237,158
Individuals	173,281	183,692
Foreign entities	265,257	436,484
	<u>1,944,508</u>	<u>2,136,854</u>
Gross loans and advances		

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**13. Loans and advances (contd.)**

	<b>Group and Bank</b>	
	<b>30 April</b>	<b>31 October</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(iii) By geographical distribution</b>		
Northern region	217,674	173,052
Southern region	477,385	439,895
Central region	912,360	945,467
Eastern region	90,247	160,825
Outside Malaysia	246,842	417,615
	<u>1,944,508</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.

	<b>Group and Bank</b>	
	<b>30 April</b>	<b>31 October</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(iv) By interest rate sensitivity</b>		
Fixed rate:		
- Housing loans	1,603	1,710
- Other fixed rate loans	301,108	437,255
Variable rate:		
- Base Lending Rate plus	338,166	404,946
- Cost plus	1,303,631	1,292,943
	<u>1,944,508</u>	<u>2,136,854</u>
Gross loans and advances	<u>1,944,508</u>	<u>2,136,854</u>

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**13. Loans and advances (contd.)**

	<b>Group and Bank</b>	
	<b>30 April 2017</b>	<b>31 October 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(v) By sector</b>		
Agriculture	548,824	549,832
Manufacturing	576,660	525,201
Construction	30,000	-
Purchase of landed property:		
- Residential	120,870	129,428
- Non-residential	44,848	46,187
Wholesale & retail trade and restaurants & hotels	127,547	151,892
Transport, storage and communication	97,067	93,884
Finance, insurance and business services	293,167	556,993
Purchase of transport vehicles	279	204
Consumption credit	59,246	60,871
Others	46,000	22,362
	<u>1,944,508</u>	<u>2,136,854</u>
Gross loans and advances	<u>1,944,508</u>	<u>2,136,854</u>
<b>(vi) By residual contractual maturity</b>		
Within one year	1,775,805	1,952,613
One year to five years	20,904	26,528
Over five years	147,799	157,713
	<u>1,944,508</u>	<u>2,136,854</u>

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**14. Impaired loans and advances**

	<b>Group and Bank</b>	
	<b>30 April 2017 RM'000</b>	<b>31 October 2016 RM'000</b>
<b>(i) Movements in impaired loans and advances</b>		
At beginning of financial period	124,555	126,223
Classified as impaired during the financial period	9,550	20,955
Reclassified as performing during the financial period	(4,845)	(4,122)
Amount recovered	(369)	(18,501)
Amount written off	(8,372)	-
	<u>120,519</u>	<u>124,555</u>
At end of financial period		
Individual impairment provisions	(46,634)	(49,800)
	<u>73,885</u>	<u>74,755</u>
Ratio of net impaired loans and advances to net loans and advances (less individual impairment provisions)	<u>3.89%</u>	<u>3.58%</u>
<b>(ii) Movements in collective and individual impairment provisions for loans and advances</b>		
<b>Collective impairment provisions</b>		
At beginning of financial period/year	21,204	28,564
Amount written back	-	(7,360)
	<u>21,204</u>	<u>21,204</u>
At end of financial period/year		
As % of gross loans and advances less individual impairment provisions	<u>1.12%</u>	<u>1.02%</u>
<b>Individual impairment provisions</b>		
At beginning of financial period/year	49,800	24,550
Impairment made during the financial period/year	6,357	27,993
Amount written back	(1,151)	(2,743)
Amount written off	(8,372)	-
	<u>46,634</u>	<u>49,800</u>
At end of financial period/year		

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**14. Impaired loans and advances (contd.)**

	<b>Group and Bank</b>	
	<b>30 April</b>	<b>31 October</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(iii) By geographical distribution</b>		
Northern region	69	66
Southern region	163	283
Central region	110,099	114,701
Outside Malaysia	10,188	9,505
	<u>120,519</u>	<u>124,555</u>
<b>(iv) By sector</b>		
Manufacturing	87,018	82,866
Purchase of landed property:		
- Residential	21,297	21,745
- Non-residential	11,630	10,909
Wholesale & retail trade and restaurants & hotels	-	8,248
Consumption credit	574	787
	<u>120,519</u>	<u>124,555</u>

**15. Other assets**

	<b>Group and Bank</b>	
	<b>30 April</b>	<b>31 October</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest receivable	8,802	7,819
Other receivables, deposits and prepayments	3,274	7,922
	<u>12,076</u>	<u>15,741</u>

**16. Deposits from customers**

	<b>Group and Bank</b>	
	<b>30 April</b>	<b>31 October</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) By type of deposit</b>		
Demand deposits	21,942	29,416
Savings deposits	1,264	1,152
Fixed/Investment deposits	280,219	262,503
Others	302,370	180,063
	<u>605,795</u>	<u>473,134</u>



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**16. Deposits from customers (contd.)**

	<b>Group and Bank</b>	
	<b>30 April</b>	<b>31 October</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(ii) Maturity structure of fixed/investment deposits</b>		
Due within six months	271,401	249,854
Six months to one year	8,818	12,457
More than one year	-	192
	<u>280,219</u>	<u>262,503</u>
<b>(iii) By type of customer</b>		
Business enterprises	572,377	434,955
Individuals	33,407	38,166
Others	11	13
	<u>605,795</u>	<u>473,134</u>

**17. Deposits and placements of banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>30 April</b>	<b>31 October</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	617,991	575,000
Other financial institutions	148,446	505,569
	<u>766,437</u>	<u>1,080,569</u>

**18. Other liabilities**

	<b>Group and Bank</b>	
	<b>30 April</b>	<b>31 October</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest payable	6,472	4,900
Other payables and accruals	46,443	57,915
	<u>52,915</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 October 2016, the collective impairment provisions stands at 1.3%.

20. Interest income

	Group and Bank 2nd Quarter Ended		Group and Bank Half Year To	
	30 April 2017 RM'000	30 April 2016 RM'000	30 April 2017 RM'000	30 April 2016 RM'000
Loans and advances:				
- Interest income other than on impaired loans	17,185	21,844	33,729	41,384
- Interest income on impaired loans	2,694	165	5,554	724
Money at call and deposit placements with financial institutions	8,825	7,098	17,921	16,344
Financial investments available-for-sale	736	-	1,475	1,667
Others	1,133	5,288	3,046	9,304
Total interest income	<u>30,573</u>	<u>35,213</u>	<u>61,725</u>	<u>69,423</u>

21. Interest expense

	Group and Bank 2nd Quarter Ended		Group and Bank Half Year To	
	30 April 2017 RM'000	30 April 2016 RM'000	30 April 2017 RM'000	30 April 2016 RM'000
Deposits and placements of banks and other financial institutions	6,441	4,499	14,096	7,910
Deposits from customers	6,644	6,144	11,943	12,057
Arbitrage interest	-	(413)	-	1,019
Others	1,099	4,892	2,876	8,550
	<u>14,184</u>	<u>15,122</u>	<u>28,915</u>	<u>29,536</u>

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**22. Net fee and commission income**

	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>2nd Quarter Ended</b>		<b>Half Year To</b>	
	<b>30 April</b>	<b>30 April</b>	<b>30 April</b>	<b>30 April</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other fees relating to loans	693	907	1,078	1,696
Commitment fees	170	73	475	189
Guarantee fees	49	150	185	432
Acceptance commissions	68	113	252	281
Others	1,555	1,764	2,989	3,385
	<u>2,535</u>	<u>3,007</u>	<u>4,979</u>	<u>5,983</u>

**23. Net trading income**

	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>2nd Quarter Ended</b>		<b>Half Year To</b>	
	<b>30 April</b>	<b>30 April</b>	<b>30 April</b>	<b>30 April</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gains/(Loss) arising from dealing in foreign currency	(5,822)	604	(11,233)	1,543
Unrealised (loss)/gain from derivative	(153)	(292)	(399)	448
Unrealised revaluation gain in foreign exchange	5,766	(37)	11,369	(37)
	<u>(209)</u>	<u>275</u>	<u>(263)</u>	<u>1,954</u>

**24. Other operating income**

	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>2nd Quarter Ended</b>		<b>Half Year To</b>	
	<b>30 April</b>	<b>30 April</b>	<b>30 April</b>	<b>30 April</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividend income:				
- Financial investments available-for-sale	-	-	16	16
	<u>-</u>	<u>-</u>	<u>16</u>	<u>16</u>

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**25. Other operating expenses**

	<b>Group and Bank 2nd Quarter Ended</b>		<b>Group and Bank Half Year To</b>	
	<b>30 April 2017 RM'000</b>	<b>30 April 2016 RM'000</b>	<b>30 April 2017 RM'000</b>	<b>30 April 2016 RM'000</b>
Personnel costs:				
- Salaries and bonuses	3,353	4,512	5,893	7,538
- Pension fund contributions	537	536	977	973
- Other staff costs	579	1,296	1,680	2,237
Marketing expenses:				
- Advertising and promotion	-	5	34	33
- Others	126	164	261	336
Establishment costs:				
- Depreciation of plant and equipment	177	222	352	260
- Rental	260	371	519	854
- Others	1,252	1,212	2,308	2,052
Administrative expenses:				
- Fees	1,535	1,955	2,858	3,343
- Others	523	587	756	1,260
	<u>8,342</u>	<u>10,860</u>	<u>15,638</u>	<u>18,886</u>

**26. Loan impairment charges/(recovery)**

	<b>Group and Bank 2nd Quarter Ended</b>		<b>Group and Bank Half Year To</b>	
	<b>30 April 2017 RM'000</b>	<b>30 April 2016 RM'000</b>	<b>30 April 2017 RM'000</b>	<b>30 April 2016 RM'000</b>
Individual impairment provisions for loans and advances				
- made in the financial period	3,250	5,536	6,358	6,190
- written back in respect of recoveries	(631)	(1,079)	(1,151)	(1,888)
Bad debts on loans and advances:				
- Recovered	18	29	5	-
	<u>2,637</u>	<u>4,486</u>	<u>5,212</u>	<u>4,302</u>

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**27. Capital adequacy**

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

	<b>Group and Bank</b>	
	<b>30 April</b>	<b>31 October</b>
	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier 1 capital</b>		
Paid-up share capital	122,375	122,375
Share premium	42,625	42,625
Retained earnings	659,605	659,605
Reserves	<u>122,375</u>	<u>122,375</u>
	946,980	946,980
Less: Deferred tax assets	<u>(1,982)</u>	<u>(1,982)</u>
Total Tier 1 capital	<u><u>944,998</u></u>	<u><u>944,998</u></u>
<b>Tier 2 capital</b>		
Collective impairment provisions, representing total Tier 2 capital	9,891	9,891
Regulatory Reserve	<u>5,910</u>	<u>5,910</u>
Total capital	960,799	960,799
Less: Investment in subsidiaries	<u>(30)</u>	<u>(30)</u>
Capital base	<u><u>960,769</u></u>	<u><u>960,769</u></u>
Core capital ratio	42.11%	40.30%
Risk-weighted capital ratio	42.81%	40.98%

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

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**27. Capital adequacy (contd.)**

	<b>30 April 2017</b>		<b>31 October 2016</b>	
	<b>Principal RM'000</b>	<b>Risk- weighted RM'000</b>	<b>Principal RM'000</b>	<b>Risk- weighted RM'000</b>
Credit risk	3,256,065	1,984,067	3,609,695	2,122,519
Market risk	-	94,910	-	47,445
Operational risk	-	165,206	-	174,742
	<u>3,256,065</u>	<u>2,244,183</u>	<u>3,609,695</u>	<u>2,344,706</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.

**28. Derivative financial instruments**

	<b>Nominal value RM'000</b>	<b>Fair value</b>	
		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
At 30 April 2017			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	989,894	12,111	9,326
Cross currency interest rate swaps	77,637	25,878	25,652
Interest rate swaps	73,834	26	4
	<u>1,141,365</u>	<u>38,015</u>	<u>34,982</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**

<b>Group and Bank 30 April 2017</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivate Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Assets RM'000</b>
<u>Credit-related exposures</u>				
Transaction-related contingent items	36,518		18,259	14,238
Short term self liquidating trade-related contingencies	19,090		3,818	3,741
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	104,854		20,971	20,971
Unutilised uncommitted credit lines	1,241,610		-	-
	<u>1,403,216</u>		<u>43,620</u>	<u>39,522</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	989,894	37,989	24,956	9,565
- exceeding one year	77,637	-	4,957	2,478
Interest rate related contracts:				
- less than one year	16,921	-	44	22
- one year to less than five years	56,913	26	587	587
	<u>1,141,365</u>	<u>38,015</u>	<u>30,544</u>	<u>12,652</u>
<b>Total</b>	<u><u>2,544,581</u></u>	<u><u>38,015</u></u>	<u><u>74,164</u></u>	<u><u>52,174</u></u>

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**29. Commitments and contingencies (contd.)**

<b>Group and Bank</b>	<b>Principal Amount</b>	<b>Positive Fair</b>	<b>Credit</b>	<b>Risk Weighted</b>
<b>31 October 2016</b>	<b>RM'000</b>	<b>Value of Derivate</b>	<b>Equivalent</b>	<b>Assets</b>
<u>Credit-related exposures</u>	<b>RM'000</b>	<b>Contracts</b>	<b>Amount</b>	<b>RM'000</b>
<b>Transaction-related contingent items</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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>
<b>Total</b>	<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>