

The Bank of Nova Scotia Berhad

(Company No. 308035 U)

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

31 January 2016

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

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 308035 U)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2016

| | Note | Group | | Bank | |
|---|------|------------------------------|------------------------------|------------------------------|------------------------------|
| | | 31 January 2016 RM'000 | 31 October 2015 RM'000 | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| ASSETS | | | | | |
| Cash and short-term funds | 11 | 756,051 | 706,154 | 756,021 | 706,124 |
| Deposits and placements with financial institutions | 12 | 375,000 | 360,000 | 375,000 | 360,000 |
| Financial investments available-for-sale | 13 | 102,746 | 202,870 | 102,746 | 202,870 |
| Loans and advances | 14 | 2,675,398 | 2,848,508 | 2,675,398 | 2,848,508 |
| Derivative financial assets | 30 | 212,350 | 317,747 | 212,350 | 317,747 |
| Other assets | 16 | 285,383 | 206,883 | 285,383 | 206,883 |
| Statutory deposits with Bank Negara Malaysia | | 449 | 449 | 449 | 449 |
| Investment in subsidiaries | | - | - | 30 | 30 |
| Plant and equipment | | 2,880 | 2,918 | 2,880 | 2,918 |
| Deferred tax assets | | 2,765 | 2,514 | 2,765 | 2,514 |
| Tax recoverable | | 7,377 | 8,327 | 7,377 | 8,327 |
| TOTAL ASSETS | | 4,420,399 | 4,656,370 | 4,420,399 | 4,656,370 |
| LIABILITIES | | | | | |
| Deposits from customers | 17 | 837,969 | 704,292 | 837,969 | 704,292 |
| Deposits and placements of banks and other financial institutions | 18 | 406,043 | 142,250 | 406,043 | 142,250 |
| Derivative financial liabilities | 30 | 158,727 | 223,071 | 158,727 | 223,071 |
| Other liabilities | 19 | 362,663 | 330,930 | 362,663 | 330,930 |
| Amounts owing to holding company | | 1,712,089 | 2,323,602 | 1,712,089 | 2,323,602 |
| Amounts owing to related company | | - | - | - | - |
| TOTAL LIABILITIES | | 3,477,491 | 3,724,145 | 3,477,491 | 3,724,145 |

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 JANUARY 2016 (CONTD.)

| | Group | | Bank | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| EQUITY | | | | |
| Share capital | 122,375 | 122,375 | 122,375 | 122,375 |
| Reserves | 820,533 | 809,850 | 820,533 | 809,850 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK | <u>942,908</u> | <u>932,225</u> | <u>942,908</u> | <u>932,225</u> |
| TOTAL LIABILITIES AND EQUITY | <u>4,420,399</u> | <u>4,656,370</u> | <u>4,420,399</u> | <u>4,656,370</u> |
| COMMITMENTS AND CONTINGENCIES | 31 <u>4,237,750</u> | <u>4,031,146</u> | <u>4,237,750</u> | <u>4,031,146</u> |

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

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 308035 U)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 JANUARY 2016

| | Note | Group and Bank 1st Quarter Ended | | Group and Bank Three Months Ended | |
|--|------|-------------------------------------|---------------------------|--------------------------------------|------------------------------|
| | | January 2016 RM'000 | January 2015 RM'000 | 31 January 2016 RM'000 | 31 January 2015 RM'000 |
| Interest income | 21 | 34,210 | 42,462 | 34,210 | 42,462 |
| Interest expense | 22 | (14,414) | (20,944) | (14,414) | (20,944) |
| Net interest income | | 19,796 | 21,518 | 19,796 | 21,518 |
| Net fee and commission income | 23 | 2,976 | 2,150 | 2,976 | 2,150 |
| Net trading income | 24 | 1,679 | 3,004 | 1,679 | 3,004 |
| Other operating income | 25 | 16 | 16 | 16 | 16 |
| Net income | | 24,467 | 26,688 | 24,467 | 26,688 |
| Other operating expenses | 26 | (8,026) | (8,525) | (8,026) | (8,525) |
| Operating profit | | 16,441 | 18,163 | 16,441 | 18,163 |
| Loans impairment charges | 27 | 184 | (905) | 184 | (905) |
| Impairment on other assets | 28 | - | - | - | - |
| Profit before taxation | | 16,625 | 17,258 | 16,625 | 17,258 |
| Tax expense | | (6,050) | (4,177) | (6,050) | (4,177) |
| Profit for the period | | 10,575 | 13,081 | 10,575 | 13,081 |
| Other comprehensive income, net of income tax | | | | | |
| Fair value reserve (financial investments available-for-sale):- | | | | | |
| Net changes in fair value | | 108 | 180 | 108 | 180 |
| Total other comprehensive income, net of income tax | | 108 | 180 | 108 | 180 |
| Total comprehensive income for the period | | 10,683 | 13,261 | 10,683 | 13,261 |

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

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 308035 U)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JANUARY 2016

| | ← | Non-distributable | | → | Distributable | | |
|--|----------------------------|----------------------------|--------------------------------|---------------------------------|----------------------------|------------------------------|-----------------|
| | Share Capital RM'000 | Share Premium RM'000 | Statutory Reserve RM'000 | Regulatory Reserve RM'000 | Other Reserve RM'000 | Retained Profit RM'000 | Total RM'000 |
| Group and Bank | | | | | | | |
| As at 1 November 2014 | 122,375 | 42,625 | 122,375 | 1,710 | (377) | 594,838 | 883,546 |
| Profit for the period | - | - | - | - | - | 13,081 | 13,081 |
| Other comprehensive income net of tax | - | - | - | - | 180 | - | 180 |
| Total comprehensive income for the year | - | - | - | - | 180 | 13,081 | 13,261 |
| As at 31 January 2015 | 122,375 | 42,625 | 122,375 | 1,710 | (197) | 607,919 | 896,807 |
| As at 1 November 2015 | 122,375 | 42,625 | 122,375 | 5,910 | 215 | 638,725 | 932,225 |
| Profit for the period | - | - | - | - | - | 10,575 | 10,575 |
| Other comprehensive income net of tax | - | - | - | - | 108 | - | 108 |
| Total comprehensive income for the period | - | - | - | - | 108 | 10,575 | 10,683 |
| Transfer to Regulatory Reserve | - | - | - | - | - | - | - |
| As at 31 January 2016 | 122,375 | 42,625 | 122,375 | 5,910 | 323 | 649,300 | 942,908 |

Note 20

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

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 31 JANUARY 2016

| | Group | | Bank | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | 31 January 2016 RM'000 | 31 January 2015 RM'000 | 31 January 2016 RM'000 | 31 January 2015 RM'000 |
| Cash flows from operating activities | | | | |
| Profit before taxation | 16,625 | 17,258 | 16,625 | 17,258 |
| Adjustments for non-cash item | (902) | (525) | (902) | (525) |
| Operating profit before working capital changes | 15,723 | 16,733 | 15,723 | 16,733 |
| Changes in working capital: | | | | |
| Net changes in operating assets | 200,191 | (66,521) | 200,191 | (66,521) |
| Net changes in operating liabilities | (245,949) | (237,201) | (245,949) | (237,201) |
| Income taxes paid | (5,100) | (6,000) | (5,100) | (6,000) |
| Net cash used in operating activities | (35,135) | (292,989) | (35,135) | (292,989) |
| Net cash (used in)/generated from investing activities | 100,032 | (153,099) | 100,032 | (153,099) |
| Net decrease in cash and cash equivalents | 64,897 | (446,088) | 64,897 | (446,088) |
| Cash and cash equivalents at beginning of the financial period | 1,066,154 | 1,490,502 | 1,066,124 | 1,490,472 |
| Cash and cash equivalents at end of the financial period | 1,131,051 | 1,044,414 | 1,131,021 | 1,044,384 |
| Cash and cash equivalents comprise: | | | | |
| Cash and short term funds | 756,051 | 694,414 | 756,021 | 694,384 |
| Deposits and placements with financial institutions | 375,000 | 350,000 | 375,000 | 350,000 |
| | 1,131,051 | 1,044,414 | 1,131,021 | 1,044,384 |

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

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REVIEW OF PERFORMANCE

Q1 2016 vs Q4 2015

The Bank recorded lower assets by RM235 million or 5.05% compared to previous quarter mainly due to decline in loan and advances of RM173 million as a result of loan settlement coupled with planned exits and maturity of MGS. On the funding side, lower reliance on funding from holding company resulted in a decline in overall liabilities of RM245 million. Shift in funding strategy saw an increase in interbank borrowings and customer deposits.

Q1 2016 vs Q1 2015

The Bank recorded profit after tax of RM10.5 million for the Q1 FY2016; RM2.5 million lower compared to corresponding quarter in FY2015 . The drop was mainly due to lower interest income from loans (as a result of loan settlement and planned exits), interbank lending and securities. Interest expense was lower in line with lower deposit balance.

THE BANK OF NOVA SCOTIA BERHAD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2016

1. Basis of preparation of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

MFRS 9, *Financial Instruments*

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

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

MFRS 15, *Revenue from Contracts with Customers*

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

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

2. Auditor's report on preceding annual financial statements

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

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3. Seasonal or cyclical factors

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the period ended 31 January 2016.

5. Changes in accounting estimates

There were no material changes in estimates of amounts reported that have a material effect on the unaudited condensed interim financial statements for the period ended 31 January 2016.

6. Debt and Equity Securities

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

7. Dividend

No dividend was paid during the period ended 31 January 2016.

8. Carrying amount of revalued assets

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

9. Changes in the composition of the Group

There were no significant changes in the composition of the Group for the period ended 31 January 2016.

10. Subsequent events

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

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11. Cash and short-term funds

| | Group | | Bank | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| Cash and balances with banks and other financial institutions | 9,051 | 9,154 | 9,021 | 9,124 |
| Money at call and deposit placements maturing within one month | 747,000 | 697,000 | 747,000 | 697,000 |
| | <u>756,051</u> | <u>706,154</u> | <u>756,021</u> | <u>706,124</u> |

12. Deposits and placements with financial institutions

| | Group and Bank | |
|----------------|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| Licensed banks | <u>375,000</u> | <u>360,000</u> |

13. Financial investments available-for-sale

| | Group and Bank | |
|--|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| Quoted money market instruments - at fair value: | | |
| - Bank Negara Malaysia Bills | - | 100,000 |
| - Malaysian Government Securities | 100,992 | 101,116 |
| - Bankers' acceptance | - | - |
| | <u>100,992</u> | <u>201,116</u> |
| Unquoted equity securities - at cost: | | |
| - Unquoted shares in Malaysia | <u>1,754</u> | <u>1,754</u> |
| | <u>102,746</u> | <u>202,870</u> |

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14. Loans and advances

| | Group and Bank | |
|---|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| (i) By type | | |
| Overdrafts | 33,253 | 35,893 |
| Term loans | | |
| - housing loans | 140,302 | 144,879 |
| - syndicated term loans | 152,046 | 159,928 |
| - other term loans | 179,155 | 190,261 |
| Bills receivable | 775,831 | 882,763 |
| Revolving credit | 1,447,365 | 1,487,278 |
| Staff loans | 2,105 | 2,154 |
| Other loans | - | - |
| | <u>2,730,057</u> | <u>2,903,156</u> |
| Less: Unearned interest | (1,729) | (1,534) |
| | <u>2,728,328</u> | <u>2,901,622</u> |
| Gross loans and advances | 2,728,328 | 2,901,622 |
| Less: Impairment provisions on loans and advances | | |
| - Individual impairment provisions (Note 15(ii)) | (24,366) | (24,550) |
| - Collective impairment provisions (Note 15(ii)) | (28,564) | (28,564) |
| | <u>2,675,398</u> | <u>2,848,508</u> |
| Net loans and advances | <u>2,675,398</u> | <u>2,848,508</u> |
| (ii) By type of customer | | |
| Domestic non-bank financial institutions | | |
| - Others | 580,569 | 452,738 |
| Domestic business enterprises | | |
| - Small medium enterprises | 43,766 | 28,926 |
| - Others | 1,288,927 | 1,277,752 |
| Individuals | 218,211 | 229,705 |
| Foreign entities | 596,855 | 912,501 |
| | <u>2,728,328</u> | <u>2,901,622</u> |
| Gross loans and advances | <u>2,728,328</u> | <u>2,901,622</u> |

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14. Loans and advances (contd.)

| | Group and Bank | |
|---|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| (iii) By geographical distribution | | |
| Northern region | 155,483 | 158,194 |
| Southern region | 441,660 | 449,871 |
| Central region | 1,399,460 | 1,259,945 |
| Eastern region | 154,423 | 140,596 |
| Outside Malaysia | <u>577,302</u> | <u>893,016</u> |
| | <u>2,728,328</u> | <u>2,901,622</u> |

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

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

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

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

| | Group and Bank | |
|--|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| (iv) By interest rate sensitivity | | |
| Fixed rate: | | |
| - Housing loans | 1,832 | 1,874 |
| - Other fixed rate loans | 763,544 | 880,039 |
| Variable rate: | | |
| - Base Lending Rate plus | 357,641 | 520,667 |
| - Cost plus | <u>1,605,311</u> | <u>1,499,042</u> |
| Gross loans and advances | <u>2,728,328</u> | <u>2,901,622</u> |

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14. Loans and advances (contd.)

| | Group and Bank | |
|---|-----------------------|-------------------|
| | 31 January | 31 October |
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| (v) By sector | | |
| Agriculture | 324,379 | 489,275 |
| Manufacturing | 753,448 | 802,799 |
| Construction | 80,000 | 80,000 |
| Real estate | - | - |
| Purchase of landed property: | | |
| - Residential | 142,083 | 146,758 |
| - Non-residential | 48,973 | 51,061 |
| Wholesale & retail trade and restaurants & hotels | 111,852 | 63,393 |
| Transport, storage and communication | 92,722 | 96,073 |
| Finance, insurance and business services | 1,067,003 | 1,068,736 |
| Purchase of securities | 18,000 | 23,000 |
| Purchase of transport vehicles | 260 | 273 |
| Consumption credit | 64,041 | 64,826 |
| Others | 25,567 | 15,428 |
| | <u>2,728,328</u> | <u>2,901,622</u> |
| Gross loans and advances | <u>2,728,328</u> | <u>2,901,622</u> |
| (vi) By residual contractual maturity | | |
| Within one year | 2,527,175 | 2,693,581 |
| One year to five years | 24,667 | 23,643 |
| Over five years | 176,486 | 184,398 |
| | <u>2,728,328</u> | <u>2,901,622</u> |

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15. Impaired loans and advances

| | Group and Bank | |
|--|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| (i) Movements in impaired loans and advances | | |
| At beginning of financial period | 126,223 | 37,770 |
| Classified as impaired during the financial period | 3,698 | 98,079 |
| Reclassified as performing during the financial period | (737) | (2,025) |
| Amount recovered | (5,712) | (7,535) |
| Amount written off | - | (66) |
| | <u>123,472</u> | <u>126,223</u> |
| Individual impairment provisions | (24,366) | (24,550) |
| | <u>99,106</u> | <u>101,673</u> |
| Net impaired loans and advances | | |
| Ratio of net impaired loans and advances to net loans and advances (less individual impairment provisions) | <u>3.70%</u> | <u>3.57%</u> |
| (ii) Movements in collective and individual impairment provisions for loans and advances | | |
| Collective impairment provisions | | |
| At beginning of financial period/year | 28,564 | 31,953 |
| Impairment made during the financial period | - | - |
| Amount written back | - | (3,389) |
| | <u>28,564</u> | <u>28,564</u> |
| At end of financial period/year | | |
| As % of gross loans and advances less individual impairment provisions | <u>1.06%</u> | <u>0.99%</u> |
| Individual impairment provisions | | |
| At beginning of financial period/year | 24,550 | 22,122 |
| Impairment made during the financial period/year | 654 | 4,588 |
| Amount written back | (809) | (2,094) |
| Amount written off | (29) | (66) |
| | <u>24,366</u> | <u>24,550</u> |
| At end of financial period/year | | |

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15. Impaired loans and advances (contd.)

| | Group and Bank | |
|---|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| (iii) By geographical distribution | | |
| Northern region | 101 | 65 |
| Southern region | 288 | 287 |
| Central region | 114,062 | 118,149 |
| Outside Malaysia | 9,021 | 7,722 |
| | <u>123,472</u> | <u>126,223</u> |
| (iv) By sector | | |
| Manufacturing | 82,391 | 87,315 |
| Purchase of landed property: | | |
| - Residential | 22,026 | 21,870 |
| - Non-residential | 10,381 | 8,495 |
| Wholesale & retail trade and restaurants & hotels | 7,852 | 7,719 |
| Consumption credit | 822 | 824 |
| Finance, insurance and business services | - | - |
| | <u>123,472</u> | <u>126,223</u> |

16. Other assets

| | Group and Bank | |
|---|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| Interest receivable | 9,883 | 8,519 |
| Other receivables, deposits and prepayments | 275,500 | 198,364 |
| | <u>285,383</u> | <u>206,883</u> |

17. Deposits from customers

| | Group and Bank | |
|-------------------------------|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| (i) By type of deposit | | |
| Demand deposits | 34,449 | 53,240 |
| Savings deposits | 2,126 | 4,664 |
| Fixed/Investment deposits | 417,828 | 444,674 |
| Others | 383,566 | 201,714 |
| | <u>837,969</u> | <u>704,292</u> |

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17. Deposits from customers (contd.)

| | Group and Bank | |
|---|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| (ii) Maturity structure of fixed/investment deposits | | |
| Due within six months | 395,768 | 424,440 |
| Six months to one year | 21,940 | 20,214 |
| More than one year | 120 | 20 |
| | <u>417,828</u> | <u>444,674</u> |
| (iii) By type of customer | | |
| Business enterprises | 789,415 | 634,780 |
| Individuals | 48,472 | 69,437 |
| Others | 82 | 75 |
| | <u>837,969</u> | <u>704,292</u> |

18. Deposits and placements of banks and other financial institutions

| | Group and Bank | |
|------------------------------|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| Licensed banks | 366,793 | 15,000 |
| Other financial institutions | 39,250 | 127,250 |
| | <u>406,043</u> | <u>142,250</u> |

19. Other liabilities

| | Group and Bank | |
|-----------------------------|---------------------------------------|---------------------------------------|
| | 31 January 2016 RM'000 | 31 October 2015 RM'000 |
| Interest payable | 4,040 | 5,370 |
| Other payables and accruals | 358,623 | 325,560 |
| | <u>362,663</u> | <u>330,930</u> |

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

21. Interest income

| | Group and Bank 1st Quarter Ended | | Group and Bank Three Months Ended | |
|--|---|---------------------------------------|--|---------------------------------------|
| | 31 January 2016 RM'000 | 31 January 2015 RM'000 | 31 January 2016 RM'000 | 31 January 2015 RM'000 |
| Loans and advances: | | | | |
| - Interest income other than recoveries from impaired loans | 19,540 | 24,860 | 19,540 | 24,860 |
| - Recoveries from impaired loans | 559 | 187 | 559 | 187 |
| Money at call and deposit placements with financial institutions | 9,246 | 11,555 | 9,246 | 11,555 |
| Financial investments available-for-sale | 849 | 2,467 | 849 | 2,467 |
| Others | 4,016 | 3,393 | 4,016 | 3,393 |
| Total interest income | 34,210 | 42,462 | 34,210 | 42,462 |

22. Interest expense

| | Group and Bank 1st Quarter Ended | | Group and Bank Three Months Ended | |
|---|---|---------------------------------------|--|---------------------------------------|
| | 31 January 2016 RM'000 | 31 January 2015 RM'000 | 31 January 2016 RM'000 | 31 January 2015 RM'000 |
| Deposits and placements of banks and other financial institutions | 3,411 | 5,323 | 3,411 | 5,323 |
| Deposits from customers | 5,913 | 7,778 | 5,913 | 7,778 |
| Arbitrage interest | 1,432 | 4,649 | 1,432 | 4,649 |
| Others | 3,658 | 3,194 | 3,658 | 3,194 |
| Total interest expense | 14,414 | 20,944 | 14,414 | 20,944 |

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23. Net fee and commission income

| | Group and Bank | | Group and Bank | |
|------------------------------|--------------------------|-------------------|---------------------------|-------------------|
| | 1st Quarter Ended | | Three Months Ended | |
| | 31 January | 31 January | 31 January | 31 January |
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other fees relating to loans | 789 | 1,148 | 789 | 1,148 |
| Commitment fees | 116 | 263 | 116 | 263 |
| Guarantee fees | 282 | 219 | 282 | 219 |
| Acceptance commissions | 168 | 120 | 168 | 120 |
| Others | 1,621 | 400 | 1,621 | 400 |
| | <u>2,976</u> | <u>2,150</u> | <u>2,976</u> | <u>2,150</u> |

24. Net trading income

| | Group and Bank | | Group and Bank | |
|---|--------------------------|-------------------|---------------------------|-------------------|
| | 1st Quarter Ended | | Three Months Ended | |
| | 31 January | 31 January | 31 January | 31 January |
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Gains arising from dealing in foreign currency | 939 | 1,509 | 939 | 1,509 |
| Unrealised (loss)/gain from derivative | 740 | 1,648 | 740 | 1,648 |
| Unrealised revaluation gain/(loss) in foreign exchange | - | (153) | - | (153) |
| | <u>1,679</u> | <u>3,004</u> | <u>1,679</u> | <u>3,004</u> |

25. Other operating income

| | Group and Bank | | Group and Bank | |
|---|--------------------------|-------------------|---------------------------|-------------------|
| | 1st Quarter Ended | | Three Months Ended | |
| | 31 January | 31 January | 31 January | 31 January |
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Dividend income: | | | | |
| - Financial investments available-for-sale | 16 | 16 | 16 | 16 |
| | <u>16</u> | <u>16</u> | <u>16</u> | <u>16</u> |

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26. Other operating expenses

| | Group and Bank 1st Quarter Ended | | Group and Bank Three Months Ended | |
|--|---|---------------------------------------|--|---------------------------------------|
| | 31 January 2016 RM'000 | 31 January 2015 RM'000 | 31 January 2016 RM'000 | 31 January 2015 RM'000 |
| Personnel costs: | | | | |
| - Salaries and bonuses | 3,026 | 3,105 | 3,026 | 3,105 |
| - Pension fund contributions | 437 | 511 | 437 | 511 |
| - Other staff costs | 941 | 1,443 | 941 | 1,443 |
| Marketing expenses: | | | | |
| - Advertising and promotion | 28 | 42 | 28 | 42 |
| - Others | 172 | 172 | 172 | 172 |
| Establishment costs: | | | | |
| - Depreciation of plant and equipment | 38 | 70 | 38 | 70 |
| - Rental | 483 | 593 | 483 | 593 |
| - Others | 840 | 1,052 | 840 | 1,052 |
| Administrative expenses: | | | | |
| - Fees | 1,388 | 1,166 | 1,388 | 1,166 |
| - Others | 673 | 371 | 673 | 371 |
| | <u>8,026</u> | <u>8,525</u> | <u>8,026</u> | <u>8,525</u> |

27. Loan impairment charges/(recovery)

| | Group and Bank 1st Quarter Ended | | Group and Bank Three Months Ended | |
|--|---|---------------------------------------|--|---------------------------------------|
| | 31 January 2016 RM'000 | 31 January 2015 RM'000 | 31 January 2016 RM'000 | 31 January 2015 RM'000 |
| Individual impairment provisions for loans and advances | | | | |
| - made in the financial period | 654 | 1,397 | 654 | 1,397 |
| - written back in respect of recoveries | (809) | (481) | (809) | (481) |
| Bad debts on loans and advances: | | | | |
| - Recovered | (29) | (11) | (29) | (11) |
| | <u>(184)</u> | <u>905</u> | <u>(184)</u> | <u>905</u> |

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28. Impairment on other assets

| | Group and Bank | | Group and Bank | |
|--|--------------------------|-------------------|---------------------------|-------------------|
| | 1st Quarter Ended | | Three Months Ended | |
| | 31 January | 31 January | 31 January | 31 January |
| | 2016 | 2015 | 2016 | 2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial investments available-for-sale - equity securities | - | - | - | - |

29. Capital adequacy

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

| | Group and Bank | |
|--|-----------------------|-------------------|
| | 31 January | 31 October |
| | 2016 | 2015 |
| | RM'000 | RM'000 |
| Tier 1 capital | | |
| Paid-up share capital | 122,375 | 122,375 |
| Share premium | 42,625 | 42,625 |
| Retained earnings | 638,725 | 638,725 |
| Reserves | 122,375 | 122,375 |
| | 926,100 | 926,100 |
| Less: Deferred tax assets | (2,587) | (2,587) |
| Total Tier 1 capital | 923,513 | 923,513 |
| Tier 2 capital | | |
| Collective impairment provisions, representing total Tier 2 capital | 28,564 | 28,564 |
| Regulatory Reserve | 5,910 | 5,910 |
| Total capital | 957,987 | 957,987 |
| Less: Investment in subsidiaries | (30) | (30) |
| Capital base | 957,957 | 957,957 |
| Core capital ratio | 34.45% | 29.11% |
| Risk-weighted capital ratio | 35.73% | 30.19% |

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 January 2016 | | 31 October 2015 | |
|------------------|---------------------|-----------------------------|---------------------|-----------------------------|
| | Principal RM'000 | Risk- weighted RM'000 | Principal RM'000 | Risk- weighted RM'000 |
| Credit risk | 4,116,740 | 2,447,739 | 4,383,905 | 2,964,464 |
| Market risk | - | 42,596 | - | 17,687 |
| Operational risk | - | 190,787 | - | 190,688 |
| | <u>4,116,740</u> | <u>2,681,122</u> | <u>4,383,905</u> | <u>3,172,839</u> |

With effect from 1 January 2008, the capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework (RWCAF-Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

30. Derivative financial instruments

| | Nominal value RM'000 | Fair value | |
|-------------------------------------|----------------------------|------------------|-----------------------|
| | | Assets RM'000 | Liabilities RM'000 |
| At 31 January 2016 | | | |
| <i>Derivatives held-for-trading</i> | | | |
| Foreign exchange contracts | 1,998,557 | 132,640 | 81,316 |
| Cross currency interest rate swaps | 741,160 | 78,534 | 76,811 |
| Interest rate swaps | 88,207 | 1,176 | 600 |
| | <u>2,827,924</u> | <u>212,350</u> | <u>158,727</u> |
| At 31 October 2015 | | | |
| <i>Derivatives held-for-trading</i> | | | |
| Foreign exchange contracts | 1,882,927 | 219,524 | 126,346 |
| Cross currency interest rate swaps | 653,806 | 97,678 | 96,267 |
| Interest rate swaps | 98,632 | 545 | 458 |
| | <u>2,635,365</u> | <u>317,747</u> | <u>223,071</u> |

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31. Commitments and contingencies

| Group and Bank 31 Jan 2016 | Principal Amount RM'000 | Positive Fair Value of Derivate Contracts RM'000 | Credit Equivalent Amount RM'000 | Risk Weighted Assets RM'000 |
|---|------------------------------------|---|--|--|
| <u>Credit-related exposures</u> | | | | |
| Direct credit substitutes | - | | - | - |
| Transaction-related contingent items | 111,289 | | 55,645 | 32,392 |
| Short term self liquidating trade-related contingencies | 35,019 | | 7,004 | 39,793 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: | | | | |
| - exceeding one year | 1,115 | | 558 | 558 |
| - not exceeding one year | 141,092 | | 28,218 | 28,218 |
| Unutilised uncommitted credit lines | 1,121,311 | | - | - |
| | 1,409,826 | | 91,425 | 100,961 |
| <u>Derivative financial contracts</u> | | | | |
| Foreign exchange related contracts: | | | | |
| - less than one year | 2,624,920 | 211,174 | 78,823 | 26,309 |
| - exceeding one year | 114,797 | - | 45,484 | 22,742 |
| Interest rate related contracts: | | | | |
| - less than one year | - | - | - | - |
| - one year to less than five years | 88,207 | 1,176 | 1,340 | 1,252 |
| | 2,827,924 | 212,350 | 125,647 | 50,303 |
| Total | 4,237,750 | 212,350 | 217,072 | 151,264 |

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31. Commitments and contingencies (contd.)

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