

The Bank of Nova Scotia Berhad

(Company No. 308035 U)

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

30 April 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 30 APRIL 2018

	Note	Group		Bank	
		30 April 2018 RM'000	31 October 2017 RM'000	30 April 2018 RM'000	31 October 2017 RM'000
ASSETS					
Cash and short-term funds	11	564,964	709,683	564,934	709,653
Financial investments					
available-for-sale	12	102,900	103,785	102,900	103,785
Loans and advances	13	1,264,076	1,611,696	1,264,076	1,611,696
Derivative financial assets	28	20,763	25,401	20,763	25,401
Other assets	15	8,733	13,441	8,733	13,441
Statutory deposits with					
Bank Negara Malaysia		299	7,289	299	7,289
Investment in subsidiaries		-	-	30	30
Plant and equipment		6,940	7,374	6,940	7,374
Deferred tax assets		1,053	1,502	1,053	1,502
Tax recoverable		10,827	11,608	10,827	11,608
TOTAL ASSETS		1,980,555	2,491,779	1,980,555	2,491,779
LIABILITIES					
Deposits from customers	16	315,206	402,970	315,206	402,970
Deposits and placements of					
banks and other financial					
institutions	17	249,959	515,464	249,959	515,464
Derivative financial liabilities	28	14,718	21,988	14,718	21,988
Other liabilities	18	24,483	34,779	24,483	34,779
Amounts owing to holding					
company		391,351	538,045	391,351	538,045
TOTAL LIABILITIES		995,717	1,513,246	995,717	1,513,246

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2018 (CONTD.)

	Group		Bank	
	30 April 2018 RM'000	31 October 2017 RM'000	30 April 2018 RM'000	31 October 2017 RM'000
EQUITY				
Share capital	165,000	165,000	165,000	165,000
Reserves	819,838	813,533	819,838	813,533
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK	<u>984,838</u>	<u>978,533</u>	<u>984,838</u>	<u>978,533</u>
TOTAL LIABILITIES AND EQUITY	<u>1,980,555</u>	<u>2,491,779</u>	<u>1,980,555</u>	<u>2,491,779</u>
COMMITMENTS AND CONTINGENCIES	29 <u>2,034,040</u>	<u>2,174,448</u>	<u>2,034,040</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 30 APRIL 2018

	Note	Group and Bank 2nd Quarter Ended		Group and Bank Six Months Ended	
		30 April 2018 RM'000	30 April 2017 RM'000	30 April 2018 RM'000	30 April 2017 RM'000
Interest income	20	25,820	30,573	50,353	61,725
Interest expense	21	(7,080)	(14,184)	(16,153)	(28,915)
Net interest income		18,740	16,389	34,200	32,810
Net fee and commission income	22	446	2,535	1,530	4,979
Net trading income/(losses)	23	453	(209)	987	(263)
Other operating income	24	49	-	49	16
Net income		19,688	18,715	36,766	37,542
Other operating expenses	25	(7,072)	(8,342)	(15,952)	(15,638)
Operating profit		12,616	10,373	20,814	21,904
Loans impairment charges	26	(10,366)	(2,637)	(12,358)	(5,212)
Profit before taxation		2,250	7,736	8,456	16,692
Tax expense		(560)	(2,294)	(2,068)	(4,512)
Profit for the period		1,690	5,442	6,388	12,180
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		(190)	(291)	(83)	(270)
Total other comprehensive income, net of income tax		(190)	(291)	(83)	(270)
Total comprehensive income for the period attributable to owners of the Bank		1,500	5,151	6,305	11,910
Basic earnings per share (sen)		1.38	4.45	5.22	9.95

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 30 APRIL 2018

	← Non-distributable →					Distributable Retained Profit RM'000	Total RM'000
	Share Capital RM'000	Share Premium 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	-	-	-	-	-	12,180	12,180
Other comprehensive income, net of tax - Net changes in fair value	-	-	-	-	(270)	-	(270)
Total comprehensive income for the period	-	-	-	-	(270)	12,180	11,910
As at 30 April 2017	122,375	42,625	122,375	5,910	(658)	671,785	964,412
As at 1 November 2017	165,000	-	-	-	(399)	813,932	978,533
Net profit for the period	-	-	-	-	-	6,388	6,388
Other comprehensive income, net of tax - Net changes in fair value	-	-	-	-	(83)	-	(83)
Total comprehensive income for the period	-	-	-	-	(83)	6,388	6,305
As at 30 April 2018	165,000	-	-	-	(482)	820,320	984,838

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 30 APRIL 2018

	Group		Bank	
	30 April 2018 RM'000	30 April 2017 RM'000	30 April 2018 RM'000	30 April 2017 RM'000
Cash flows from operating activities				
Profit before taxation	8,456	16,692	8,456	16,692
Adjustments for non-cash item	10,935	8,462	10,935	8,462
Operating profit before working capital changes	19,391	25,154	19,391	25,154
Changes in working capital:				
Net changes in operating assets	351,543	203,473	351,543	203,473
Net changes in operating liabilities	(514,889)	(344,468)	(514,889)	(344,468)
Income taxes paid	(812)	(3,347)	(812)	(3,347)
Net cash used in operating activities	(144,767)	(119,188)	(144,767)	(119,188)
Net cash generated from investing activities	48	790	48	790
Net decrease in cash and cash equivalents	(144,719)	(118,398)	(144,719)	(118,398)
Cash and cash equivalents at beginning of the financial period	709,683	1,216,415	709,653	1,216,385
Cash and cash equivalents at end of the financial period	564,964	1,098,017	564,934	1,097,987
Cash and cash equivalents comprise:				
Cash and short term funds	564,964	1,098,017	564,934	1,097,987

THE BANK OF NOVA SCOTIA BERHAD

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AND ITS SUBSIDIARIES**REVIEW OF PERFORMANCE**

Profit before tax for the second quarter ended 30 April 2018 was RM8.46 million, RM8.24 million lower compared to the corresponding period in financial year 2017. The decrease was attributed to higher loan impairment charges by RM7 million and marginally lower net income.

Total assets of the Bank decreased by RM511.2 million as compared to financial year ended 2017 mainly due to the decline in loans and advances. Total liabilities of the Bank had correspondingly dropped by RM517.5 million as compared to financial year ended 2017 due to less funding required from customers deposits, intercompany and interbank borrowings.

In view of the reduced balance sheet size, the total capital ratio has increased from 53.2% as at financial year ended 2017 to 67.9%.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 APRIL 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,
- Amendments to MFRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*.

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customer*
- Clarifications to MFRS 15, *Revenue from Contracts with Customer*
- 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 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 Treatment*
- 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*

- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*

Amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2, *Share-based Payment*
- Amendments to MFRS 3, *Business Combinations*
- Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources*
- Amendments to MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138, *Intangible Assets*
- Amendments to IC Interpretation 12, *Service Concession Arrangements*
- Amendments to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

MFRSs effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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*

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

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

- from the annual period beginning on 1 November 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 that are effective for annual periods beginning on or after 1 January 2019;
- from the annual period beginning on 1 November 2020 for those accounting standards that are effective for annual periods beginning on or after 1 January 2020;
- from the annual period beginning on 1 November 2021 for those accounting standards that are effective for annual periods beginning on or after 1 January 2021;

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 Service*.

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

(ii) **MFRS 9, Financial Instruments**

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

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

(iii) **MFRS 16, Leases**

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

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

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2. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 October 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 30 April 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 30 April 2018.

6. Debt and Equity Securities

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

7. Dividend

No dividend was paid during the period ended 30 April 2018.

8. Changes in the composition of the Group

There were no changes in the composition of the Group for the period ended 30 April 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.

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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.

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.

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10. Fair value of financial instruments (contd.)

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 RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
30 April 2018				
Financial investments available-for-sale*	-	101,146	-	101,146
Derivative Financial Assets	-	20,763	-	20,763
	-	121,909	-	121,909
Derivative Financial Liabilities	-	14,718	-	14,718
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.

11. Cash and short-term funds

	Group		Bank	
	30 April 2018 RM'000	31 October 2017 RM'000	30 April 2018 RM'000	31 October 2017 RM'000
Cash and balances with banks and other financial institutions	7,869	8,167	7,839	8,137
Money at call and deposit placements maturing within one month	557,095	701,516	557,095	701,516
	564,964	709,683	564,934	709,653

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12. Financial investments available-for-sale

	Group and Bank	
	30 April 2018 RM'000	31 October 2017 RM'000
Quoted money market instruments - at fair value:		
- Malaysian Government Securities	101,146	102,031
Unquoted equity securities - at cost:		
- Unquoted shares in Malaysia	1,754	1,754
	<u>102,900</u>	<u>103,785</u>

13. Loans and advances

	Group and Bank	
	30 April 2018 RM'000	31 October 2017 RM'000
(i) By type		
Overdrafts	25,719	26,079
Term loans		
- housing loans	108,239	113,740
- syndicated term loans	-	37,875
- other term loans	54,926	59,115
Bills receivable	265,738	332,440
Revolving credit	891,589	1,114,619
Staff loans	1,572	1,764
	<u>1,347,783</u>	<u>1,685,632</u>
Less: Unearned interest	(1,310)	(1,289)
	<u>1,346,473</u>	<u>1,684,343</u>
Gross loans and advances		
Less: Impairment provisions on loans and advances		
- Individual impairment provisions (Note 14(ii))	(63,447)	(51,966)
- Collective impairment provisions (Note 14(ii))	(18,950)	(20,681)
Net loans and advances	<u>1,264,076</u>	<u>1,611,696</u>

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13. Loans and advances (contd.)

	Group and Bank	
	30 April 2018	31 October 2017
	RM'000	RM'000
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	156,820	199,180
Domestic business enterprises		
- Small medium enterprises	8,888	2,238
- Others	863,212	1,156,666
Government and statutory bodies	13,000	15,000
Individuals	157,096	165,500
Foreign entities	147,457	145,759
	<u>1,346,473</u>	<u>1,684,343</u>
Gross loans and advances	<u>1,346,473</u>	<u>1,684,343</u>
(iii) By geographical distribution		
Northern region	161,371	164,661
Southern region	134,569	321,711
Central region	869,159	910,140
Eastern region	52,576	160,339
Outside Malaysia	128,798	127,492
	<u>1,346,473</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.

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13. Loans and advances (contd.)

	Group and Bank	
	30 April 2018	31 October 2017
	RM'000	RM'000
(iv) By interest rate sensitivity		
Fixed rate:		
- Housing loans	1,374	1,524
- Other fixed rate loans	175,875	241,253
Variable rate:		
- Base Lending Rate plus	342,186	280,613
- Cost plus	827,038	1,160,953
- Other variable rates	-	-
	<u>1,346,473</u>	<u>1,684,343</u>
Gross loans and advances	<u>1,346,473</u>	<u>1,684,343</u>
(v) By sector		
Agriculture	250,486	490,318
Manufacturing	292,079	360,475
Construction	50,000	50,000
Purchase of landed property:		
- Residential	109,409	115,081
- Non-residential	40,549	42,680
Wholesale & retail trade and restaurants & hotels	131,496	125,846
Transport, storage and communication	80,000	90,000
Finance, insurance and business services	297,816	311,545
Purchase of transport vehicles	196	238
Consumption credit	56,442	58,160
Others	38,000	40,000
	<u>1,346,473</u>	<u>1,684,343</u>
Gross loans and advances	<u>1,346,473</u>	<u>1,684,343</u>
(vi) By residual contractual maturity		
Within one year	1,195,805	1,524,932
One year to five years	15,002	20,930
Over five years	135,666	138,481
	<u>1,346,473</u>	<u>1,684,343</u>

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14. Impaired loans and advances

	Group and Bank	
	30 April 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	7,293	18,055
Reclassified as performing during the financial period	(4,648)	(6,347)
Amount recovered	(5,479)	(1,786)
Amount written off	-	(8,412)
	<u>123,231</u>	<u>126,065</u>
At end of financial period		
Individual impairment provisions	(63,447)	(51,966)
Net impaired loans and advances	<u>59,784</u>	<u>74,099</u>
Ratio of net impaired loans and advances to net loans and advances (less individual impairment provisions)	<u>4.66%</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	(1,731)	(523)
At end of financial period/year	<u>18,950</u>	<u>20,681</u>
As % of gross loans and advances less individual impairment provisions	<u>1.48%</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	16,840	12,717
Amount written back in respect of recoveries	(2,696)	(2,039)
Amount written off	-	(8,512)
Unwinding income	(2,663)	-
At end of financial period/year	<u>63,447</u>	<u>51,966</u>

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14. Impaired loans and advances (contd.)

	Group and Bank	
	30 April	31 October
	2018	2017
	RM'000	RM'000
(iii) By geographical distribution		
Northern region	-	68
Southern region	404	398
Central region	110,849	113,854
Outside Malaysia	11,978	11,745
	<u>123,231</u>	<u>126,065</u>
(iv) By sector		
Manufacturing	88,751	90,138
Purchase of landed property:		
- Residential	19,719	21,944
- Non-residential	14,302	13,462
Consumption credit	459	521
	<u>123,231</u>	<u>126,065</u>

15. Other assets

	Group and Bank	
	30 April	31 October
	2018	2017
	RM'000	RM'000
Interest receivable	7,707	8,809
Other receivables, deposits and prepayments	1,026	4,632
	<u>8,733</u>	<u>13,441</u>

16. Deposits from customers

	Group and Bank	
	30 April	31 October
	2018	2017
	RM'000	RM'000
(i) By type of deposit		
Demand deposits	21,281	38,860
Savings deposits	1,047	1,345
Fixed/Investment deposits	182,951	197,867
Others	109,927	164,898
	<u>315,206</u>	<u>402,970</u>

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16. Deposits from customers (contd.)

	Group and Bank	
	30 April	31 October
	2018	2017
	RM'000	RM'000
(ii) Maturity structure of fixed/investment deposits		
Due within six months	174,790	189,501
Six months to one year	8,013	8,366
More than one year	148	-
	<u>182,951</u>	<u>197,867</u>
(iii) By type of customer		
Business enterprises	286,782	370,823
Individuals	28,413	32,136
Others	11	11
	<u>315,206</u>	<u>402,970</u>

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 April	31 October
	2018	2017
	RM'000	RM'000
Licensed banks	152,921	408,443
Other financial institutions	97,038	107,021
	<u>249,959</u>	<u>515,464</u>

18. Other liabilities

	Group and Bank	
	30 April	31 October
	2018	2017
	RM'000	RM'000
Interest payable	2,712	4,047
Other payables and accruals	21,771	30,732
	<u>24,483</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 30 April 2018, the collective impairment provisions and regulatory reserve stands at 1.48% (October 2017: 1.27%) .

20. Interest income

	Group and Bank 2nd Quarter Ended		Group and Bank 6 Months Ended	
	30 April 2018 RM'000	30 April 2017 RM'000	30 April 2018 RM'000	30 April 2017 RM'000
Loans and advances:				
- Interest income other than on impaired loans	13,349	17,185	27,435	33,729
- Interest income on impaired loans	5,904	2,694	8,659	5,554
Money at call and deposit placements with financial institutions	5,367	8,825	11,703	17,921
Financial investments available-for-sale	737	736	1,486	1,475
Others	463	1,133	1,070	3,046
Total interest income	<u>25,820</u>	<u>30,573</u>	<u>50,353</u>	<u>61,725</u>

21. Interest expense

	Group and Bank 2nd Quarter Ended		Group and Bank 6 Months Ended	
	30 April 2018 RM'000	30 April 2017 RM'000	30 April 2018 RM'000	30 April 2017 RM'000
Deposits and placements of banks and other financial institutions	3,439	6,441	7,321	14,096
Deposits from customers	3,169	6,644	7,741	11,943
Others	472	1,099	1,091	2,876
	<u>7,080</u>	<u>14,184</u>	<u>16,153</u>	<u>28,915</u>

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22. Net fee and commission income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		6 Months Ended	
	30 April	30 April	30 April	30 April
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other fees relating to loans	623	693	1,112	1,078
Commitment fees	38	170	76	475
Guarantee fees	36	49	52	185
Acceptance commissions	120	68	248	252
Others	(371)	1,555	42	2,989
	<u>446</u>	<u>2,535</u>	<u>1,530</u>	<u>4,979</u>

23. Net trading income/(losses)

	Group and Bank		Group and Bank	
	2nd Quarter Ended		6 Months Ended	
	30 April	30 April	30 April	30 April
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Losses arising from dealing in foreign currency	(3,606)	(5,822)	(1,653)	(11,233)
Unrealised losses from derivative trading	(21)	(153)	(49)	(399)
Unrealised revaluation gains in foreign exchange	4,080	5,766	2,689	11,369
	<u>453</u>	<u>(209)</u>	<u>987</u>	<u>(263)</u>

24. Other operating income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		6 Months Ended	
	30 April	30 April	30 April	30 April
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Dividend income:				
- Financial investments available-for-sale	49	-	49	16
	<u>49</u>	<u>-</u>	<u>49</u>	<u>16</u>

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25. Other operating expenses

	Group and Bank		Group and Bank	
	2nd Quarter Ended		6 Months Ended	
	30 April	30 April	30 April	30 April
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries and bonuses	3,270	3,353	6,323	5,893
- Pension fund contributions	551	537	1,043	977
- Other staff costs	241	579	1,292	1,680
Marketing expenses:				
- Advertising and promotion	8	-	8	34
- Others	135	126	271	261
Establishment costs:				
- Depreciation of plant and equipment	217	177	434	352
- Rental	267	260	612	519
- Others	1,121	1,252	2,265	2,308
Administrative expenses:				
- Fees	1,046	1,535	2,345	2,858
- Others	216	523	1,359	756
	<u>7,072</u>	<u>8,342</u>	<u>15,952</u>	<u>15,638</u>

26. Loan impairment charges/(recovery)

	Group and Bank		Group and Bank	
	2nd Quarter Ended		6 Months Ended	
	30 April	30 April	30 April	30 April
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Individual impairment provisions for loans and advances				
- made in the financial period	13,316	3,250	16,840	6,358
- written back in respect of recoveries	(1,190)	(631)	(2,696)	(1,151)
Collective impairment provisions				
- written back in the financial period	(1,731)	-	(1,731)	-
Bad debts on loans and advances:				
- Recovered	(29)	18	(55)	5
	<u>10,366</u>	<u>2,637</u>	<u>12,358</u>	<u>5,212</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	
	30 April 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	(1,053)	(1,502)
Unrealised gains and losses on 'available-for-sale' financial instruments	(482)	(399)
Total CET1 / Tier 1 capital	<u>977,397</u>	<u>977,031</u>
Tier 2 capital		
Collective impairment provisions	7,616	8,492
	<u>985,013</u>	<u>985,523</u>
Less: Investment in subsidiaries	(30)	(30)
Total capital	<u>984,983</u>	<u>985,493</u>
CET 1 / Tier 1 capital ratio	67.361%	52.785%
Total capital ratio	<u>67.884%</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:

	30 April 2018		31 October 2017	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	2,024,227	1,296,372	2,549,407	1,682,798
Market risk	-	13,934	-	18,210
Operational risk	-	140,669	-	149,956
	<u>2,024,227</u>	<u>1,450,975</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 30 April 2018			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	536,118	12,269	6,302
Cross currency interest rate swaps	89,092	8,233	8,161
Interest rate swaps	102,717	261	255
	<u>727,927</u>	<u>20,763</u>	<u>14,718</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 30 April 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	15,766		7,883	4,358
Short term self liquidating trade-related contingencies	6,125		1,225	1,113
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	484		242	242
- not exceeding one year	17,949		3,590	3,590
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,265,789		-	-
	<u>1,306,113</u>		<u>12,940</u>	<u>9,303</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	610,733	19,267	26,643	18,515
- exceeding one year	14,477	1,235	2,104	449
Interest rate related contracts:				
- less than one year	102,717	261	309	180
	<u>727,927</u>	<u>20,763</u>	<u>29,056</u>	<u>19,144</u>
Total	<u><u>2,034,040</u></u>	<u><u>20,763</u></u>	<u><u>41,996</u></u>	<u><u>28,447</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
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	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><u>2,174,448</u></u>	<u><u>25,401</u></u>	<u><u>62,308</u></u>	<u><u>40,779</u></u>