

The Bank of Nova Scotia Berhad

(Company No. 308035 U)

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

31 January 2018

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 2018

	Note	Group		Bank	
		31 January 2018 RM'000	31 October 2017 RM'000	31 January 2018 RM'000	31 October 2017 RM'000
ASSETS					
Cash and short-term funds	11	723,623	709,683	723,593	709,653
Financial investments					
available-for-sale	12	103,531	103,785	103,531	103,785
Loans and advances	13	1,328,992	1,611,696	1,328,992	1,611,696
Derivative financial assets	28	23,600	25,401	23,600	25,401
Other assets	15	9,211	13,441	9,211	13,441
Statutory deposits with					
Bank Negara Malaysia		1,299	7,289	1,299	7,289
Investment in subsidiaries		-	-	30	30
Plant and equipment		7,157	7,374	7,157	7,374
Deferred tax assets		967	1,502	967	1,502
Tax recoverable		11,413	11,608	11,413	11,608
TOTAL ASSETS		2,209,793	2,491,779	2,209,793	2,491,779
LIABILITIES					
Deposits from customers	16	374,853	402,970	374,853	402,970
Deposits and placements of					
banks and other financial					
institutions	17	430,436	515,464	430,436	515,464
Derivative financial liabilities	28	21,616	21,988	21,616	21,988
Other liabilities	18	24,766	34,779	24,766	34,779
Amounts owing to holding					
company		374,784	538,045	374,784	538,045
Deferred tax liabilities		-	-	-	-
TOTAL LIABILITIES		1,226,455	1,513,246	1,226,455	1,513,246

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2018 (CONTD.)

	Group		Bank	
	31 January 2018 RM'000	31 October 2017 RM'000	31 January 2018 RM'000	31 October 2017 RM'000
EQUITY				
Share capital	165,000	165,000	165,000	165,000
Reserves	818,338	813,533	818,338	813,533
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK	<u>983,338</u>	<u>978,533</u>	<u>983,338</u>	<u>978,533</u>
TOTAL LIABILITIES AND EQUITY	<u>2,209,793</u>	<u>2,491,779</u>	<u>2,209,793</u>	<u>2,491,779</u>
COMMITMENTS AND CONTINGENCIES	29 <u>2,090,323</u>	<u>2,174,448</u>	<u>2,090,323</u>	<u>2,174,448</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 2017.

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 JANUARY 2018

	Note	Group and Bank 1st Quarter Ended		Group and Bank Three Months Ended	
		31 January 2018 RM'000	31 January 2017 RM'000	31 January 2018 RM'000	31 January 2017 RM'000
Interest income	20	24,533	31,152	24,533	31,152
Interest expense	21	(9,073)	(14,731)	(9,073)	(14,731)
Net interest income		15,460	16,421	15,460	16,421
Net fee and commission income	22	1,084	2,444	1,084	2,444
Net trading income/(losses)	23	534	(54)	534	(54)
Other operating income	24	-	16	-	16
Net income		17,078	18,827	17,078	18,827
Other operating expenses	25	(8,880)	(7,296)	(8,880)	(7,296)
Operating profit		8,198	11,531	8,198	11,531
Loans impairment charges	26	(1,992)	(2,575)	(1,992)	(2,575)
Profit before taxation		6,206	8,956	6,206	8,956
Tax expense		(1,508)	(2,218)	(1,508)	(2,218)
Profit for the period		4,698	6,738	4,698	6,738
Other comprehensive income, net of tax <i>Items that will not be reclassified subsequently to profit or loss</i>					
Fair value reserve (financial investments available-for-sale):-					
Net changes in fair value		107	21	107	21
Total other comprehensive income, net of income tax		107	21	107	21
Total comprehensive income for the period attributable to owners of the Bank		4,805	6,759	4,805	6,759
Basic earnings per share (sen)		4	6	4	6

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 2017.

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JANUARY 2018

	Share Capital RM'000	Share Premium RM'000	Non-distributable			Distributable Retained Profit RM'000	Total RM'000
			Statutory Reserve RM'000	Regulatory Reserve RM'000	Other Reserve RM'000		
Group and Bank							
As at 1 November 2016	122,375	42,625	122,375	5,910	(388)	659,605	952,502
Net profit for the period	-	-	-	-	-	6,738	6,738
Other comprehensive income, net of tax - Net changes in fair value	-	-	-	-	21	-	21
Total comprehensive income for the period	-	-	-	-	21	6,738	6,759
As at 31 January 2017	122,375	42,625	122,375	5,910	(367)	666,343	959,261
As at 1 November 2017	165,000	-	-	-	(399)	813,932	978,533
Net profit for the period	-	-	-	-	-	4,698	4,698
Other comprehensive income, net of tax - Net changes in fair value	-	-	-	-	107	-	107
Total comprehensive income for the period	-	-	-	-	107	4,698	4,805
As at 31 January 2018	165,000	-	-	-	(292)	818,630	983,338

Note 19

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the year ended 31 October 2017.

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UNAUDITED CONDENSED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 JANUARY 2018

	Group		Bank	
	31 January 2018 RM'000	31 January 2017 RM'000	31 January 2018 RM'000	31 January 2017 RM'000
Cash flows from operating activities				
Profit before taxation	6,206	8,956	6,206	8,956
Adjustments for non-cash item	4,049	(4,398)	4,049	(4,398)
Operating profit before working capital changes	10,255	4,558	10,255	4,558
Changes in working capital:				
Net changes in operating assets	292,707	5,757	292,707	5,757
Net changes in operating liabilities	(288,210)	(347,751)	(288,210)	(347,751)
Income taxes paid	(812)	(3,251)	(812)	(3,251)
Net cash generated from/(used in) operating activities	13,940	(340,687)	13,940	(340,687)
Net cash generated from investing activities	-	16	-	16
Net increase/(decrease) in cash and cash equivalents	13,940	(340,671)	13,940	(340,671)
Cash and cash equivalents at beginning of the financial period	709,683	1,216,445	709,653	1,216,415
Cash and cash equivalents at end of the financial period	723,623	875,774	723,593	875,744
Cash and cash equivalents comprise:				
Cash and short term funds	723,623	875,774	723,593	875,744

THE BANK OF NOVA SCOTIA BERHAD

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AND ITS SUBSIDIARIES**REVIEW OF PERFORMANCE**

Profit before tax for the first quarter ended 31 January 2018 was RM6.21 million; RM2.75 million lower compared to the corresponding period in financial year 2017. The decrease was attributed to lower net interest and fee income earned as lending reduced, as well as higher operating expenses, mainly due to reversals of overprovided costs in the comparative period.

Total assets of the Bank decreased by RM282 million or 11.32% as compared to financial year ended 2017 mainly due to the decline in loans and advances. Correspondingly, total liabilities of the Bank had dropped by RM286.79 or 18.95% as compared to financial year ended 2017 due to less funding required to be raised from customers deposits, intercompany and interbank lending.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2018

1. Basis of preparation of the financial statements

The unaudited interim financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB").

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 2017. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group and the Bank since the year ended 31 October 2017.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the last audited annual financial statements for the year ended 31 October 2017, and modified for the adoption of the following amendments to MFRSs:

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

The adoption of the new amendments to published standards, did not have significant impact on the financial results of the Group and the Bank.

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 2018

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

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

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 3, *Business Combinations - Previously Held Interest in a Joint Operation*
- Amendments to MFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation*
- Amendments to MFRS 112, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to MFRS 123, *Borrowing Costs - Borrowing Costs Eligible for Capitalisation*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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

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

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

- from the annual period beginning on 1 November 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018;
- from the annual period beginning on 1 November 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019; and
- from the annual period beginning on 1 November 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021.

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

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

(i) MFRS 15, *Revenue from Contracts with Customers*

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

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

(ii) MFRS 9, *Financial Instruments*

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

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

(iii) MFRS 16, *Leases*

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

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

2. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 October 2017 was not qualified.

3. Seasonal or cyclical factors

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the period ended 31 January 2018.

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 2018.

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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 2018.

8. Changes in the composition of the Group

There were no changes in the composition of the Group for the period ended 31 January 2018.

9. Subsequent events

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

10. Fair value of financial instruments

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level

- 1: Quoted market price (unadjusted) in an active market for an identical asset or liability.
- 2: Valuation techniques based on observable inputs, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted prices for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.
- 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category also includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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10. Fair value of financial instruments (contd.)

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used in the market. The objective of valuation techniques is to arrive at a fair value that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The table below analyses financial instruments measured at fair value at the end of the respective reporting periods, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Group and Bank			Total
	Level 1	Level 2	Level 3	
	RM'000	RM'000	RM'000	RM'000
31 January 2018				
Financial investments				
available-for-sale*	-	101,777	-	101,777
Derivative Financial Assets	-	23,600	-	23,600
	-	125,377	-	125,377
Derivative Financial Liabilities	-	21,616	-	21,616
31 October 2017				
Financial investments				
available-for-sale*	-	102,031	-	102,031
Derivative Financial Assets	-	25,401	-	25,401
	-	127,432	-	127,432
Derivative Financial Liabilities	-	21,988	-	21,988

* Excludes equity securities which are carried at cost due to the lack of quoted prices in an active market and the fair values of the investments cannot be reliably measured.

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11. Cash and short-term funds

	Group		Bank	
	31 January 2018 RM'000	31 October 2017 RM'000	31 January 2018 RM'000	31 October 2017 RM'000
Cash and balances with banks and other financial institutions	19,996	8,167	19,966	8,137
Money at call and deposit placements maturing within one month	703,627	701,516	703,627	701,516
	<u>723,623</u>	<u>709,683</u>	<u>723,593</u>	<u>709,653</u>

12. Financial investments available-for-sale

	Group and Bank	
	31 January 2018 RM'000	31 October 2017 RM'000
Quoted money market instruments - at fair value: - Malaysian Government Securities	101,777	102,031
Unquoted equity securities - at cost: - Unquoted shares in Malaysia	1,754	1,754
	<u>103,531</u>	<u>103,785</u>

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13. Loans and advances

	Group and Bank	
	31 January 2018 RM'000	31 October 2017 RM'000
(i) By type		
Overdrafts	25,582	26,079
Term loans		
- housing loans	111,904	113,740
- syndicated term loans	-	37,875
- other term loans	56,580	59,115
Bills receivable	313,966	332,440
Revolving credit	894,958	1,114,619
Staff loans	1,707	1,764
	<u>1,404,697</u>	<u>1,685,632</u>
Less: Unearned interest	(1,040)	(1,289)
	1,403,657	1,684,343
Gross loans and advances		
Less: Impairment provisions on loans and advances		
- Individual impairment provisions (Note 14(ii))	(53,984)	(51,966)
- Collective impairment provisions (Note 14(ii))	(20,681)	(20,681)
Net loans and advances	<u>1,328,992</u>	<u>1,611,696</u>
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	185,900	199,180
Domestic business enterprises		
- Small medium enterprises	15,912	2,238
- Others	882,381	1,171,666
Individuals	161,698	165,500
Foreign entities	157,766	145,759
Gross loans and advances	<u>1,403,657</u>	<u>1,684,343</u>

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13. Loans and advances (contd.)

	Group and Bank	
	31 January	31 October
	2018	2017
	RM'000	RM'000
(iii) By geographical distribution		
Northern region	144,492	164,661
Southern region	134,998	321,711
Central region	872,326	910,140
Eastern region	113,286	160,339
Outside Malaysia	138,555	127,492
	<u>1,403,657</u>	<u>1,684,343</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	31 October
	2018	2017
	RM'000	RM'000
(iv) By interest rate sensitivity		
Fixed rate:		
- Housing loans	1,486	1,524
- Other fixed rate loans	223,817	241,253
Variable rate:		
- Base Lending Rate plus	347,993	280,613
- Cost plus	830,361	1,160,953
Gross loans and advances	<u>1,403,657</u>	<u>1,684,343</u>

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13. Loans and advances (contd.)

	Group and Bank	
	31 January 2018	31 October 2017
	RM'000	RM'000
(v) By sector		
Agriculture	310,630	490,318
Manufacturing	263,819	360,475
Construction	50,000	50,000
Purchase of landed property:		
- Residential	113,201	115,081
- Non-residential	41,296	42,680
Wholesale & retail trade and restaurants & hotels	118,520	125,846
Transport, storage and communication	62,000	90,000
Finance, insurance and business services	336,292	311,545
Purchase of transport vehicles	217	238
Consumption credit	57,682	58,160
Others	50,000	40,000
Gross loans and advances	<u>1,403,657</u>	<u>1,684,343</u>
(vi) By residual contractual maturity		
Within one year	1,246,880	1,524,932
One year to five years	16,701	20,930
Over five years	<u>140,076</u>	<u>138,481</u>
	<u>1,403,657</u>	<u>1,684,343</u>

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14. Impaired loans and advances

	Group and Bank	
	31 January 2018 RM'000	31 October 2017 RM'000
(i) Movements in impaired loans and advances		
At beginning of financial period	126,065	124,555
Classified as impaired during the financial period	3,990	18,055
Reclassified as performing during the financial period	(2,619)	(6,347)
Amount recovered	(2,587)	(1,786)
Amount written off	-	(8,412)
	<u>124,849</u>	<u>126,065</u>
At end of financial period	124,849	126,065
Individual impairment provisions	(53,984)	(51,966)
Net impaired loans and advances	<u>70,865</u>	<u>74,099</u>
Ratio of net impaired loans and advances to net loans and advances (less individual impairment provisions)	<u>5.25%</u>	<u>4.54%</u>
(ii) Movements in collective and individual impairment provisions for loans and advances		
Collective impairment provisions		
At beginning of financial period/year	20,681	21,204
Amount written back	-	(523)
At end of financial period/year	<u>20,681</u>	<u>20,681</u>
As % of gross loans and advances less individual impairment provisions	<u>1.53%</u>	<u>1.27%</u>
Individual impairment provisions		
At beginning of financial period/year	51,966	49,800
Impairment made during the financial period/year	3,524	12,717
Amount written back in respect of recoveries	(1,506)	(2,039)
Amount written off	-	(8,512)
At end of financial period/year	<u>53,984</u>	<u>51,966</u>

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14. Impaired loans and advances (contd.)

	Group and Bank	
	31 January 2018 RM'000	31 October 2017 RM'000
(iii) By geographical distribution		
Northern region	-	68
Southern region	400	398
Central region	111,938	113,854
Outside Malaysia	12,511	11,745
	<u>124,849</u>	<u>126,065</u>
(iv) By sector		
Manufacturing	89,330	90,138
Purchase of landed property:		
- Residential	20,321	21,944
- Non-residential	14,737	13,462
Consumption credit	461	521
	<u>124,849</u>	<u>126,065</u>

15. Other assets

	Group and Bank	
	31 January 2018 RM'000	31 October 2017 RM'000
Interest receivable	7,745	8,809
Other receivables, deposits and prepayments	1,466	4,632
	<u>9,211</u>	<u>13,441</u>

16. Deposits from customers

	Group and Bank	
	31 January 2018 RM'000	31 October 2017 RM'000
(i) By type of deposit		
Demand deposits	24,300	38,860
Savings deposits	1,184	1,345
Fixed/Investment deposits	165,704	197,867
Others	183,665	164,898
	<u>374,853</u>	<u>402,970</u>

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16. Deposits from customers (contd.)

	Group and Bank	
	31 January	31 October
	2018	2017
	RM'000	RM'000
(ii) Maturity structure of fixed/investment deposits		
Due within six months	155,600	189,501
Six months to one year	10,104	8,366
	<u>165,704</u>	<u>197,867</u>
(iii) By type of customer		
Business enterprises	341,998	370,823
Individuals	32,844	32,136
Others	11	11
	<u>374,853</u>	<u>402,970</u>

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 January	31 October
	2018	2017
	RM'000	RM'000
Licensed banks	336,412	408,443
Other financial institutions	94,024	107,021
	<u>430,436</u>	<u>515,464</u>

18. Other liabilities

	Group and Bank	
	31 January	31 October
	2018	2017
	RM'000	RM'000
Interest payable	2,788	4,047
Other payables and accruals	21,978	30,732
	<u>24,766</u>	<u>34,779</u>

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19. BNM requires the Bank to maintain, in aggregate, collective impairment provisions and regulatory reserve no less than 1.2% of total outstanding loans, net of individual impairment provisions. As at 31 January 2017, the collective impairment provisions and regulatory reserve stands at 1.53% (October 2017: 1.27%) .

20. Interest income

	Group and Bank 1st Quarter Ended		Group and Bank 3 Months Ended	
	31 January 2018 RM'000	31 January 2017 RM'000	31 January 2018 RM'000	31 January 2017 RM'000
Loans and advances:				
- Interest income other than on impaired loans	14,086	16,544	14,086	16,544
- Interest income on impaired loans	2,755	2,860	2,755	2,860
Money at call and deposit placements with financial institutions	6,336	9,096	6,336	9,096
Financial investments available-for-sale	749	739	749	739
Others	607	1,913	607	1,913
Total interest income	<u>24,533</u>	<u>31,152</u>	<u>24,533</u>	<u>31,152</u>

21. Interest expense

	Group and Bank 1st Quarter Ended		Group and Bank 3 Months Ended	
	31 January 2018 RM'000	31 January 2017 RM'000	31 January 2018 RM'000	31 January 2017 RM'000
Deposits and placements of banks and other financial institutions	3,882	7,655	3,882	7,655
Deposits from customers	4,572	5,299	4,572	5,299
Others	619	1,777	619	1,777
	<u>9,073</u>	<u>14,731</u>	<u>9,073</u>	<u>14,731</u>

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22. Net fee and commission income

	Group and Bank		Group and Bank	
	1st Quarter Ended		3 Months Ended	
	31 January	31 January	31 January	31 January
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other fees relating to loans	489	385	489	385
Commitment fees	38	305	38	305
Guarantee fees	16	136	16	136
Acceptance commissions	128	184	128	184
Others	413	1,434	413	1,434
	<u>1,084</u>	<u>2,444</u>	<u>1,084</u>	<u>2,444</u>

23. Net trading income

	Group and Bank		Group and Bank	
	1st Quarter Ended		3 Months Ended	
	31 January	31 January	31 January	31 January
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Gains/(Losses) arising from dealing in foreign currency	1,953	(5,411)	1,953	(5,411)
Unrealised losses from derivative trading	(28)	(246)	(28)	(246)
Unrealised revaluation (losses)/gains in foreign exchange	(1,391)	5,603	(1,391)	5,603
	<u>534</u>	<u>(54)</u>	<u>534</u>	<u>(54)</u>

24. Other operating income

	Group and Bank		Group and Bank	
	1st Quarter Ended		3 Months Ended	
	31 January	31 January	31 January	31 January
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Dividend income:				
- Financial investments available-for-sale	-	16	-	16
	<u>-</u>	<u>16</u>	<u>-</u>	<u>16</u>

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25. Other operating expenses

	Group and Bank 1st Quarter Ended		Group and Bank 3 Months Ended	
	31 January 2018 RM'000	31 January 2017 RM'000	31 January 2018 RM'000	31 January 2017 RM'000
Personnel costs:				
- Salaries and bonuses	3,053	2,540	3,053	2,540
- Pension fund contributions	492	440	492	440
- Other staff costs	1,051	1,101	1,051	1,101
Marketing expenses:				
- Advertising and promotion	-	34	-	34
- Others	136	135	136	135
Establishment costs:				
- Depreciation of plant and equipment	217	175	217	175
- Rental	345	259	345	259
- Others	1,144	1,056	1,144	1,056
Administrative expenses:				
- Fees	1,299	1,323	1,299	1,323
- Others	1,143	233	1,143	233
	<u>8,880</u>	<u>7,296</u>	<u>8,880</u>	<u>7,296</u>

26. Loan impairment charges/(recovery)

	Group and Bank 1st Quarter Ended		Group and Bank 3 Months Ended	
	31 January 2018 RM'000	31 January 2017 RM'000	31 January 2018 RM'000	31 January 2017 RM'000
Individual impairment provisions for loans and advances				
- made in the financial period	3,524	3,108	3,524	3,108
- written back in respect of recoveries	(1,506)	(520)	(1,506)	(520)
Bad debts on loans and advances:				
- Recovered	(26)	(13)	(26)	(13)
	<u>1,992</u>	<u>2,575</u>	<u>1,992</u>	<u>2,575</u>

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27. Capital adequacy

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

	Group and Bank	
	31 January 2018 RM'000	31 October 2017 RM'000
Common Equity Tier 1 ("CET1") / Tier 1 capital		
Paid-up share capital	165,000	165,000
Retained earnings	813,932	813,932
	<u>978,932</u>	<u>978,932</u>
Less: Deferred tax assets	(967)	(1,502)
Unrealised gains and losses on 'available-for-sale' financial instruments	(292)	(399)
Total CET1 / Tier 1 capital	<u>977,673</u>	<u>977,031</u>
Tier 2 capital		
Collective impairment provisions	8,492	8,492
	<u>986,165</u>	<u>985,523</u>
Less: Investment in subsidiaries	(30)	(30)
Total capital	<u>986,135</u>	<u>985,493</u>
CET 1 / Tier 1 capital ratio	63.716%	52.785%
Total capital ratio	<u>64.267%</u>	<u>53.242%</u>

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27. Capital adequacy (contd.)

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

	31 January 2018		31 October 2017	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	2,247,942	1,373,017	2,549,407	1,682,798
Market risk	-	17,809	-	18,210
Operational risk	-	143,598	-	149,956
	<u>2,247,942</u>	<u>1,534,424</u>	<u>2,549,407</u>	<u>1,850,964</u>

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

28. Derivative financial instruments

	Nominal value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
At 31 January 2018			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	605,304	15,366	13,479
Cross currency interest rate swaps	14,431	8,010	7,921
Interest rate swaps	102,115	224	216
	<u>721,850</u>	<u>23,600</u>	<u>21,616</u>
At 31 October 2017			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	738,253	8,048	4,771
Cross currency interest rate swaps	131,837	17,193	17,071
Interest rate swaps	127,733	160	146
	<u>997,823</u>	<u>25,401</u>	<u>21,988</u>

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29. Commitments and contingencies

Group and Bank 31 January 2018	Principal Amount RM'000	Positive Fair Value of Derivate Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	17,618		8,809	5,291
Short term self liquidating trade-related contingencies	7,158		1,432	1,396
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	547		274	274
- not exceeding one year	18,139		3,628	3,628
Unutilised uncommitted credit lines	1,325,011		-	-
	<u>1,368,473</u>		<u>14,143</u>	<u>10,589</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	605,304	15,366	31,460	23,515
- exceeding one year	14,431	8,010	2,083	447
Interest rate related contracts:				
- less than one year	102,115	224	459	293
	<u>721,850</u>	<u>23,600</u>	<u>34,002</u>	<u>24,255</u>
Total	<u><u>2,090,323</u></u>	<u><u>23,600</u></u>	<u><u>48,145</u></u>	<u><u>34,844</u></u>

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29. Commitments and contingencies (contd.)

Group and Bank	Principal Amount	Positive Fair	Credit	Risk Weighted
31 October 2017	RM'000	Value of Derivate	Equivalent	Assets
<u>Credit-related exposures</u>		Contracts	Amount	RM'000
		RM'000	RM'000	
Transaction-related contingent items	29,696		14,848	10,859
Short term self liquidating trade-related contingencies	8,000		1,600	1,549
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	1,089		545	545
- not exceeding one year	17,898		3,580	3,580
Unutilised uncommitted credit lines	1,119,942		-	-
	<u>1,176,625</u>		<u>20,573</u>	<u>16,533</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	738,253	8,048	16,185	16,175
- exceeding one year	131,837	17,193	25,104	7,776
Interest rate related contracts:				
- less than one year	127,733	160	446	295
	<u>997,823</u>	<u>25,401</u>	<u>41,735</u>	<u>24,246</u>
Total	<u>2,174,448</u>	<u>25,401</u>	<u>62,308</u>	<u>40,779</u>