

The Bank of Nova Scotia Berhad

(Company No. 308035 U)

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

30 April 2019

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 2019

	Note	Group		Bank	
		30 April 2019 RM'000	31 October 2018 RM'000	30 April 2019 RM'000	31 October 2018 RM'000
ASSETS					
Cash and short-term funds	11	548,464	518,226	548,434	518,196
Financial assets at fair value through profit or loss	12	1,754	-	1,754	-
Financial investments at fair value through other comprehensive income	13	100,959	-	100,959	-
Financial investments available-for-sale	14	-	102,477	-	102,477
Loans and advances	15	1,218,864	985,891	1,218,864	985,891
Derivative financial assets	31	2,691	6,160	2,691	6,160
Other assets	17	8,200	6,853	8,200	6,853
Statutory deposits with Bank Negara Malaysia		298	298	298	298
Investment in subsidiaries		-	-	30	30
Plant and equipment		6,162	6,506	6,162	6,506
Deferred tax assets		1,577	2,888	1,577	2,888
Tax recoverable		219	4,979	219	4,979
TOTAL ASSETS		1,889,188	1,634,278	1,889,188	1,634,278
LIABILITIES					
Deposits from customers	18	414,723	298,467	414,723	298,467
Deposits and placements of banks and other financial institutions	19	74,593	220,929	74,593	220,929
Derivative financial liabilities	31	2,546	6,080	2,546	6,080
Other liabilities	20	15,046	18,003	15,046	18,003
Amounts owing to holding company		362,829	93,030	362,829	93,030
TOTAL LIABILITIES		869,737	636,509	869,737	636,509

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2019 (CONTD.)

	Note	Group		Bank	
		30 April 2019 RM'000	31 October 2018 RM'000	30 April 2019 RM'000	31 October 2018 RM'000
EQUITY					
Share capital		165,000	165,000	165,000	165,000
Reserves		854,451	832,769	854,451	832,769
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		<u>1,019,451</u>	<u>997,769</u>	<u>1,019,451</u>	<u>997,769</u>
TOTAL LIABILITIES AND EQUITY		<u>1,889,188</u>	<u>1,634,278</u>	<u>1,889,188</u>	<u>1,634,278</u>
COMMITMENTS AND CONTINGENCIES	32	<u>1,256,431</u>	<u>1,530,624</u>	<u>1,256,431</u>	<u>1,530,624</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 2018.

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 APRIL 2019

	Note	Group and Bank 2nd Quarter Ended		Group and Bank Six Months Ended	
		30 April 2019 RM'000	30 April 2018 RM'000	30 April 2019 RM'000	30 April 2018 RM'000
Interest income	22	22,492	25,820	42,610	50,353
Interest expense	23	(5,208)	(7,080)	(9,504)	(16,153)
Net interest income		17,284	18,740	33,106	34,200
Net fee and commission income	24	601	446	1,050	1,530
Net trading income	25	296	453	628	987
Other operating income	26	-	49	-	49
Net income		18,181	19,688	34,784	36,766
Other operating expenses	27	(6,702)	(7,072)	(14,825)	(15,952)
Operating profit		11,479	12,616	19,959	20,814
Allowance for credit losses	29	(3,705)	(10,366)	(6,998)	(12,358)
Profit before taxation		7,774	2,250	12,961	8,456
Tax expense		(2,175)	(560)	(3,430)	(2,068)
Profit for the period		5,599	1,690	9,531	6,388
Other comprehensive income, net of tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Fair value reserve (financial investments at fair value through other comprehensive income/available-for-sale):-					
- Net changes in fair value		75	(190)	177	(83)
Total other comprehensive income, net of income tax		75	(190)	177	(83)
Total comprehensive income for the period attributable to owners of the Bank		5,674	1,500	9,708	6,305
Basic earnings per share (sen)		4.58	1.38	7.79	5.22

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 2018.

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 APRIL 2019

	← Non-distributable →				
	Share Capital RM'000	Regulatory Reserve RM'000	Other Reserves RM'000	Distributable Retained Profit RM'000	Total RM'000
Group and Bank					
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 30 April 2018	<u>165,000</u>	<u>-</u>	<u>(292)</u>	<u>818,630</u>	<u>983,338</u>
As at 1 November 2018, as previously stated	165,000	-	(203)	832,972	997,769
Effect of changes in accounting policies, net of tax (Note 33)	-	9,150	4	2,820	11,974
Restated as at 1 November 2018	165,000	9,150	(199)	835,792	1,009,743
Net profit for the period	-	-	-	9,531	9,531
Other comprehensive income, net of tax					
- Net changes in fair value	-	-	177	-	177
Total comprehensive income for the period	-	-	177	9,531	9,708
Transfer to regulatory reserve	-	1,855	-	(1,855)	-
As at 30 April 2019	<u>165,000</u>	<u>11,005</u>	<u>(22)</u>	<u>843,468</u>	<u>1,019,451</u>

Note 21

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 2018.

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UNAUDITED CONDENSED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 APRIL 2019

	Group		Bank	
	30 April 2019 RM'000	30 April 2018 RM'000	30 April 2019 RM'000	30 April 2018 RM'000
Cash flows from operating activities				
Profit before taxation	12,961	8,456	12,961	8,456
Adjustments for non-cash item	8,022	10,935	8,022	10,935
Operating profit before working capital changes	20,983	19,391	20,983	19,391
Changes in working capital:				
Net changes in operating assets	(222,093)	351,543	(222,093)	351,543
Net changes in operating liabilities	233,293	(514,889)	233,293	(514,889)
Income taxes paid	(1,197)	(812)	(1,197)	(812)
Net cash used in operating activities	30,986	(144,767)	30,986	(144,767)
Net cash generated from investing activities	(744)	48	(744)	48
Net decrease in cash and cash equivalents	30,242	(144,719)	30,242	(144,719)
Cash and cash equivalents at beginning of the financial period	518,226	709,683	518,196	709,653
Cash and cash equivalents at end of the financial period	548,468	564,964	548,438	564,934
Cash and cash equivalents comprise:				
Cash and short term funds	548,468	564,964	548,438	564,934

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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 30 April 2019 of RM12.96 million, RM4.51 million higher compared to the corresponding period in the previous financial year. Lower business volumes as compared to previous corresponding period had led to a marginal decline of operating profit by 4% to RM19.96 million. However, a decrease of RM5.36million in allowances for credit losses resulted in the overall increase in profit before taxation.

Total assets of the Group and the Bank increased by RM254.9 million to RM1.89 billion, as compared to financial year ended 2018, mainly contributed by growth in loans and advances of RM233.0 million and holding of cash and short term funds of RM30.2 million.

Total liabilities, comprising mainly of deposits from customers, intercompany and interbank, had correspondingly increased by RM233.2 million to RM869.7 million as compared to financial year ended 2018, due to the increased funding requirement.

The increased balance sheet size, driven the increase in risk-weighted assets and hence the total capital ratio have reduced from 86.731% as at financial year ended 2018 to 72.328% as at 30 April 2019.

Current Quarter vs. Previous Year Corresponding Quarter

The Group and the Bank recorded net income of RM18.2 million for the current quarter. Compared to previous year corresponding quarter, this is 8% lower due to lower average balance sheet and loan size, and hence recorded lower interest income from corporate and interbank lending, offset by lower interest expense due to lesser funding requirement.

Reduction in operating expenses and allowances for credit losses of RM0.4 million and RM6.7 million respectively, have led to an improvement in profit before taxation of RM7.8 million, as compared to the previous year corresponding quarter of RM2.3 million.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 APRIL 2019

1. Basis of preparation of the financial statements

The unaudited interim financial statements of the Group and the Bank for the financial period ended 30 April 2019 have been prepared under the historical cost convention except for financial assets held at fair value through profit or loss ("FVTPL"), financial investments held at fair value through other comprehensive income ("FVOCI") and derivative financial instruments which are stated at fair values.

The unaudited interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB") and the Policy Document on Financial Reporting issued by Bank Negara Malaysia ("BNM").

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 2018. 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 2018.

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 2018, except for the adoption of the following MFRSs, Amendments to MFRSs and IC Interpretation which are effective for annual periods beginning on or after 1 November 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*

The adoption of these new standards, interpretations and amendments does not have a material effect on the financial statements except for MFRS 9, *Financial Instruments* ("MFRS 9"). An explanation of how the adoption of MFRS 9 has affected the Group's and the Bank's financial statements is presented in Note 33.

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

The following are accounting standards, amendments and interpretations of that have been issued by 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 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 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements - Definition of Material*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

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 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; and
- 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:

- **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 2018 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 30 April 2019.

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 2019, except as disclosed in Note 33 on adoption of MFRS 9.

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6. Debt and Equity Securities

There were no issuances, cancellations, repurchase, resale and repayments of debt and equity securities during the financial period ended 30 April 2019.

7. Dividend

No dividend was paid during the period ended 30 April 2019.

8. Changes in the composition of the Group

There were no changes in the composition of the Group for the period ended 30 April 2019.

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.

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10. Fair value of financial instruments (contd.)

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.

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 2019				
Financial investments at fair value				
through other comprehensive income	-	100,959	-	100,959
Derivative Financial Assets	-	2,691	-	2,691
	-	2,691	-	2,691
Derivative Financial Liabilities	-	2,546	-	2,546
31 October 2018				
Financial investments				
available-for-sale*	-	100,723	-	100,723
Derivative Financial Assets	-	6,160	-	6,160
	-	106,883	-	106,883
Derivative Financial Liabilities	-	6,080	-	6,080

* Excludes equity securities under financial investments available-for-sale 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	
	30 April 2019 RM'000	31 October 2018 RM'000	30 April 2019 RM'000	31 October 2018 RM'000
Cash and balances with banks and other financial institutions	4,724	9,716	4,694	9,686
Money at call and deposit placements maturing within one month	543,744	508,510	543,744	508,510
	<u>548,468</u>	<u>518,226</u>	<u>548,438</u>	<u>518,196</u>
Expected credit loss ("ECL") allowance	(4)	-	(4)	-
	<u>548,464</u>	<u>518,226</u>	<u>548,434</u>	<u>518,196</u>

Movements in ECL allowance on cash and short-term funds are as follow:

	Group and Bank	
	30 April 2019 RM'000	31 October 2018 RM'000
As at 31 October 2018	-	-
Effect of adopting MFRS 9 1 November 2018, as restated	48	-
Allowance written back during the financial period	(44)	-
At end of the financial period	<u>4</u>	<u>-</u>

12. Financial assets at fair value through profit or loss ("FVTPL")

	Group and Bank	
	30 April 2019 RM'000	31 October 2018 RM'000
Unquoted shares in Malaysia	<u>1,754</u>	<u>-</u>

The financial assets at FVTPL category was introduced upon adoption of MFRS 9 on 1 November 2018.

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13. Financial investments at fair value through other comprehensive income ("FVOCI")

	Group and Bank	
	30 April	31 October
	2019	2018
	RM'000	RM'000
Quoted money market instruments		
- Malaysian Government Securities	100,959	-

The financial assets at FVOCI category was introduced upon adoption of MFRS 9 on 1 November 2018.

Expected Credit Loss ("ECL") for financial investments at FVOCI is recognised in reserves. Movements in the ECL allowance on financial investments at FVOCI are as follow:

As at 31 October 2018	-	-
Effect of adopting MFRS 9	4	-
1 November 2018, as restated	4	-
Allowance written-back during the financial period	(1)	-
At end of the financial period	3	-

14. Financial investments available-for-sale

	Group and Bank	
	30 April	31 October
	2019	2018
	RM'000	RM'000
Quoted money market instruments - at fair value:		
- Malaysian Government Securities	-	100,723
Unquoted equity securities - at cost:		
- Unquoted shares in Malaysia	-	1,754
	-	102,477

The financial investments available-for-sale category was removed upon adoption of MFRS 9.

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15. Loans and advances

	Group and Bank	
	30 April 2019 RM'000	31 October 2018 RM'000
(i) By type		
Overdrafts	26,253	26,228
Term loans		
- housing loans	95,853	100,720
- other term loans	47,789	49,010
Bills receivable	174,466	195,717
Revolving credit	948,439	698,157
Staff loans	1,311	1,462
	<u>1,294,111</u>	<u>1,071,294</u>
Less: Unearned interest	(1,259)	(1,254)
	<u>1,292,852</u>	<u>1,070,040</u>
Gross loans and advances	1,292,852	1,070,040
Less: Impairment on loans and advances		
- Individual impairment (Note 16 (ii))	-	(67,098)
- Collective impairment (Note 16 (ii))	-	(17,051)
- Expected credit losses (Note 16 (iii))	(73,988)	-
Net loans and advances	<u><u>1,218,864</u></u>	<u><u>985,891</u></u>
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	169,390	42,394
Domestic business enterprises		
- Small medium enterprises	1,238	1,401
- Others	810,969	728,127
Government and statutory bodies	38,000	13,000
Individuals	143,025	148,346
Foreign entities	130,230	136,772
Gross loans and advances	<u><u>1,292,852</u></u>	<u><u>1,070,040</u></u>

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15. Loans and advances (contd.)**(iii) By geographical distribution**

Northern region	188,728	163,565
Southern region	281,401	135,422
Central region	710,400	643,110
Eastern region	202	9,335
Outside Malaysia	112,121	118,608
	<u>1,292,852</u>	<u>1,070,040</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.

(iv) By interest rate sensitivity

Fixed rate:		
- Housing loans	1,223	1,309
- Other fixed rate loans	90,639	108,553
Variable rate:		
- Base Lending Rate plus	320,075	329,648
- Cost plus	880,915	630,530
Gross loans and advances	<u>1,292,852</u>	<u>1,070,040</u>

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15. Loans and advances (contd.)

	Group and Bank	
	30 April 2019 RM'000	31 October 2018 RM'000
(v) By sector		
Agriculture	347,240	215,348
Manufacturing	262,293	270,654
Construction	50,000	50,000
Purchase of landed property:		
- Residential	97,076	101,592
- Non-residential	38,389	39,417
Wholesale & retail trade and restaurants & hotels	8,042	38,705
Transport, storage and communication	100,000	80,000
Finance, insurance and business services	278,761	182,626
Purchase of transport vehicles	86	153
Consumption credit	54,965	55,545
Others	56,000	36,000
Gross loans and advances	<u>1,292,852</u>	<u>1,070,040</u>
(vi) By residual contractual maturity		
Within one year	1,158,627	929,421
One year to five years	12,884	13,834
Over five years	121,341	126,785
	<u>1,292,852</u>	<u>1,070,040</u>

16. Impaired loans and advances

	Group and Bank	
	30 April 2019 RM'000	31 October 2018 RM'000
(i) Movements in impaired loans and advances		
At beginning of financial period	121,029	126,065
Classified as impaired during the financial period	10,384	16,764
Reclassified as performing during the financial period	(2,764)	(6,751)
Amount recovered	(8,306)	(12,869)
Amount written off	-	(2,180)
At end of financial period	120,343	121,029
Individual impairment allowance	-	(67,098)
Lifetime credit impaired ECL allowance	(72,498)	-
Net impaired loans and advances	<u>47,845</u>	<u>53,931</u>
Ratio of net impaired loans and advances to net loans and advances (less lifetime credit impaired ECL allowance / individual impairment)	<u>3.92%</u>	<u>5.38%</u>

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16. Impaired loans and advances (contd.)

	Group and Bank	
	30 April 2019 RM'000	31 October 2018 RM'000
(ii) Movements in collective and individual impairment allowances for loans and advances		
Collective impairment allowance		
At beginning of financial period/year, as previously stated	17,051	20,681
Effects of adoption of MFRS 9	(17,051)	-
At the beginning of the financial period/year, as restated	-	20,681
Amount written back	-	(3,630)
At end of financial period/year	-	17,051
As % of gross loans and advances less individual impairment allowance	0.00%	1.70%
Individual impairment allowance		
At beginning of financial period/year	67,098	51,966
Effects of adoption of MFRS 9	(67,098)	-
At the beginning of the financial period/year, as restated	-	51,966
Impairment made during the financial period/year	-	26,224
Amount written back in respect of recoveries	-	(4,141)
Amount written off	-	(2,184)
Unwinding of discount	-	(4,767)
At end of financial period/year	-	67,098

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16. Impaired loans and advances (contd.)**(iii) Movements in ECL allowances for loans and advances**

	12 months ECL (Stage 1) RM'000	Lifetime not Credit Impaired ECL (Stage 2) RM'000	Lifetime Credit Impaired ECL (Stage 3) RM'000	Total RM'000
Group and Bank				
At 1 November 2018, on adoption of MFRS 9	377	861	67,098	68,336
<u>Transfer between stages</u>	853	(840)	(13)	-
Changes due to change in credit risk:				
- Transfer to Stage 1	889	(610)	(279)	-
- Transfer to Stage 2	(35)	35	-	-
- Transfer to Stage 3	(1)	(265)	266	-
Loans derecognised during the period (other than write-offs)	(29)	(14)	(214)	(257)
New loans originated	28	-	-	28
Changes due to change in credit risk	(783)	1,037	7,029	7,283
Other adjustment:				
- Unwinding of discount	-	-	(1,402)	(1,402)
At end of financial period	<u>446</u>	<u>1,044</u>	<u>72,498</u>	<u>73,988</u>

	Group and Bank	
	30 April 2019 RM'000	31 October 2018 RM'000
(iv) By geographical distribution		
Southern region	111	301
Central region	105,982	107,617
Outside Malaysia	14,250	13,111
	<u>120,343</u>	<u>121,029</u>

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16. Impaired loans and advances (contd.)

	Group and Bank	
	30 April	31 October
	2019	2018
	RM'000	RM'000
(v) By sector		
Manufacturing	82,656	86,063
Purchase of landed property:		
- Residential	19,310	18,366
- Non-residential	17,675	15,946
Consumption credit	702	654
	<u>120,343</u>	<u>121,029</u>

17. Other assets

	Group and Bank	
	30 April	31 October
	2019	2018
	RM'000	RM'000
Interest receivable	6,452	4,824
Other receivables, deposits and prepayments	1,749	2,029
	<u>8,201</u>	<u>6,853</u>
ECL allowance	(1)	-
	<u>8,200</u>	<u>6,853</u>
Movements in ECL allowance on receivables are as follow:		
As at 31 October 2018	-	-
Effect of adopting MFRS 9	1	-
1 November 2018, as restated / At end of the financial period	<u>1</u>	<u>-</u>

18. Deposits from customers

	Group and Bank	
	30 April	31 October
	2019	2018
	RM'000	RM'000
(i) By type of deposit		
Demand deposits	22,200	31,917
Savings deposits	1,444	1,884
Fixed/Investment deposits	177,044	182,173
Others	214,035	82,493
	<u>414,723</u>	<u>298,467</u>

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18. Deposits from customers (contd.)

	Group and Bank	
	30 April	31 October
	2019	2018
	RM'000	RM'000
(ii) Maturity structure of fixed/investment deposits		
Due within six months	173,005	175,494
Six months to one year	4,039	6,566
More than one year	-	113
	<u>177,044</u>	<u>182,173</u>
(iii) By type of customer		
Business enterprises	395,356	271,830
Individuals	19,356	26,626
Others	11	11
	<u>414,723</u>	<u>298,467</u>

19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 April	31 October
	2019	2018
	RM'000	RM'000
Licensed banks	-	31,387
Other financial institutions	74,593	189,542
	<u>74,593</u>	<u>220,929</u>

20. Other liabilities

	Group and Bank	
	30 April	31 October
	2019	2018
	RM'000	RM'000
Interest payable	679	689
Other payables and accruals	14,364	17,314
ECL allowances on off-balance sheet exposures	3	-
	<u>15,046</u>	<u>18,003</u>

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20. Other liabilities (contd.)

Movements in ECL allowance on off-balance sheet exposures are as follow:

	Group and Bank	
	30 April 2019 RM'000	31 October 2018 RM'000
As at 31 October 2018	-	-
Effect of adopting MFRS 9	10	-
1 November 2018, as restated	10	-
Allowance written back during the financial period	(7)	-
At end of the financial period	<u>3</u>	<u>-</u>

21. With effect from 1 November 2018, BNM requires the Bank to maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1.00% of total credit exposures, net of loss allowance for credit-impaired exposures. As at 30 April 2019, the allowance for non-credit impaired exposures and regulatory reserve stands at 1.00%.

Previously, BNM requires the Bank to maintain, in aggregate, collective impairment provisions and regulatory reserve of no less than 1.2% of total outstanding loans, net of individual impairment provisions. As at 31 October 2018, the collective impairment provisions and regulatory reserve stands at 1.70%.

22. Interest income

	Group and Bank 2nd Quarter Ended		Group and Bank Six Months Ended	
	30 April 2019 RM'000	30 April 2018 RM'000	30 April 2019 RM'000	30 April 2018 RM'000
Loans and advances:				
- Interest income other than on impaired loans	12,664	13,349	23,838	27,435
- Interest income on impaired loans	4,152	5,904	6,999	8,659
Money at call and deposit placements with financial institutions	4,869	5,367	10,213	11,703
Financial investments available-for-sale	798	737	1,541	1,486
Others	9	463	19	1,070
Total interest income	<u>22,492</u>	<u>25,820</u>	<u>42,610</u>	<u>50,353</u>

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23. Interest expense

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	1,245	3,439	1,698	7,321
Deposits from customers	3,948	3,169	7,759	7,741
Others	15	472	47	1,091
	<u>5,208</u>	<u>7,080</u>	<u>9,504</u>	<u>16,153</u>

24. Net fee and commission income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other fees relating to loans	373	623	508	1,112
Commitment fees	39	38	82	76
Guarantee fees	11	36	26	52
Acceptance commissions	84	120	230	248
Others	94	(371)	204	42
	<u>601</u>	<u>446</u>	<u>1,050</u>	<u>1,530</u>

25. Net trading income/(losses)

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Losses/Gains arising from dealing in foreign currency	(1,454)	(3,606)	560	(1,653)
Unrealised losses from derivative trading	(5)	(21)	(15)	(49)
Unrealised revaluation gains in foreign exchange	1,755	4,080	83	2,689
	<u>296</u>	<u>453</u>	<u>628</u>	<u>987</u>

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26. Other operating income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Dividend income:				
- Financial investments held at FVOCI/available-for-sale	-	49	-	49

27. Other operating expenses

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries and bonuses	2,876	3,270	5,893	6,323
- Pension fund contributions	488	551	1,008	1,043
- Other staff costs	592	241	1,651	1,292
Marketing expenses:				
- Advertising and promotion	14	8	19	8
- Others	(96)	135	39	271
Establishment costs:				
- Depreciation of plant and equipment	187	217	344	434
- Rental	188	267	467	612
- Others	931	1,121	2,145	2,265
Administrative expenses:				
- Fees	1,194	1,046	2,604	2,345
- Others	328	216	655	1,359
	<u>6,702</u>	<u>7,072</u>	<u>14,825</u>	<u>15,952</u>

28. Significant related party transactions

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Expenditure:				
<i>Holding company</i>				
(i) By type of services				
Computer license agreement	424	(1)	763	416
Technical fees	345	290	624	593
Technical support	229	340	650	723
Interest payable	155	1,515	228	2,747

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28. Significant related party transactions (contd.)

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Expenditure: (contd.)				
<i>Holding company</i>				
(ii) By country				
Singapore	155	1,515	228	2,747
Canada	424	(1)	763	416
Hong Kong, SAR China	345	290	624	593
India	229	340	650	723
	<u>80</u>	<u>(427)</u>	<u>152</u>	<u>(78)</u>
Income:				
<i>Holding company</i>				
Technical fees	80	(427)	152	(78)

29. Allowance for credit losses

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
ECL allowance made/(written back) on:				
- Loans and advances	3,751	-	7,054	-
- Deposits and short term funds	(33)	-	(44)	-
- Financial investments at FVOCI	(1)	-	(1)	-
- Off-balance sheet exposures	(11)	-	(7)	-
Individual impairment allowance				
for loans and advances				
- made in the financial period	-	13,316	-	16,840
- written back in respect of recoveries	-	(1,190)	-	(2,696)
Collective impairment provisions				
- made/(written back) in the financial period	-	(1,731)	-	(1,731)
Impaired loans and advances:				
- recovered	(1)	(29)	(4)	(55)
	<u>3,705</u>	<u>10,366</u>	<u>6,998</u>	<u>12,358</u>

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30. Capital adequacy

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

	Group and Bank	
	30 April 2019 RM'000	31 October 2018 RM'000
Common Equity Tier 1 ("CET1") / Tier 1 capital		
Paid-up share capital	165,000	165,000
Retained profit	821,967	832,972
Other reserves	(25)	(203)
	986,942	997,769
Less: Deferred tax assets	(1,577)	(2,888)
Total CET1 / Tier 1 capital	985,365	994,881
Tier 2 capital		
Regulatory Reserve *	10,526	-
12-months and lifetime not credit impaired ECL allowances	1,501	-
Collective impairment	-	6,456
	997,392	1,001,337
Less: Investment in subsidiaries	(30)	(30)
Total capital	997,362	1,001,307
CET 1 / Tier 1 capital ratio	71.458%	86.174%
Total capital ratio	72.328%	86.731%

* Excludes regulatory reserve maintained for credit impaired exposures which is restricted from Tier 2 Capital.

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30. Capital adequacy (contd.)

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

	30 April 2019		31 October 2018	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	1,902,005	1,238,980	1,662,038	1,017,693
Market risk	-	12,842	-	1,961
Operational risk	-	127,121	-	134,843
	<u>1,902,005</u>	<u>1,378,943</u>	<u>1,662,038</u>	<u>1,154,497</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.

31. Derivative financial instruments

	Nominal value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
At 30 April 2019			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	411,892	1,867	1,727
Cross currency interest rate swaps	7,455	824	819
	<u>419,347</u>	<u>2,691</u>	<u>2,546</u>
At 31 October 2018			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	140,357	421	364
Cross currency interest rate swaps	46,186	5,739	5,716
	<u>186,543</u>	<u>6,160</u>	<u>6,080</u>

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32. Commitments and contingencies

Group and Bank 30 April 2019	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	2,782		1,391	727
Short term self liquidating trade-related contingencies	203		41	41
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	274		137	137
- not exceeding one year	16,403		3,281	3,281
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	817,422		-	-
	<u>837,084</u>		<u>4,850</u>	<u>4,186</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	419,347	2,691	8,281	7,391
	<u>419,347</u>	<u>2,691</u>	<u>8,281</u>	<u>7,391</u>
Total	<u><u>1,256,431</u></u>	<u><u>2,691</u></u>	<u><u>13,131</u></u>	<u><u>11,577</u></u>

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32. Commitments and contingencies (contd.)

Group and Bank 31 October 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	6,937		3,469	1,198
Short term self liquidating trade-related contingencies	86		17	17
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	259		130	130
- not exceeding one year	18,873		3,775	3,775
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	1,317,926		-	-
	<u>1,344,081</u>		<u>7,391</u>	<u>5,120</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	186,543	6,160	8,404	2,383
	<u>186,543</u>	<u>6,160</u>	<u>8,404</u>	<u>2,383</u>
Total	<u><u>1,530,624</u></u>	<u><u>6,160</u></u>	<u><u>15,795</u></u>	<u><u>7,503</u></u>

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33. Changes in significant accounting policies

(a) MFRS 9 *Financial Instruments* ("MFRS 9")

MFRS 9 sets out the requirements for recognising and measuring financial assets and financial liabilities. It also introduces a new Expected Credit Loss ("ECL") model and a new general hedge accounting model.

As allowed under MFRS 9, the Group and the Bank had not restated its comparative information. Accordingly, the information presented for the comparative period is presented, as previously reported, under MFRS 139, *Financial Instruments: Recognition and Measurement* ("MFRS 139"). The transition impact arising from adoption of MFRS 9 is recognised in retained profit and reserves as at 1 November 2018.

Changes in accounting policies resulting from adoption of MFRS 9 have been generally applied by the Group and the Bank retrospectively, except as described below.

The following assessments were made on the basis of facts and circumstances that existed at 1 November 2018:

- The determination of business model within which a financial asset is held.
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

There are no significant changes in accounting policies for financial liabilities, derivative instruments and derecognition of financial assets and liabilities.

The impact upon adoption of MFRS 9 is described below:

(i) Classification and measurement of financial assets

Classification of financial assets

Financial assets are classified into one of the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI");
- Fair value through profit or loss ("FVTPL");
- Elected at fair value through other comprehensive income (Equities only); or
- Designated at fair value through profit or loss

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33. Changes in significant accounting policies (contd.)

(a) MFRS 9 *Financial Instruments* ("MFRS 9") (contd.)

(i) Classification and measurement of financial assets (contd.)

Classification of financial assets (contd.)

The classification of debt instruments is further dependent on:

- *Business model assessment*
Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Bank's business model assessment is based on the following categories:
 - Held to collect
 - Held to collect and for sale
 - Held for sale business model
- *Contractual cash flow characteristics assessment*
The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending agreement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are not reclassified subsequent to their initial recognition unless the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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33. Changes in significant accounting policies (contd.)

(a) MFRS 9 *Financial Instruments* ("MFRS 9") (contd.)

(i) Classification and measurement of financial assets (contd.)

Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

The allowance for credit losses on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated allowance recognised in OCI is recycled to the income statement upon derecognition of the debt instrument.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. As at 30 April 2019, there are no financial assets designated as financial assets at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in profit or loss.

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33. Changes in significant accounting policies (contd.)

(a) MFRS 9 *Financial Instruments* ("MFRS 9") (contd.)

(i) Classification and measurement of financial assets (contd.)

Equity instruments

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognised immediately in the income statement as part of non-interest income. Subsequent to initial recognition the changes in fair value are recognised as part of non-interest income in the income statement.

At initial recognition, there is an irrevocable option for the Bank to classify non-trading equity instruments at FVOCI. The Bank has not made this election for the equity instruments it holds.

(ii) Impairment

The Bank applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under MFRS 9, for the following categories of financial instruments that are not measured at FVTPL:

- Financial assets measured at amortised costs;
- Debt securities at FVOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts

Expected credit loss impairment model

The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 - Where there has not been a significant increase in credit risk ("SIR") since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default ("PD") occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a PD corresponding to remaining term to maturity is used.

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33. Changes in significant accounting policies (contd.)

(a) MFRS 9 *Financial Instruments* ("MFRS 9") (contd.)

(ii) Impairment (contd.)

Expected credit loss impairment model (contd.)

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination (contd.):

- Stage 2 - When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires computation of expected credit loss based on the PD over the remaining estimated life of the financial instrument.
- Stage 3 - Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Assessment of SIR

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SIR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

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33. Changes in significant accounting policies (contd.)

(b) BNM's revised policy document on Financial Reporting

On 2 February 2018, BNM issued the revised policy document on Financial Reporting which prescribe the regulatory reserves to be maintained by banking institutions. With effect from 1 November 2018, the Bank must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of allowance for credit impaired exposures. The financial effects of the adoption of the revised policy document are presented in Note 33 (c).

(c) Financial effects due to changes in accounting policies

The following table explains the original measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Bank's financial assets as at 1 November 2018.

	Classification		Carrying amount as at 1 November 2018	
	MFRS 139	MFRS 9	MFRS 139 RM'000	MFRS 9 RM'000
Financial assets				
Group				
Cash and short-term funds	Loans and receivables	Amortised cost	518,226	518,178
Bank				
Cash and short-term funds	Loans and receivables	Amortised cost	518,196	518,148
Group and Bank				
Debt securities	Available-for-sale	FVOCI	100,723	100,723
Equity instruments	Available-for-sale	FVTPL	1,754	1,754
Loans and advances	Loans and receivables	Amortised cost	985,891	1,001,704
Derivative financial assets	FVTPL	Mandatorily at FVTPL	6,160	6,160
Other assets	Loans and receivables	Amortised cost	6,853	6,852
Statutory deposits with BNM	Loans and receivables	Amortised cost	298	298

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33. Changes in significant accounting policies (contd.)

(c) Financial effects due to changes in accounting policies (contd.)

There are no changes to the classification and carrying amounts of the financial liabilities subsequent to the measurement categories under MFRS 9.

The following table reconciles the closing impairment allowances under MFRS 139 as at 31 October 2018 to the opening impairment allowance under MFRS 9 as at 1 November 2018.

	Group and Bank RM'000
Individual and collective impairment allowance as at 31 October 2018 under MFRS 139	84,149
Additional/(reduction) in allowance for expected credit losses recognised as at 1 November 2018 on:	
- Cash and short-term funds	48
- Financial investments at FVOCI	4
- Loans and advances	(15,813)
- Other assets	1
- Off-balance sheet exposures	10
Allowance for credit losses at 1 November 2018 under MFRS 9	<u>68,399</u>

The following tables analyse the impact of the transition to MFRS 9 on the statements of financial position of the Group and of the Bank:

	Impact of adopting MFRS 9 as at 1 November 2019	
	Group RM'000	Bank RM'000
Cash and short-term funds		
Closing balance under MFRS 139 at 31 October 2018	518,226	518,196
- Recognition of expected credit losses under MFRS 9	(48)	(48)
Opening balance under MFRS 9 at 1 November 2018	<u>518,178</u>	<u>518,148</u>

	Impact of adopting MFRS 9 as at 1 November 2019	
	Group and Bank RM'000	
Financial investments available-for-sale		
Closing balance under MFRS 139 at 31 October 2018		102,477
- Redesignation to financial assets at FVTPL		(1,754)
- Redesignation to financial investments at FVOCI		(100,723)
Opening balance under MFRS 9 at 1 November 2018		<u>-</u>

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33. Changes in significant accounting policies (contd.)**(c) Financial effects due to changes in accounting policies (contd.)**

	Impact of adopting MFRS 9 as at 1 November 2019 Group and Bank RM'000
Financial assets at FVTPL	
Closing balance under MFRS 139 at 31 October 2018	-
- Redesignation from financial investments available-for-sale	<u>1,754</u>
Opening balance under MFRS 9 at 1 November 2018	<u><u>1,754</u></u>
Financial investments at FVOCI	
Closing balance under MFRS 139 at 31 October 2018	-
- Redesignation from financial investments available-for-sale	<u>100,723</u>
Opening balance under MFRS 9 at 1 November 2018	<u><u>100,723</u></u>
Loans and advances	
Closing balance under MFRS 139 at 31 October 2018	985,891
- Recognition of expected credit losses under MFRS 9	<u>15,813</u>
Opening balance under MFRS 9 at 1 November 2018	<u><u>1,001,704</u></u>
Other assets	
Closing balance under MFRS 139 at 31 October 2018	6,853
- Recognition of expected credit losses under MFRS 9	<u>(1)</u>
Opening balance under MFRS 9 at 1 November 2018	<u><u>6,852</u></u>
Other liabilities	
Closing balance under MFRS 139 at 31 October 2018	18,003
- Recognition of expected credit losses under MFRS 9	<u>10</u>
Opening balance under MFRS 9 at 1 November 2018	<u><u>18,013</u></u>
Tax recoverable	
Closing balance under MFRS 139 at 31 October 2018	4,979
- Derecognition of impairment allowance under MFRS 139	<u>(3,780)</u>
Opening balance under MFRS 9 at 1 November 2018	<u><u>1,199</u></u>
Regulatory reserves	
Closing balance under MFRS 139 at 31 October 2018	-
- Transfer from retained profit	<u>9,150</u>
Opening balance under MFRS 9 at 1 November 2018	<u><u>9,150</u></u>

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33. Changes in significant accounting policies (contd.)

(c) Financial effects due to changes in accounting policies (contd.)

	Impact of adopting MFRS 9 as at 1 November 2019 Group and Bank RM'000
Other reserves	
Closing balance under MFRS 139 at 31 October 2018	(203)
- Recognition of expected credit losses under MFRS 9	<u>4</u>
Opening balance under MFRS 9 at 1 November 2018	<u><u>(199)</u></u>
Retained profit	
Closing balance under MFRS 139 at 31 October 2018	832,972
- Recognition of expected credit losses under MFRS 9	15,750
- Tax effect arising from derecognition of impairment allowance under MFRS 9	(3,780)
- Transfer to regulatory reserves	<u>(9,150)</u>
Opening balance under MFRS 9 at 1 November 2018	<u><u>835,792</u></u>