

The Bank of Nova Scotia Berhad

(Company No. 308035 U)

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

31 July 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 JULY 2018

	Note	Group		Bank	
		31 July 2018 RM'000	31 October 2017 RM'000	31 July 2018 RM'000	31 October 2017 RM'000
ASSETS					
Cash and short-term funds	11	502,032	709,683	502,002	709,653
Financial investments					
available-for-sale	12	102,761	103,785	102,761	103,785
Loans and advances	13	1,021,828	1,611,696	1,021,828	1,611,696
Derivative financial assets	28	5,980	25,401	5,980	25,401
Other assets	15	6,906	13,441	6,906	13,441
Statutory deposits with					
Bank Negara Malaysia		299	7,289	299	7,289
Investment in subsidiaries		-	-	30	30
Plant and equipment		6,723	7,374	6,723	7,374
Deferred tax assets		2,708	1,502	2,708	1,502
Tax recoverable		7,593	11,608	7,593	11,608
TOTAL ASSETS		1,656,830	2,491,779	1,656,830	2,491,779
LIABILITIES					
Deposits from customers	16	337,339	402,970	337,339	402,970
Deposits and placements of					
banks and other financial					
institutions	17	135,228	515,464	135,228	515,464
Derivative financial liabilities	28	6,137	21,988	6,137	21,988
Other liabilities	18	17,138	34,779	17,138	34,779
Amounts owing to holding					
company		170,651	538,045	170,651	538,045
TOTAL LIABILITIES		666,493	1,513,246	666,493	1,513,246

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2018 (CONTD.)

	Group		Bank	
	31 July 2018 RM'000	31 October 2017 RM'000	31 July 2018 RM'000	31 October 2017 RM'000
EQUITY				
Share capital	165,000	165,000	165,000	165,000
Reserves	825,337	813,533	825,337	813,533
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK	<u>990,337</u>	<u>978,533</u>	<u>990,337</u>	<u>978,533</u>
TOTAL LIABILITIES AND EQUITY	<u>1,656,830</u>	<u>2,491,779</u>	<u>1,656,830</u>	<u>2,491,779</u>
COMMITMENTS AND CONTINGENCIES	29 <u>1,774,126</u>	<u>2,174,448</u>	<u>1,774,126</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 JULY 2018

	Note	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
		31 July 2018 RM'000	31 July 2017 RM'000	31 July 2018 RM'000	31 July 2017 RM'000
Interest income	20	22,343	28,862	72,696	90,587
Interest expense	21	(5,306)	(12,333)	(21,459)	(41,248)
Net interest income		17,037	16,529	51,237	49,339
Net fee and commission income	22	783	2,250	2,313	7,229
Net trading income	23	368	705	1,355	442
Other operating income	24	46	95	95	111
Net income		18,234	19,579	55,000	57,121
Other operating expenses	25	(7,331)	(8,815)	(23,283)	(24,453)
Operating profit		10,903	10,764	31,717	32,668
Loans impairment charges	26	(4,082)	(1,893)	(16,440)	(7,105)
Profit before taxation		6,821	8,871	15,277	25,563
Tax expense		(1,517)	(363)	(3,585)	(4,875)
Profit for the period		5,304	8,508	11,692	20,688
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		195	(58)	112	(328)
Total other comprehensive income, net of income tax		195	(58)	112	(328)
Total comprehensive income for the period attributable to owners of the Bank		5,499	8,450	11,804	20,360
Basic earnings per share (sen)		4.33	6.95	9.55	16.91

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 JULY 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	-	-	-	-	-	20,688	20,688
Other comprehensive income, net of tax - Net changes in fair value	-	-	-	-	(328)	-	(328)
Total comprehensive income for the period	-	-	-	-	(328)	20,688	20,360
As at 31 July 2017	<u>122,375</u>	<u>42,625</u>	<u>122,375</u>	<u>5,910</u>	<u>(716)</u>	<u>680,293</u>	<u>972,862</u>
As at 1 November 2017	165,000	-	-	-	(399)	813,932	978,533
Net profit for the period	-	-	-	-	-	11,692	11,692
Other comprehensive income, net of tax - Net changes in fair value	-	-	-	-	112	-	112
	-	-	-	-	112	11,692	11,804
As at 31 July 2018	<u>165,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(287)</u>	<u>825,624</u>	<u>990,337</u>

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 JULY 2018

	Group		Bank	
	31 July 2018 RM'000	31 July 2017 RM'000	31 July 2018 RM'000	31 July 2017 RM'000
Cash flows from operating activities				
Profit before taxation	15,277	25,563	15,277	25,563
Adjustments for non-cash item	21,799	13	21,799	13
Operating profit before working capital changes	37,076	25,576	37,076	25,576
Changes in working capital:				
Net changes in operating assets	606,301	251,195	606,301	251,195
Net changes in operating liabilities	(850,312)	(582,610)	(850,312)	(582,610)
Income taxes paid	(812)	(3,347)	(812)	(3,347)
Net cash used in operating activities	(207,747)	(309,186)	(207,747)	(309,186)
Net cash generated from investing activities	96	32	96	32
Net decrease in cash and cash equivalents	(207,651)	(309,154)	(207,651)	(309,154)
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	502,032	907,261	502,002	907,231
Cash and cash equivalents comprise:				
Cash and short term funds	502,032	907,261	502,002	907,231

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REVIEW OF PERFORMANCE

Current Period-to-Date vs. Previous Corresponding Period-to-Date

The Group and the Bank recorded profit before taxation for the financial period ended 31 July 2018 of RM15.3 million, RM10.3 million lower compared to the corresponding period in the previous financial year. Operating profit was sustained at RM32 million and the overall decrease in profit before taxation was attributable to higher loan impairment charges of RM9.3 million.

Total assets of the Group and the Bank decreased by RM834.9 million to RM1.66 billion, as compared to financial year ended 2017, arising mainly from decline in loans and advances of RM589.9 million and lower holding of cash and short term funds by RM207.6 million.

Total liabilities, comprising mainly of deposits from customers, intercompany and interbank, had correspondingly dropped by RM846.7 million to RM666.5 million as compared to financial year ended 2017, due to the lower funding requirement.

The reduced balance sheet size, led to improvement in total capital ratio from 53.242% as at financial year ended 2017 to 81.598% as at 31 July 2018.

Current Quarter vs. Previous Year Corresponding Quarter

The Group and the Bank's profit before taxation in the quarter ended 31 July 2018 had decreased by RM2.1 million to RM6.8 million against the previous year corresponding period.

Net interest income sustained at RM17 million, with reduction in interest income due to decrease in loan balances and cash and short-term funds, offset by the lower interest expense as a result of lower funding requirement.

Net income decreased by RM1.4 million as a result of decrease in volume on both fees and trading income. Despite the decrease in net income, the Group and the Bank managed to record operating profit of RM10.9 million, a marginal improvement from previous year corresponding quarter, as a result of reduced personnel cost.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 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*
- Amendments to MFRS 2, *Share-based Payment - Classification and Measurement of Share-Based Payment Transactions*

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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*
- Amendments to MFRS 134, *Interim Financial Reporting*
- Amendments to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IC Interpretation 132, *Intangible Assets - Web Site Costs*

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 subjected to any qualifications.

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 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 July 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 31 July 2018.

8. Changes in the composition of the Group

There were no changes in the composition of the Group for the period ended 31 July 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	
31 July 2018				
Financial investments				
available-for-sale*	-	101,007	-	101,007
Derivative Financial Assets	-	5,980	-	5,980
	-	106,987	-	106,987
	-	6,137	-	6,137
Derivative Financial Liabilities	-	6,137	-	6,137
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	
	31 July 2018 RM'000	31 October 2017 RM'000	31 July 2018 RM'000	31 October 2017 RM'000
Cash and balances with banks and other financial institutions	20,589	8,167	20,559	8,137
Money at call and deposit placements maturing within one month	481,443	701,516	481,443	701,516
	502,032	709,683	502,002	709,653

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12. Financial investments available-for-sale

	Group and Bank	
	31 July 2018 RM'000	31 October 2017 RM'000
Quoted money market instruments - at fair value:		
- Malaysian Government Securities	101,007	102,031
Unquoted equity securities - at cost:		
- Unquoted shares in Malaysia	1,754	1,754
	<u>102,761</u>	<u>103,785</u>

13. Loans and advances

	Group and Bank	
	31 July 2018 RM'000	31 October 2017 RM'000
(i) By type		
Overdrafts	26,043	26,079
Term loans		
- housing loans	102,777	113,740
- syndicated term loans	-	37,875
- other term loans	49,604	59,115
Bills receivable	204,125	332,440
Revolving credit	721,945	1,114,619
Staff loans	1,518	1,764
	<u>1,106,012</u>	<u>1,685,632</u>
Less: Unearned interest	(933)	(1,289)
	<u>1,105,079</u>	<u>1,684,343</u>
Gross loans and advances		
Less: Impairment provisions on loans and advances		
- Individual impairment provisions (Note 14(ii))	(63,728)	(51,966)
- Collective impairment provisions (Note 14(ii))	(19,523)	(20,681)
Net loans and advances	<u>1,021,828</u>	<u>1,611,696</u>

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13. Loans and advances (contd.)

	Group and Bank	
	31 July 2018	31 October 2017
	RM'000	RM'000
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	-	199,180
Domestic business enterprises		
- Small medium enterprises	2,077	2,238
- Others	809,139	1,156,666
Government and statutory bodies	13,000	15,000
Individuals	151,070	165,500
Foreign entities	129,793	145,759
Gross loans and advances	<u>1,105,079</u>	<u>1,684,343</u>
(iii) By geographical distribution		
Northern region	145,642	164,661
Southern region	134,847	321,711
Central region	671,862	910,140
Eastern region	41,056	160,339
Outside Malaysia	111,672	127,492
	<u>1,105,079</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	
	31 July 2018	31 October 2017
	RM'000	RM'000
(iv) By interest rate sensitivity		
Fixed rate:		
- Housing loans	1,343	1,524
- Other fixed rate loans	112,337	241,253
Variable rate:		
- Base Lending Rate plus	337,774	280,613
- Cost plus	653,625	1,160,953
Gross loans and advances	<u>1,105,079</u>	<u>1,684,343</u>
(v) By sector		
Agriculture	243,390	490,318
Manufacturing	250,060	360,475
Construction	50,000	50,000
Purchase of landed property:		
- Residential	103,692	115,081
- Non-residential	39,727	42,680
Wholesale & retail trade and restaurants & hotels	106,685	125,846
Transport, storage and communication	80,000	90,000
Finance, insurance and business services	137,412	311,545
Purchase of transport vehicles	174	238
Consumption credit	55,939	58,160
Others	38,000	40,000
Gross loans and advances	<u>1,105,079</u>	<u>1,684,343</u>
(vi) By residual contractual maturity		
Within one year	961,329	1,524,932
One year to five years	14,947	20,930
Over five years	128,803	138,481
	<u>1,105,079</u>	<u>1,684,343</u>

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14. Impaired loans and advances

	Group and Bank	
	31 July 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	12,169	18,055
Reclassified as performing during the financial period	(5,557)	(6,347)
Amount recovered	(6,094)	(1,786)
Amount written off	(1,970)	(8,412)
At end of financial period	124,613	126,065
Individual impairment provisions	(63,728)	(51,966)
Net impaired loans and advances	<u>60,885</u>	<u>74,099</u>
Ratio of net impaired loans and advances to net loans and advances (less individual impairment provisions)	<u>5.85%</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	(1,158)	(523)
At end of financial period/year	<u>19,523</u>	<u>20,681</u>
As % of gross loans and advances less individual impairment provisions	<u>1.87%</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	21,404	12,717
Amount written back in respect of recoveries	(3,736)	(2,039)
Amount written off	(2,184)	(8,512)
Unwinding income	(3,722)	-
At end of financial period/year	<u>63,728</u>	<u>51,966</u>

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14. Impaired loans and advances (contd.)

	Group and Bank	
	31 July	31 October
	2018	2017
	RM'000	RM'000
(iii) By geographical distribution		
Northern region	-	68
Southern region	106	398
Central region	111,716	113,854
Outside Malaysia	12,791	11,745
	<u>124,613</u>	<u>126,065</u>
(iv) By sector		
Manufacturing	91,029	90,138
Purchase of landed property:		
- Residential	17,692	21,944
- Non-residential	15,167	13,462
Consumption credit	725	521
	<u>124,613</u>	<u>126,065</u>

15. Other assets

	Group and Bank	
	31 July	31 October
	2018	2017
	RM'000	RM'000
Interest receivable	5,771	8,809
Other receivables, deposits and prepayments	1,135	4,632
	<u>6,906</u>	<u>13,441</u>

16. Deposits from customers

	Group and Bank	
	31 July	31 October
	2018	2017
	RM'000	RM'000
(i) By type of deposit		
Demand deposits	21,490	38,860
Savings deposits	1,047	1,345
Fixed/Investment deposits	183,620	197,867
Others	131,182	164,898
	<u>337,339</u>	<u>402,970</u>

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16. Deposits from customers (contd.)

	Group and Bank	
	31 July	31 October
	2018	2017
	RM'000	RM'000
(ii) Maturity structure of fixed/investment deposits		
Due within six months	177,727	189,501
Six months to one year	5,780	8,366
More than one year	113	-
	<u>183,620</u>	<u>197,867</u>
(iii) By type of customer		
Business enterprises	309,441	370,823
Individuals	27,887	32,136
Others	11	11
	<u>337,339</u>	<u>402,970</u>

17. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 July	31 October
	2018	2017
	RM'000	RM'000
Licensed banks	134,194	408,443
Other financial institutions	1,034	107,021
	<u>135,228</u>	<u>515,464</u>

18. Other liabilities

	Group and Bank	
	31 July	31 October
	2018	2017
	RM'000	RM'000
Interest payable	1,103	4,047
Other payables and accruals	16,035	30,732
	<u>17,138</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 July 2018, the collective impairment provisions and regulatory reserve stands at 1.87% (October 2017: 1.27%).

20. Interest income

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2018 RM'000	31 July 2017 RM'000	31 July 2018 RM'000	31 July 2017 RM'000
Loans and advances:				
- Interest income other than on impaired loans	12,514	17,119	39,949	50,848
- Interest income on impaired loans	3,937	2,799	12,596	8,353
Money at call and deposit placements with financial institutions	4,637	7,383	16,340	25,304
Financial investments available-for-sale	762	762	2,248	2,237
Others	493	799	1,563	3,845
Total interest income	<u>22,343</u>	<u>28,862</u>	<u>72,696</u>	<u>90,587</u>

21. Interest expense

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2018 RM'000	31 July 2017 RM'000	31 July 2018 RM'000	31 July 2017 RM'000
Deposits and placements of banks and other financial institutions	1,785	6,143	9,106	20,239
Deposits from customers	3,016	5,370	10,757	17,313
Others	505	820	1,596	3,696
	<u>5,306</u>	<u>12,333</u>	<u>21,459</u>	<u>41,248</u>

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22. Net fee and commission income

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other fees relating to loans	316	430	1,428	1,508
Commitment fees	38	129	114	604
Guarantee fees	-	67	52	252
Acceptance commissions	110	174	358	426
Others	319	1,450	361	4,439
	<u>783</u>	<u>2,250</u>	<u>2,313</u>	<u>7,229</u>

23. Net trading income/(losses)

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Gains/(Losses) arising from dealing in foreign currency	6,567	2,933	4,914	(8,300)
Unrealised losses from derivative trading	(34)	(54)	(83)	(453)
Unrealised revaluation (losses)/gains in foreign exchange	(6,165)	(2,174)	(3,476)	9,195
	<u>368</u>	<u>705</u>	<u>1,355</u>	<u>442</u>

24. Other operating income

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Dividend income:				
- Financial investments available-for-sale	46	95	95	111
	<u>46</u>	<u>95</u>	<u>95</u>	<u>111</u>

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25. Other operating expenses

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2018 RM'000	31 July 2017 RM'000	31 July 2018 RM'000	31 July 2017 RM'000
Personnel costs:				
- Salaries and bonuses	3,212	4,007	9,535	9,900
- Pension fund contributions	540	630	1,583	1,607
- Other staff costs	292	678	1,584	2,358
Marketing expenses:				
- Advertising and promotion	26	49	34	83
- Others	131	119	402	380
Establishment costs:				
- Depreciation of plant and equipment	217	178	651	530
- Rental	177	259	789	778
- Others	1,094	781	3,359	3,089
Administrative expenses:				
- Fees	1,019	1,320	3,364	4,178
- Others	623	794	1,982	1,550
	<u>7,331</u>	<u>8,815</u>	<u>23,283</u>	<u>24,453</u>

26. Loan impairment charges/(recovery)

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2018 RM'000	31 July 2017 RM'000	31 July 2018 RM'000	31 July 2017 RM'000
Individual impairment provisions for loans and advances				
- made in the financial period	4,564	3,213	21,404	9,571
- written back in respect of recoveries	(1,040)	(498)	(3,736)	(1,649)
Collective impairment provisions				
- made/(written back) in the financial period	573	(756)	(1,158)	(756)
Bad debts on loans and advances:				
- written off	3	-	3	-
- recovered	(18)	(66)	(73)	(61)
	<u>4,082</u>	<u>1,893</u>	<u>16,440</u>	<u>7,105</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 July	31 October
	2018	2017
	RM'000	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	(2,708)	(1,502)
Unrealised gains and losses on 'available-for-sale' financial instruments	(287)	(399)
Total CET1 / Tier 1 capital	<u>975,937</u>	<u>977,031</u>
Tier 2 capital		
Collective impairment provisions	7,724	8,492
	<u>983,661</u>	<u>985,523</u>
Less: Investment in subsidiaries	(30)	(30)
Total capital	<u>983,631</u>	<u>985,493</u>
CET 1 / Tier 1 capital ratio	80.960%	52.785%
Total capital ratio	<u>81.598%</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 July 2018		31 October 2017	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	1,687,815	1,063,711	2,549,407	1,682,798
Market risk	-	4,034	-	18,210
Operational risk	-	137,708	-	149,956
	<u>1,687,815</u>	<u>1,205,453</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 July 2018			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	232,295	821	1,020
Cross currency interest rate swaps	45,451	5,018	4,979
Interest rate swaps	106,542	141	138
	<u>384,288</u>	<u>5,980</u>	<u>6,137</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 July 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	13,713		6,857	3,285
Short term self liquidating trade-related contingencies	5,602		1,120	396
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	256		128	128
- not exceeding one year	17,063		3,413	3,413
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	1,353,204		-	-
	<u>1,389,838</u>		<u>11,518</u>	<u>7,222</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	270,361	5,072	6,549	2,065
- exceeding one year	7,385	767	1,007	108
Interest rate related contracts:				
- less than one year	106,542	141	183	118
	<u>384,288</u>	<u>5,980</u>	<u>7,739</u>	<u>2,291</u>
Total	<u><u>1,774,126</u></u>	<u><u>5,980</u></u>	<u><u>19,257</u></u>	<u><u>9,513</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	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>