

The Bank of Nova Scotia Berhad

(Company No. 308035 U)

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

31 July 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 JULY 2016

	Note	Group		Bank	
		31 July 2016 RM'000	31 October 2015 RM'000	31 July 2016 RM'000	31 October 2015 RM'000
ASSETS					
Cash and short-term funds	11	1,285,610	706,154	1,285,580	706,124
Deposits and placements with financial institutions	12	-	360,000	-	360,000
Financial investments available-for-sale	13	101,944	202,870	101,944	202,870
Loans and advances	14	2,172,803	2,848,508	2,172,803	2,848,508
Derivative financial assets	30	60,346	317,747	60,346	317,747
Other assets	16	511,035	206,883	511,035	206,883
Statutory deposits with Bank Negara Malaysia		9,453	449	9,453	449
Investment in subsidiaries		-	-	30	30
Plant and equipment		7,783	2,918	7,783	2,918
Deferred tax assets		2,207	2,514	2,207	2,514
Tax recoverable		15,192	8,327	15,192	8,327
TOTAL ASSETS		4,166,373	4,656,370	4,166,373	4,656,370
LIABILITIES					
Deposits from customers	17	467,976	704,292	467,976	704,292
Deposits and placements of banks and other financial institutions	18	961,475	142,250	961,475	142,250
Derivative financial liabilities	30	66,234	223,071	66,234	223,071
Other liabilities	19	534,518	330,930	534,518	330,930
Amounts owing to holding company		1,181,086	2,323,602	1,181,086	2,323,602
Amounts owing to related company		-	-	-	-
TOTAL LIABILITIES		3,211,289	3,724,145	3,211,289	3,724,145

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2016 (CONTD.)

	Group		Bank	
	31 July 2016 RM'000	31 October 2015 RM'000	31 July 2016 RM'000	31 October 2015 RM'000
EQUITY				
Share capital	122,375	122,375	122,375	122,375
Reserves	832,709	809,850	832,709	809,850
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK	<u>955,084</u>	<u>932,225</u>	<u>955,084</u>	<u>932,225</u>
TOTAL LIABILITIES AND EQUITY	<u>4,166,373</u>	<u>4,656,370</u>	<u>4,166,373</u>	<u>4,656,370</u>
COMMITMENTS AND CONTINGENCIES	31 <u>3,069,391</u>	<u>4,031,146</u>	<u>3,069,391</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.

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

	Note	Group and Bank 3rd Quarter Ended		Group and Bank 9 Months To	
		31 July 2016 RM'000	31 July 2015 RM'000	31 July 2016 RM'000	31 July 2015 RM'000
Interest income	21	35,574	36,923	104,997	115,641
Interest expense	22	(19,133)	(15,807)	(48,669)	(52,849)
Net interest income		16,441	21,116	56,328	62,792
Net fee and commission income	23	3,304	1,879	9,287	7,323
Net trading income	24	(719)	(123)	1,235	6,349
Other operating income	25	49	78	65	143
Net income		19,075	22,950	66,915	76,607
Other operating expenses	26	(9,856)	(9,607)	(28,742)	(27,220)
Operating profit		9,219	13,343	38,173	49,387
Loans impairment charges	27	(3,331)	(753)	(7,633)	(2,177)
Impairment on other assets	28	-	-	-	-
Profit before taxation		5,888	12,590	30,540	47,210
Tax expense		(1,654)	(4,475)	(7,515)	(12,912)
Profit for the period		4,234	8,115	23,026	34,298
Other comprehensive income, net of income tax					
Fair value reserve (financial investments available-for-sale):-					
Net changes in fair value		(122)	480	(167)	886
Total other comprehensive income, net of income tax		(122)	480	(167)	886
Total comprehensive income for the period		4,112	8,595	22,859	35,184

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

THE BANK OF NOVA SCOTIA BERHAD

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JULY 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	-	-	-	-	-	34,298	34,298
Other comprehensive income net of tax	-	-	-	-	886	-	886
Total comprehensive income for the year	-	-	-	-	886	34,298	35,184
As at 31 July 2015	122,375	42,625	122,375	1,710	509	629,136	918,730
As at 1 November 2015	122,375	42,625	122,375	5,910	215	638,725	932,225
Profit for the period	-	-	-	-	-	23,026	23,026
Other comprehensive income net of tax	-	-	-	-	(167)	-	(167)
Total comprehensive income for the period	-	-	-	-	(167)	23,026	22,859
As at 31 July 2016	122,375	42,625	122,375	5,910	48	661,751	955,084

Note 20

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

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UNAUDITED CONDENSED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 JULY 2016

	Group		Bank	
	31 July 2016 RM'000	31 July 2015 RM'000	31 July 2016 RM'000	31 July 2015 RM'000
Cash flows from operating activities				
Profit before taxation	30,540	47,210	30,540	47,210
Adjustments for non-cash item	7,869	1,504	7,869	1,504
Operating profit before working capital changes	38,409	48,714	38,409	48,714
Changes in working capital:				
Net changes in operating assets	612,317	308,045	612,317	308,045
Net changes in operating liabilities	(512,898)	(752,514)	(512,898)	(752,514)
Income taxes paid	(14,025)	(18,000)	(14,025)	(18,000)
Net cash used in operating activities	123,803	(413,755)	123,803	(413,755)
Net cash (used in)/generated from investing activities	95,653	96,481	95,653	96,481
Net decrease in cash and cash equivalents	219,456	(317,274)	219,456	(317,274)
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	1,285,610	1,173,228	1,285,580	1,173,198
Cash and cash equivalents comprise:				
Cash and short term funds	1,285,610	726,228	1,285,580	726,198
Deposits and placements with financial institutions	-	447,000	-	447,000
	1,285,610	1,173,228	1,285,580	1,173,198

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

Total assets of the Bank has decreased by RM490 million or 10.52% as compared to financial year ended 2015. The decline was mainly due to loan repayment, maturity of the government securities and forward contracts. The lower asset base resulted in corresponding decline in funding requirement.

Borrowings from holding company declined from RM2.3 billion as at 31 October 2015 to RM1.2 billion as at 31 July 2016. The drop in customer deposits was supported by increase in interbank borrowings.

Profit before tax for the 9 months ended 31 July 2016 was RM30.5 million; RM16.7 million lower compared to the corresponding period in financial year 2015. The decline was mainly contributed by lower interest income and trading income. The drop in interest income was due to lower loan base coupled with a shift in product mix and currency mix of the loans portfolio (FX loans compared to RM loans). Lower FX income was recorded for YTD FY16 from lower trading volume.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 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*
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- *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 July 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 July 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 July 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 July 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 July 2016 RM'000	31 October 2015 RM'000	31 July 2016 RM'000	31 October 2015 RM'000
Cash and balances with banks and other financial institutions	8,661	9,154	8,631	9,124
Money at call and deposit placements maturing within one month	1,276,949	697,000	1,276,949	697,000
	<u>1,285,610</u>	<u>706,154</u>	<u>1,285,580</u>	<u>706,124</u>

12. Deposits and placements with financial institutions

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

13. Financial investments available-for-sale

	Group and Bank	
	31 July 2016 RM'000	31 October 2015 RM'000
Quoted money market instruments - at fair value:		
- Bank Negara Malaysia Bills	-	100,000
- Malaysian Government Securities	100,190	101,116
- Bankers' acceptance	-	-
	<u>100,190</u>	<u>201,116</u>
Unquoted equity securities - at cost:		
- Unquoted shares in Malaysia	1,754	1,754
	<u>101,944</u>	<u>202,870</u>

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14. Loans and advances

	Group and Bank	
	31 July	31 October
	2016	2015
	RM'000	RM'000
(i) By type		
Overdrafts	34,534	35,893
Term loans		
- housing loans	131,743	144,879
- syndicated term loans	143,698	159,928
- other term loans	147,061	190,261
Bills receivable	480,777	882,763
Revolving credit	1,295,435	1,487,278
Staff loans	1,981	2,154
	<u>2,235,229</u>	<u>2,903,156</u>
Less: Unearned interest	(1,679)	(1,534)
	<u>2,233,550</u>	<u>2,901,622</u>
Gross loans and advances	2,233,550	2,901,622
Less: Impairment provisions on loans and advances		
- Individual impairment provisions (Note 15(ii))	(32,183)	(24,550)
- Collective impairment provisions (Note 15(ii))	(28,564)	(28,564)
	<u>2,172,803</u>	<u>2,848,508</u>
Net loans and advances	<u>2,172,803</u>	<u>2,848,508</u>
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	456,736	452,738
Domestic business enterprises		
- Small medium enterprises	45,712	28,926
- Others	1,148,943	1,277,752
Individuals	205,973	229,705
Foreign entities	376,186	912,501
	<u>2,233,550</u>	<u>2,901,622</u>
Gross loans and advances	<u>2,233,550</u>	<u>2,901,622</u>

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14. Loans and advances (contd.)

	Group and Bank	
	31 July	31 October
	2016	2015
	RM'000	RM'000
(iii) By geographical distribution		
Northern region	155,554	158,194
Southern region	486,121	449,871
Central region	1,125,811	1,259,945
Eastern region	108,812	140,596
Outside Malaysia	357,252	893,016
	<u>2,233,550</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 July	31 October
	2016	2015
	RM'000	RM'000
(iv) By interest rate sensitivity		
Fixed rate:		
- Housing loans	1,749	1,874
- Other fixed rate loans	396,923	880,039
Variable rate:		
- Base Lending Rate plus	409,855	520,667
- Cost plus	1,425,023	1,499,042
	<u>2,233,550</u>	<u>2,901,622</u>
Gross loans and advances	<u>2,233,550</u>	<u>2,901,622</u>

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14. Loans and advances (contd.)

	Group and Bank	
	31 July	31 October
	2016	2015
	RM'000	RM'000
(v) By sector		
Agriculture	508,966	489,275
Manufacturing	558,496	802,799
Construction	-	80,000
Real estate	-	-
Purchase of landed property:		
- Residential	133,287	146,758
- Non-residential	47,050	51,061
Wholesale & retail trade and restaurants & hotels	62,673	63,393
Transport, storage and communication	90,868	96,073
Finance, insurance and business services	727,552	1,068,736
Purchase of securities	17,500	23,000
Purchase of transport vehicles	216	273
Consumption credit	61,394	64,826
Others	25,548	15,428
	<u>2,233,550</u>	<u>2,901,622</u>
Gross loans and advances	<u>2,233,550</u>	<u>2,901,622</u>
(vi) By residual contractual maturity		
Within one year	2,052,729	2,693,581
One year to five years	23,490	23,643
Over five years	157,331	184,398
	<u>2,233,550</u>	<u>2,901,622</u>

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15. Impaired loans and advances

	Group and Bank	
	31 July 2016	31 October 2015
	RM'000	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	17,849	98,079
Reclassified as performing during the financial period	(3,104)	(2,025)
Amount recovered	(18,254)	(7,535)
Amount written off	-	(66)
	<u>122,714</u>	<u>126,223</u>
Individual impairment provisions	(32,183)	(24,550)
	<u>90,531</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>4.17%</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>1.30%</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	9,659	4,588
Amount written back	(2,026)	(2,094)
Amount written off	-	(66)
	<u>32,183</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 July	31 October
	2016	2015
	RM'000	RM'000
(iii) By geographical distribution		
Northern region	77	65
Southern region	286	287
Central region	113,270	118,149
Outside Malaysia	9,081	7,722
	<u>122,714</u>	<u>126,223</u>
(iv) By sector		
Manufacturing	80,832	87,315
Purchase of landed property:		
- Residential	22,491	21,870
- Non-residential	10,468	8,495
Wholesale & retail trade and restaurants & hotels	8,114	7,719
Consumption credit	809	824
Finance, insurance and business services		-
	<u>122,714</u>	<u>126,223</u>

16. Other assets

	Group and Bank	
	31 July	31 October
	2016	2015
	RM'000	RM'000
Interest receivable	7,390	8,519
Other receivables, deposits and prepayments	503,645	198,364
	<u>511,035</u>	<u>206,883</u>

17. Deposits from customers

	Group and Bank	
	31 July	31 October
	2016	2015
	RM'000	RM'000
(i) By type of deposit		
Demand deposits	343,789	502,578
Savings deposits	27,668	53,240
Fixed/Investment deposits	1,445	4,664
Others	314,676	444,674
	<u>124,187</u>	<u>201,714</u>
	<u>467,976</u>	<u>704,292</u>

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17. Deposits from customers (contd.)

	Group and Bank	
	31 July	31 October
	2016	2015
	RM'000	RM'000
(ii) Maturity structure of fixed/investment deposits		
Due within six months	304,329	424,440
Six months to one year	10,143	20,214
More than one year	204	20
	<u>314,676</u>	<u>444,674</u>
(iii) By type of customer		
Business enterprises	428,465	634,780
Individuals	39,484	69,437
Others	27	75
	<u>467,976</u>	<u>704,292</u>

18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 July	31 October
	2016	2015
	RM'000	RM'000
Licensed banks	737,608	15,000
Other financial institutions	223,867	127,250
	<u>961,475</u>	<u>142,250</u>

19. Other liabilities

	Group and Bank	
	31 July	31 October
	2016	2015
	RM'000	RM'000
Interest payable	4,489	5,370
Other payables and accruals	530,029	325,560
	<u>534,518</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 3rd Quarter Ended		Group and Bank 9 Months To	
	31 July 2016 RM'000	31 July 2015 RM'000	31 July 2016 RM'000	31 July 2015 RM'000
Loans and advances:				
- Interest income other than recoveries from impaired loans	20,014	21,139	61,398	66,041
- Recoveries from impaired loans	88	70	812	531
Money at call and deposit placements with financial institutions	8,099	10,617	24,443	32,333
Financial investments available-for-sale	-	831	2,498	7,420
Others	6,542	2,584	15,846	9,316
Total interest income	35,574	36,923	104,997	115,641

22. Interest expense

	Group and Bank 3rd Quarter Ended		Group and Bank 9 Months To	
	31 July 2016 RM'000	31 July 2015 RM'000	31 July 2016 RM'000	31 July 2015 RM'000
Deposits and placements of banks and other financial institutions	6,279	3,839	14,189	12,306
Deposits from customers	6,870	6,038	18,927	19,778
Arbitrage interest	(152)	3,528	867	12,017
Others	6,136	2,402	14,686	8,748
	19,133	15,807	48,669	52,849

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23. Net fee and commission income

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Other fees relating to loans	520	999	2,216	4,740
Commitment fees	164	228	353	683
Guarantee fees	24	48	456	451
Acceptance commissions	167	138	448	344
Others	2,429	466	5,814	1,105
	<u>3,304</u>	<u>1,879</u>	<u>9,287</u>	<u>7,323</u>

24. Net trading income

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Gains arising from dealing in foreign currency	(265)	552	1,278	5,559
Unrealised (loss)/gain from derivative	(491)	(196)	(43)	1,371
Unrealised revaluation gain/(loss) in foreign exchange	37	(479)	-	(581)
	<u>(719)</u>	<u>(123)</u>	<u>1,235</u>	<u>6,349</u>

25. Other operating income

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Dividend income:				
- Financial investments available-for-sale	49	78	65	143
	<u>49</u>	<u>78</u>	<u>65</u>	<u>143</u>

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26. Other operating expenses

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries and bonuses	3,628	3,667	11,166	9,932
- Pension fund contributions	559	615	1,532	1,591
- Other staff costs	1,333	813	3,570	3,372
Marketing expenses:				
- Advertising and promotion	30	61	63	202
- Others	149	147	485	475
Establishment costs:				
- Depreciation of plant and equipment	213	60	473	194
- Rental	249	490	1,103	1,568
- Others	1,263	1,220	3,315	3,660
Administrative expenses:				
- Fees	1,690	1,931	5,033	4,944
- Others	742	603	2,002	1,282
	<u>9,856</u>	<u>9,607</u>	<u>28,742</u>	<u>27,220</u>

27. Loan impairment charges/(recovery)

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Impairment provisions for loans and advances				
(a) Individual impairment provisions:				
- made in the financial period	3,469	1,053	9,659	3,526
- written back in respect of recoveries	(138)	(268)	(2,026)	(1,283)
(b) Collective impairment provisions				
- made in the financial period	-	-	-	-
- written back	-	-	-	-
Bad debts on loans and advances:				
- Recovered	-	(32)	-	(66)
- Written off	-	-	-	-
	<u>3,331</u>	<u>753</u>	<u>7,633</u>	<u>2,177</u>

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28. Impairment on other assets

	Group and Bank		Group and Bank	
	3rd Quarter Ended		9 Months To	
	31 July	31 July	31 July	31 July
	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 July 2016 RM'000	31 October 2015 RM'000
Tier 1 capital		
Paid-up share capital	122,375	122,375
Share premium	42,625	42,625
Retained earnings	638,725	638,725
Reserves	122,375	122,375
	926,100	926,100
Less: Deferred tax assets	(2,587)	(2,587)
Total Tier 1 capital	923,513	923,513
Tier 2 capital		
Collective impairment provisions, representing total Tier 2 capital	18,153	18,153
Regulatory Reserve	5,910	5,910
Total capital	947,576	947,576
Less: Investment in subsidiaries	(30)	(30)
Capital base	947,546	947,546
Core capital ratio	36.13%	29.11%
Risk-weighted capital ratio	37.07%	29.86%

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

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29. Capital adequacy (contd.)

	31 July 2016		31 October 2015	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	3,783,629	2,318,018	4,383,905	2,964,464
Market risk	-	58,385	-	17,687
Operational risk	-	179,383	-	190,688
	<u>3,783,629</u>	<u>2,555,787</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 July 2016			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	1,079,243	7,396	14,307
Cross currency interest rate swaps	584,363	52,320	51,329
Interest rate swaps	78,659	630	598
	<u>1,742,265</u>	<u>60,346</u>	<u>66,234</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 July 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	90,564		45,282	23,843
Short term self liquidating trade-related contingencies	7,598		1,520	1,416
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	1,157		579	578
- not exceeding one year	188,160		37,632	37,632
Unutilised uncommitted credit lines	1,039,647		-	
	1,327,126		85,013	63,469
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	1,569,048	59,716	29,029	11,923
- exceeding one year	94,558	-	8,510	4,255
Interest rate related contracts:				
- less than one year	-	-	-	-
- one year to less than five years	78,659	630	1,273	1,186
	1,742,265	60,346	38,812	17,364
Total	3,069,391	60,346	123,825	80,833

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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