

The Bank of Nova Scotia Berhad

(Company No. 308035 U)

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

31 July 2015

Domiciled in Malaysia
Registered office
Menara Boustead
No. 69, Jalan Raja Chulan
50200 Kuala Lumpur
P.O. Box 11056
50734 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 2015

	Note	Group		Bank	
		31 July 2015 RM'000	31 October 2014 RM'000	31 July 2015 RM'000	31 October 2014 RM'000
ASSETS					
Cash and short-term funds	11	726,228	1,130,502	726,198	1,130,472
Deposits and placements with financial institutions	12	447,000	360,000	447,000	360,000
Financial investments available-for-sale	13	323,348	418,974	323,348	418,974
Loans and advances	14	2,228,220	2,742,819	2,228,220	2,742,819
Derivative financial assets	30	166,359	30,493	166,359	30,493
Other assets	16	124,627	40,457	124,627	40,457
Statutory deposits with Bank Negara Malaysia		2,449	18,174	2,449	18,174
Investment in subsidiaries		-	-	30	30
Plant and equipment		2,971	3,133	2,971	3,133
Deferred tax assets		3,532	3,715	3,532	3,715
Tax recoverable		11,503	6,003	11,503	6,003
TOTAL ASSETS		4,036,237	4,754,270	4,036,237	4,754,270
LIABILITIES					
Deposits from customers	17	727,677	1,074,196	727,677	1,074,196
Deposits and placements of banks and other financial institutions	18	141,718	791,580	141,718	791,580
Derivative financial liabilities	30	109,368	18,309	109,368	18,309
Other liabilities	19	174,992	62,100	174,992	62,100
Amounts owing to holding company		1,963,741	1,924,528	1,963,741	1,924,528
Amounts owing to related company		11	11	11	11
TOTAL LIABILITIES		3,117,507	3,870,724	3,117,507	3,870,724

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2015 (CONTD.)

	Group		Bank	
	31 July 2015 RM'000	31 October 2014 RM'000	31 July 2015 RM'000	31 October 2014 RM'000
EQUITY				
Share capital	122,375	122,375	122,375	122,375
Reserves	796,355	761,171	796,355	761,171
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK	<u>918,730</u>	<u>883,546</u>	<u>918,730</u>	<u>883,546</u>
TOTAL LIABILITIES AND EQUITY	<u>4,036,237</u>	<u>4,754,270</u>	<u>4,036,237</u>	<u>4,754,270</u>
COMMITMENTS AND CONTINGENCIES				
31	<u>4,262,321</u>	<u>4,369,733</u>	<u>4,262,321</u>	<u>4,369,733</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 2014.

THE BANK OF NOVA SCOTIA BERHAD

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 JULY 2015

	Note	Group and Bank 3rd Quarter		Group and Bank 3rd YTD	
		31 July 2015 RM'000	31 July 2014 RM'000	31 July 2015 RM'000	31 July 2014 RM'000
Interest income	21	36,923	43,109	115,641	124,284
Interest expense	22	(15,807)	(22,136)	(52,849)	(61,072)
Net interest income		21,116	20,973	62,792	63,212
Net fee and commission income	23	1,879	2,038	7,323	9,725
Net trading income	24	(123)	2,100	6,349	7,572
Other operating income	25	78	65	143	114
Net income		22,950	25,176	76,607	80,623
Other operating expenses	26	(9,607)	(4,158)	(27,220)	(20,328)
Operating profit		13,343	21,018	49,387	60,295
Loans impairment charges	27	(753)	(751)	(2,177)	(1,060)
Impairment on other assets	28	-	-	-	(128)
Profit before taxation		12,590	20,267	47,210	59,107
Tax expense		(4,475)	(4,722)	(12,912)	(15,027)
Profit for the period		8,115	15,545	34,298	44,080
Other comprehensive income, net of income tax					
Fair value reserve (financial investments available-for-sale):-					
Net changes in fair value		480	(73)	886	66
Total other comprehensive income, net of income tax		480	(73)	886	66
Total comprehensive income for the period		8,595	15,472	35,184	44,146

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 2014.

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JULY 2015

	←	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 2013	122,375	42,625	122,375	1,710	938	540,789	830,812
Profit for the period	-	-	-	-	-	44,080	44,080
Other comprehensive income net of tax	-	-	-	-	66	-	66
Total comprehensive income for the year	-	-	-	-	66	44,080	44,146
As at 31 July 2014	122,375	42,625	122,375	1,710	1,004	584,869	874,958
As at 1 November 2014	122,375	42,625	122,375	1,710	(377)	594,838	883,546
Profit for the period	-	-	-	-	-	34,298	34,298
Other comprehensive income net of tax	-	-	-	-	886	-	886
Total comprehensive income for the period	-	-	-	-	886	34,298	35,184
Transfer to Regulatory Reserve	-	-	-	-	-	-	-
As at 31 July 2015	122,375	42,625	122,375	1,710	509	629,136	918,730

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 2014.

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UNAUDITED CONDENSED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 JULY 2015

	Group		Bank	
	31 July 2015 RM'000	31 July 2014 RM'000	31 July 2015 RM'000	31 July 2014 RM'000
Cash flows from operating activities				
Profit before taxation	47,210	59,107	47,210	59,107
Adjustments for non-cash item	1,504	(1,202)	1,504	(1,202)
Operating profit before working capital changes	48,714	57,905	48,714	57,905
Changes in working capital:				
Net changes in operating assets	308,045	(119,416)	308,045	(119,416)
Net changes in operating liabilities	(752,514)	(329,201)	(752,514)	(329,201)
Income taxes paid	(18,000)	(18,000)	(18,000)	(18,000)
Net cash used in operating activities	(413,755)	(408,712)	(413,755)	(408,712)
Net cash (used in)/generated from investing activities	96,481	251,539	96,481	251,539
Net decrease in cash and cash equivalents	(317,274)	(157,173)	(317,274)	(157,173)
Cash and cash equivalents at beginning of the financial period	1,490,502	1,478,379	1,490,472	1,478,349
Cash and cash equivalents at end of the financial period	1,173,228	1,321,206	1,173,198	1,321,176
Cash and cash equivalents comprise:				
Cash and short term funds	726,228	1,321,206	726,198	1,321,176
Deposits and placements with financial institutions	447,000	-	447,000	-
	1,173,228	1,321,206	1,173,198	1,321,176

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 2014.

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NINE MONTHS REVIEW OF PERFORMANCE

The Bank recorded profit after tax of RM34.30 million for the nine months ended 31 July 2015, a decrease of RM9.78 million or 22.2% compared to the corresponding period last year.

Net income decreased by RM4.02 million due to lower net fee and commission income of RM2.40 million or 24.6% as compared to the corresponding period last year. The lower net fee and commission income was due to lower loan fees of RM0.59 million and lower guarantee fees of RM1.34 million (note 23 to the financial statements). In addition, the net interest income decreased by RM0.42 million to RM62.79 million for the nine months ended 31 July 2015.

Other operating cost registered an increase of RM6.89 million or 13.44% which was mainly due to reversals in 2014 of RM4.60 million in accrual expenses under Establishment costs-Others by RM3.2 million and Administrative expenses-Fees by RM1.4 million. The personnel costs increased by RM1.29 million mainly due to increase in other staff costs by RM0.78 million which consists of an increase in tax equalisation (RM0.30 million), increase of insurance cost (RM0.25 million) and relocation cost for some personnel staff (RM0.23 million) as compared to corresponding financial period.

During the period, the total assets of the Bank showed a decrease of RM0.71 billion or 15.1% to RM4.03 billion mainly due to a decrease in loans and advances by RM0.51 billion as the result of loan settlements, lower short placement of deposits with financial institutions by RM0.41 billion, and also lower financial investments (available-for-sale) by RM0.10 billion. The settlement of loans is almost entirely as a result of compliance with the new Single Counterparty Exposure Limit Policy issued by Bank Negara Malaysia.

This, however, was offset by an increase in the derivatives financial assets of RM0.14 billion, an increase in the deposits and placements with financial institutions by RM0.09 billion and other assets by RM0.08 as compared to last corresponding period.

The fundings of the assets were mainly through holding company borrowings, interbank borrowings, deposits from customers and shareholders equity.

BUSINESS PROSPECTS

Malaysia's economy lost momentum in the second quarter, slowing to a 4.9% annual expansion after posting increases at or above 5.6% in the previous three quarters. Q2's figure marked the weakest growth in almost two years and was held back in part by the Goods and Services Tax (GST) implemented in April, and low prices for key Malaysian exports.

Based on the negative outlook for the country's economic growth in Q2 2015 and the weakening of MYR against other currencies, the strategic thrust for the remaining year 2015 would be to maintain the revenue growth and loan base with conservative packaging of new loan assets booked; second, ensuring credit quality through stringent credit processes and continuous monitoring and finally, expense controls to consolidate the operations.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2015

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the nine months ended 31 July 2015 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Bank Negara Malaysia Guidelines.

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 2014.

The following are accounting standards, amendments and interpretations that have been issued by the 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

- 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* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- 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 2017

- MFRS 15, *Revenue from Contracts with Customers*

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

- MFRS 9, *Financial Instruments (2014)*

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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 2017 for those accounting standards, amendments or interpretations 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, 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 15, Revenue from Contracts with Customers

MFRS 15 replaces MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for the Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. MFRS 15 includes extensive new disclosure requirements.

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

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.

2. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 October 2014 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 31 July 2015.

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 2015.

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 2015.

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 2015.

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 2015 RM'000	31 October 2014 RM'000	31 July 2015 RM'000	31 October 2014 RM'000
Cash and balances with banks and other financial institutions	8,228	6,502	8,198	6,472
Money at call and deposit placements maturing within one month	718,000	1,124,000	718,000	1,124,000
	<u>726,228</u>	<u>1,130,502</u>	<u>726,198</u>	<u>1,130,472</u>

12. Deposits and placements with financial institutions

	Group and Bank	
	31 July 2015 RM'000	31 October 2014 RM'000
Licensed banks	447,000	360,000

13. Financial investments available-for-sale

	Group and Bank	
	31 July 2015 RM'000	31 October 2014 RM'000
Quoted money market instruments - at fair value:		
- Bank Negara Malaysia Bills	99,176	-
- Malaysian Government Securities	201,208	201,182
- Bankers' acceptance	21,210	216,038
	<u>321,594</u>	<u>417,220</u>
Unquoted equity securities - at cost:		
- Unquoted shares in Malaysia	1,754	1,754
	<u>323,348</u>	<u>418,974</u>

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14. Loans and advances

	Group and Bank	
	31 July	31 October
	2015	2014
	RM'000	RM'000
(i) By type		
Overdrafts	36,896	40,810
Term loans		
- housing loans	149,340	160,800
- syndicated term loans	134,622	66,786
- other term loans	196,176	370,960
Bills receivable	713,024	544,137
Revolving credit	1,053,315	1,599,653
Staff loans	2,447	3,119
Other loans	-	12,997
	<u>2,285,820</u>	<u>2,799,262</u>
Less: Unearned interest	(1,320)	(2,368)
	<u>2,284,500</u>	<u>2,796,894</u>
Gross loans and advances	2,284,500	2,796,894
Less: Impairment provisions on loans and advances		
- Individual impairment provisions (Note 15(ii))	(24,327)	(22,122)
- Collective impairment provisions (Note 15(ii))	(31,953)	(31,953)
	<u>2,228,220</u>	<u>2,742,819</u>
Net loans and advances	<u>2,228,220</u>	<u>2,742,819</u>
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	161,961	182,168
Domestic business enterprises		
- Small medium enterprises	20,413	85,616
- Others	1,103,135	1,871,304
Individuals	234,784	261,914
Foreign entities	764,207	395,892
	<u>2,284,500</u>	<u>2,796,894</u>
Gross loans and advances	<u>2,284,500</u>	<u>2,796,894</u>

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14. Loans and advances (contd.)

	Group and Bank	
	31 July	31 October
	2015	2014
	RM'000	RM'000
(iii) By geographical distribution		
Northern region	115,214	214,617
Southern region	416,736	593,454
Central region	911,017	1,579,488
Eastern region	96,810	33,946
Outside Malaysia	744,723	375,389
	<u>2,284,500</u>	<u>2,796,894</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
	2015	2014
	RM'000	RM'000
(iv) By interest rate sensitivity		
Fixed rate:		
- Housing loans	2,194	2,900
- Other fixed rate loans	710,524	640,656
Variable rate:		
- Base Lending Rate plus	214,867	352,556
- Cost plus	1,356,915	1,800,782
	<u>2,284,500</u>	<u>2,796,894</u>
Gross loans and advances	<u>2,284,500</u>	<u>2,796,894</u>

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14. Loans and advances (contd.)

	Group and Bank	
	31 July	31 October
	2015	2014
	RM'000	RM'000
(v) By sector		
Agriculture	363,810	535,853
Manufacturing	645,990	736,207
Construction	80,000	177,159
Real estate	4,643	34,455
Purchase of landed property:		
- Residential	150,816	168,687
- Non-residential	51,757	56,400
Wholesale & retail trade and restaurants & hotels	31,132	182,470
Transport, storage and communication	77,542	100,098
Finance, insurance and business services	764,610	693,036
Purchase of securities	23,000	26,000
Purchase of transport vehicles	240	182
Consumption credit	65,590	71,305
Others	25,370	15,042
	<u>2,284,500</u>	<u>2,796,894</u>
Gross loans and advances	<u>2,284,500</u>	<u>2,796,894</u>
(vi) By residual contractual maturity		
Within one year	2,069,879	2,508,050
One year to five years	23,711	79,926
Over five years	190,910	208,918
	<u>2,284,500</u>	<u>2,796,894</u>

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15. Impaired loans and advances

	Group and Bank	
	31 July 2015	31 October 2014
	RM'000	RM'000
(i) Movements in impaired loans and advances		
At beginning of financial period	37,770	41,175
Classified as impaired during the financial period	8,288	17,631
Reclassified as performing during the financial period	(3,077)	(3,571)
Amount recovered	(3,959)	(10,063)
Amount written off	(66)	(7,402)
	<u>38,956</u>	<u>37,770</u>
At end of financial period	38,956	37,770
Individual impairment provisions	(24,327)	(22,122)
	<u>14,629</u>	<u>15,648</u>
Net impaired loans and advances		
Ratio of net impaired loans and advances to net loans and advances (less individual impairment provisions)	<u>0.66%</u>	<u>0.57%</u>
(ii) Movements in collective and individual impairment provisions for loans and advances		
Collective impairment provisions		
At beginning of financial period/year	31,953	33,368
Impairment made during the financial period	-	-
Amount written back	-	(1,415)
	<u>31,953</u>	<u>31,953</u>
At end of financial period/year		
As % of gross loans and advances less individual impairment provisions	<u>1.41%</u>	<u>1.15%</u>
Individual impairment provisions		
At beginning of financial period/year	22,122	26,895
Impairment made during the financial period/year	3,526	7,270
Amount written back	(1,283)	(4,641)
Amount written off	(38)	(7,402)
	<u>24,327</u>	<u>22,122</u>
At end of financial period/year		

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15. Impaired loans and advances (contd.)

	Group and Bank	
	31 July	31 October
	2015	2014
	RM'000	RM'000
(iii) By geographical distribution		
Southern region	1,476	983
Central region	30,420	30,159
Outside Malaysia	7,060	6,628
	<u>38,956</u>	<u>37,770</u>
(iv) By sector		
Purchase of landed property:		
- Residential	22,214	21,884
- Non-residential	8,265	7,387
Wholesale & retail trade and restaurants & hotels	7,590	7,244
Consumption credit	887	1,255
	<u>38,956</u>	<u>37,770</u>

16. Other assets

	Group and Bank	
	31 July	31 October
	2015	2014
	RM'000	RM'000
Interest receivable	9,243	10,063
Other receivables, deposits and prepayments	115,384	30,394
	<u>124,627</u>	<u>40,457</u>

17. Deposits from customers

	Group and Bank	
	31 July	31 October
	2015	2014
	RM'000	RM'000
(i) By type of deposit		
Demand deposits	72,671	72,127
Savings deposits	4,696	5,867
Fixed/Investment deposits	323,017	595,693
Others	327,293	400,509
	<u>727,677</u>	<u>1,074,196</u>

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17. Deposits from customers (contd.)

	Group and Bank	
	31 July	31 October
	2015	2014
	RM'000	RM'000
(ii) Maturity structure of fixed/investment deposits		
Due within six months	305,734	578,276
Six months to one year	16,316	16,742
More than one year	967	675
	<u>323,017</u>	<u>595,693</u>
(iii) By type of customer		
Business enterprises	661,568	998,033
Individuals	66,037	75,611
Others	72	552
	<u>727,677</u>	<u>1,074,196</u>

18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 July	31 October
	2015	2014
	RM'000	RM'000
Licensed banks	-	360,000
Other financial institutions	141,718	431,580
	<u>141,718</u>	<u>791,580</u>

19. Other liabilities

	Group and Bank	
	31 July	31 October
	2015	2014
	RM'000	RM'000
Interest payable	5,142	8,530
Other payables and accruals	169,850	53,570
	<u>174,992</u>	<u>62,100</u>

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20. Bank Negara Malaysia requires the Bank to maintain, in aggregate, a collective impairment provision and a regulatory reserves of no less than 1.2% of total outstanding loans, net of individual impairment provisions. As at 31 July 2015, the collective impairment provisions stands at 1.41%. Accordingly, the Bank did not further transferred any retained earnings to regulatory reserve.

As at 31 October 2014, the collective impairment provisions stands at 1.15%. Accordingly, the Bank has transferred RM1.71 million from retained earnings to regulatory reserve.

21. Interest income

	Group and Bank 3rd Quarter		Group and Bank 3rd YTD	
	31 July 2015 RM'000	31 July 2014 RM'000	31 July 2015 RM'000	31 July 2014 RM'000
Loans and advances:				
- Interest income other than recoveries from impaired loans	21,139	27,466	66,041	81,215
- Recoveries from impaired loans	70	239	531	1,066
Money at call and deposit placements with financial institutions	10,617	10,787	32,333	32,091
Financial investments available-for-sale	2,513	796	7,420	4,315
Others	2,584	3,821	9,316	5,597
Total interest income	<u>36,923</u>	<u>43,109</u>	<u>115,641</u>	<u>124,284</u>

22. Interest expense

	Group and Bank 3rd Quarter		Group and Bank 3rd YTD	
	31 July 2015 RM'000	31 July 2014 RM'000	31 July 2015 RM'000	31 July 2014 RM'000
Deposits and placements of banks and other financial institutions	3,839	5,805	12,306	15,588
Deposits from customers	6,038	7,427	19,778	21,602
Arbitrage interest	3,528	5,192	12,017	17,599
Others	2,402	3,712	8,748	6,283
	<u>15,807</u>	<u>22,136</u>	<u>52,849</u>	<u>61,072</u>

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23. Net fee and commission income

	Group and Bank		Group and Bank	
	3rd Quarter		3rd YTD	
	31 July	31 July	31 July	31 July
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Other fees relating to loans	999	752	4,740	5,332
Commitment fees	228	220	683	985
Guarantee fees	48	629	451	1,788
Acceptance commissions	138	158	344	551
Others	466	279	1,105	1,069
	<u>1,879</u>	<u>2,038</u>	<u>7,323</u>	<u>9,725</u>

24. Net trading income

	Group and Bank		Group and Bank	
	3rd Quarter		3rd YTD	
	31 July	31 July	31 July	31 July
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Gains arising from dealing in foreign currency	552	1,394	5,559	4,751
Unrealised (loss)/gain from derivative	(196)	570	1,371	2,640
Unrealised revaluation gain/(loss) in foreign exchange	(479)	136	(581)	181
	<u>(123)</u>	<u>2,100</u>	<u>6,349</u>	<u>7,572</u>

25. Other operating income

	Group and Bank		Group and Bank	
	3rd Quarter		3rd YTD	
	31 July	31 July	31 July	31 July
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Dividend income:				
- Financial investments available-for-sale	78	65	143	114
	<u>78</u>	<u>65</u>	<u>143</u>	<u>114</u>

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26. Other operating expenses

	Group and Bank		Group and Bank	
	3rd Quarter		3rd YTD	
	31 July	31 July	31 July	31 July
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries and bonuses	3,667	3,460	9,932	9,673
- Pension fund contributions	615	455	1,591	1,344
- Other staff costs	813	1,056	3,372	2,584
Marketing expenses:				
- Advertising and promotion	61	11	202	94
- Others	147	152	475	486
Establishment costs:				
- Depreciation of plant and equipment	60	183	194	511
- Rental	490	593	1,568	1,761
- Others	1,220	(1,793)	3,660	107
Administrative expenses:				
- Fees	1,931	(394)	4,944	2,589
- Others	603	435	1,282	1,179
	<u>9,607</u>	<u>4,158</u>	<u>27,220</u>	<u>20,328</u>

27. Loan impairment charges/(recovery)

	Group and Bank		Group and Bank	
	3rd Quarter		3rd YTD	
	31 July	31 July	31 July	31 July
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Individual impairment provisions for loans and advances				
- made in the financial period	1,053	1,346	3,526	4,620
- written back in respect of recoveries	(268)	(584)	(1,283)	(3,526)
Bad debts on loans and advances:				
- Recovered	(32)	(11)	(66)	(34)
	<u>753</u>	<u>751</u>	<u>2,177</u>	<u>1,060</u>

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28. Impairment on other assets

	Group and Bank		Group and Bank	
	3rd Quarter		3rd YTD	
	31 July	31 July	31 July	31 July
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Financial investments available-for-sale - equity securities	-	-	-	128

29. Capital adequacy

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

	Group and Bank	
	31 July	31 October
	2015	2014
	RM'000	RM'000
Tier 1 capital		
Paid-up share capital	122,375	122,375
Share premium	42,625	42,625
Retained earnings	594,838	594,838
Reserves	122,375	122,375
	882,213	882,213
Less: Deferred tax assets	(3,590)	(3,590)
Total Tier 1 capital	878,623	878,623
Tier 2 capital		
Collective impairment provisions, representing total Tier 2 capital	31,953	31,953
Regulatory Reserve	1,710	1,710
Total capital	912,286	912,286
Less: Investment in subsidiaries	(30)	(30)
Capital base	912,256	912,256
Core capital ratio	31.01%	30.81%
Risk-weighted capital ratio	32.20%	31.99%

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

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29. Capital adequacy (contd.)

	31 July 2015		31 October 2014	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	4,230,989	2,631,309	4,985,581	2,634,520
Market risk	-	14,194	-	14,639
Operational risk	-	187,775	-	202,227
	<u>4,230,989</u>	<u>2,833,278</u>	<u>4,985,581</u>	<u>2,851,386</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 31 July 2015			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	1,693,803	123,580	67,769
Cross currency interest rate swaps	384,881	42,577	41,453
Interest rate swaps	92,403	202	146
	<u>2,171,087</u>	<u>166,359</u>	<u>109,368</u>
At 31 October 2014			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	1,900,828	26,311	15,179
Cross currency interest rate swaps	463,074	4,163	3,122
Interest rate swaps	117,684	19	8
	<u>2,481,586</u>	<u>30,493</u>	<u>18,309</u>

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31. Commitments and contingencies

Group and Bank 31 July 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	184,404		92,202	32,392
Short term self liquidating trade-related contingencies	198,967		39,793	39,793
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	1,207		604	604
- not exceeding one year	435,827		87,165	87,165
Unutilised uncommitted credit lines	1,270,829		-	-
	2,091,234		219,764	159,954
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	1,946,966	166,157	108,495	34,278
- exceeding one year	131,718	-	14,622	7,311
Interest rate related contracts:				
- less than one year	-	-	-	-
- one year to less than five years	92,403	202	2,095	1,926
	2,171,087	166,359	125,212	43,515
Total	4,262,321	166,359	344,976	203,469

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31. Commitments and contingencies (contd.)

Group and Bank 31 October 2014	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	2,000		2,000	-
Transaction-related contingent items	182,856		91,428	90,439
Short term self liquidating trade-related contingencies	43,176		8,635	8,214
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	1,287		644	644
- not exceeding one year	322,598		64,520	64,520
Unutilised uncommitted credit lines	1,336,230		-	-
	1,888,147		167,227	163,817
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	1,950,571	30,474	57,135	18,845
- exceeding one year	413,331	-	37,390	17,125
Interest rate related contracts:				
- less than one year	50,000	19	52	26
- one year to less than five years	67,684	-	1,371	1,033
	2,481,586	30,493	95,948	37,029
Total	4,369,733	30,493	263,175	200,846