The Bank of Nova Scotia Berhad

(Company No. 308035 U)
(Incorporated in Malaysia)
and its subsidiaries

Unaudited Condensed Interim Financial Statements
31 July 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 31 JULY 2019

		Group		Bank	
	Note	31 July 2019 RM'000	31 October 2018 RM'000	31 July 2019 RM'000	31 October 2018 RM'000
ASSETS					
Cash and short-term funds	11	440,302	518,226	440,282	518,196
Financial assets at fair value through profit or loss	12	2,088	-	2,088	-
Financial investments at fair value through other comprehensive income	13	111,663	-	111,663	-
Financial investments available-for-sale	14	-	102,477	-	102,477
Loans and advances	15	1,253,136	985,891	1,253,136	985,891
Derivative financial assets	31	1,474	6,160	1,474	6,160
Other assets	17	8,960	6,853	8,960	6,853
Statutory deposits with Bank Negara Malaysia		298	298	298	298
Investment in subsidiaries		-	-	30	30
Plant and equipment		6,035	6,506	6,035	6,506
Deferred tax assets		484	2,888	484	2,888
Tax recoverable		3,183	4,979	3,183	4,979
TOTAL ASSETS		1,827,623	1,634,278	1,827,633	1,634,278
LIABILITIES					
Deposits from customers	18	327,307	298,467	327,317	298,467
Deposits and placements of banks and other financial institutions	19	58,921	220,929	58,921	220,929
Derivative financial liabilities	31	2,502	6,080	2,502	6,080
Other liabilities	20	11,714	18,003	11,714	18,003
Amounts owing to holding company		402,760	93,030	402,760	93,030
TOTAL LIABILITIES		803,204	636,509	803,214	636,509

THE BANK OF NOVA SCOTIA BERHAD
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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2019 (CONTD.)

		Group		Bank	
		31 July 2019	31 October 2018	31 July 2019	31 October 2018
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY					
Share capital		165,000	165,000	165,000	165,000
Reserves		859,419	832,769	859,419	832,769
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		1,024,419	997,769	1,024,419	997,769
TOTAL LIABILITIES AND EQUITY		1,827,623	1,634,278	1,827,633	1,634,278
COMMITMENTS AND CONTINGENCIES	32	1,111,584	1,530,624	1,111,584	1,530,624

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.

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 308035 U)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 JULY 2019

		Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	Note	31 July 2019 RM'000	31 July 2018 RM'000	31 July 2019 RM'000	31 July 2018 RM'000
Interest income	22	22,497	22,343	65,107	72,696
Interest expense	23	(5,583)	(5,306)	(15,087)	(21,459)
Net interest income		16,914	17,037	50,020	51,237
Net fee and commission income	24	307	783	1,357	2,313
Net trading income	25	612	368	1,240	1,355
Other operating income	26	95	46	95	95
Net income		17,928	18,234	52,712	55,000
Other operating expenses	27	(7,694)	(7,331)	(22,519)	(23,283)
Operating profit		10,234	10,903	30,193	31,717
Allowance for credit losses	29	(4,537)	(4,082)	(11,535)	(16,440)
Profit before taxation		5,697	6,821	18,658	15,277
Tax expense		(1,192)	(1,517)	(4,622)	(3,585)
Profit for the period		4,505	5,304	14,036	11,692
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Fair value reserve (financial investments at fair value through other comprehensive income/available-for-sale):-					
- Net changes in fair value		129	195	306	112
Total other comprehensive income, net of income tax		129	195	306	112
Total comprehensive income for the period attributable to owners of the Bank		4,634	5,499	14,342	11,804
Basic earnings per share (sen)		3.68	4.33	11.47	9.55

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.

THE BANK OF NOVA SCOTIA BERHAD
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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JULY 2019

	← Non-distributable →			Distributable	
	Share Capital RM'000	**Regulatory Reserve RM'000**	**Other Reserves RM'000**	**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	-	-	-	11,692	11,692
Other comprehensive income, net of tax					
- Net changes in fair value	-	-	112	-	112
Total comprehensive income for the period	-	-	112	11,692	11,804
As at 31 July 2018	165,000	-	(287)	825,624	990,337
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	3,154	12,308
Restated as at 1 November 2018	165,000	9,150	(199)	836,126	1,010,077
Net profit for the period	-	-	-	14,036	14,036
Other comprehensive income, net of tax					
- Net changes in fair value	-	-	306	-	306
Total comprehensive income for the period	-	-	306	14,036	14,342
Transfer to regulatory reserve	-	2,396	-	(2,396)	-
As at 31 July 2019	165,000	11,546	107	847,766	1,024,419
		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 31 JULY 2019

	Group		Bank	
	31 July 2019 RM'000	**31 July 2018 RM'000**	**31 July 2019 RM'000**	**31 July 2018 RM'000**
Cash flows from operating activities				
Profit before taxation	18,658	15,277	18,658	15,277
Adjustments for non-cash item	14,168	21,799	14,168	21,799
Operating profit before working capital changes	32,826	37,076	32,826	37,076
Changes in working capital:				
Net changes in operating assets	(260,525)	606,301	(260,525)	606,301
Net changes in operating liabilities	165,590	(850,312)	165,600	(850,312)
Income taxes paid	(4,298)	(812)	(4,298)	(812)
Net cash used in operating activities	(66,407)	(207,747)	(66,397)	(207,747)
Net cash (used in) / generated from investing activities	(11,514)	96	(11,514)	96
Net decrease in cash and cash equivalents	(77,921)	(207,651)	(77,911)	(207,651)
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	440,305	502,032	440,285	502,002
Cash and cash equivalents comprise:				
Cash and short term funds	440,305	502,032	440,285	502,002

THE BANK OF NOVA SCOTIA BERHAD
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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 2019 of RM18.66 million, RM3.38 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 5% to RM30.19 million. However, a decrease of RM4.91 million in allowances for credit losses resulted in the overall increase in profit before taxation.

Total assets of the Group and the Bank increased by RM193.4 million to RM1.83 billion, as compared to financial year ended 2018, mainly contributed by growth in loans and advances of RM267.2 million, offset by reduction in holding of cash and short term funds of RM77.9 million.

Total liabilities, comprising mainly of deposits from customers, intercompany and interbank, had correspondingly increased by RM166.7 million to RM803.2 million as compared to financial year ended 2018 due to the increased funding requirement.

The increased balance sheet size give rise to the increase in risk-weighted assets and hence the total capital ratio reduced from 86.731% as at financial year ended 2018 to 70.471% as at 31 July 2019.

Current Quarter vs. Previous Year Corresponding Quarter
The Group and the Bank recorded net income of RM17.9 million for the current quarter, 2% lower against net income earned in the previous year corresponding quarter.

Slight increase in operating expenses and allowances for credit losses of RM0.36 million and RM0.46 million respectively, have led to decline in profit before taxation by RM1.1 million to RM5.70 million, as compared to profit before taxation of the previous year corresponding quarter.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 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 31 July 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 conjuction 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.

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, J*oint 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*

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 31 July 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 31 July 2019, except as disclosed in Note 33 on adoption of MFRS 9.

6. Debt and Equity Securities

There were no issuances, cancellations, repurchase, resale and repayments of debt and equity securities during the financial period ended 31 July 2019.

7. Dividend

No dividend was paid during the period ended 31 July 2019.

8. Changes in the composition of the Group

There were no changes in the composition of the Group for the period ended 31 July 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			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
31 July 2019				
Financial assets at fair value through profit or loss	-	-	2,088	2,088
Financial investments at fair value through other comprehensive income	-	111,663	-	111,663
Derivative Financial Assets	-	1,474	-	1,474
	-	113,137	2,088	115,225
Derivative Financial Liabilities	-	2,502	-	2,502
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.

10. Fair value of financial instruments (contd.)

Reconciliation of movements in Level 3 financial instruments

The following table summarises the changes in Level 3 instruments carried at fair value during the financial period.

	Group and Bank	
	31 July 2019 RM'000	31 October 2018 RM'000
Financial assets at fair value		
At beginning of financial period, as previously stated	-	-
Effects of adoption of MFRS 9	2,088	-
1 November 2018, as restated / At end of the financial period	2,088	-

This category comprises of unquoted shares. Valuation for these shares are assesses by reference to adjusted net tangible assets of the investee. As the exposures are insignificant, changing one or more of the inputs to reasonably possible alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

Significant transfers

Significant transfers can occur between fair value hierarchy levels when additional or new information regarding valuation inputs and their refinement and observability become available. The Group and the Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change occurred. There has been no transferes between hierarchies during the current financial period.

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11. Cash and short-term funds

	Group		Bank	
	31 July 2019 RM'000	31 October 2018 RM'000	31 July 2019 RM'000	31 October 2018 RM'000
Cash and balances with banks and other financial institutions	7,417	9,716	7,397	9,686
Money at call and deposit placements maturing within one month	432,888	508,510	432,888	508,510
	440,305	518,226	440,285	518,196
Expected credit loss ("ECL") allowance	(3)	-	(3)	-
	440,302	518,226	440,282	518,196

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

	Group and Bank	
	31 July 2019 RM'000	31 October 2018 RM'000
12-Month ECL Stage 1		
As at 31 October 2018	-	-
Effect of adopting MFRS 9	48	-
1 November 2018, as restated	48	-
Allowance written back during the financial period	(45)	-
At end of the financial period	3	-

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

	Group and Bank	
	31 July 2019 RM'000	31 October 2018 RM'000
Unquoted shares in Malaysia	2,088	-

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	
	31 July 2019 RM'000	**31 October 2018 RM'000**
Quoted money market instruments		
- Malaysian Government Securities	111,663	-

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:

12-Month ECL Stage 1		
As at 31 October 2018	-	-
Effect of adopting MFRS 9	4	-
1 November 2018, as restated	4	-
Additional allowance during the financial period	2	-
At end of the financial period	6	-

14. Financial investments available-for-sale

	Group and Bank	
	31 July 2019 RM'000	**31 October 2018 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 31 July 2019 RM'000	Group and Bank 31 October 2018 RM'000
(i) By type		
Overdrafts	24,310	26,228
Term loans		
- housing loans	93,697	100,720
- other term loans	42,616	49,010
Bills receivable	171,485	195,717
Revolving credit	998,819	698,157
Staff loans	1,264	1,462
	1,332,191	1,071,294
Less: Unearned interest	(1,149)	(1,254)
Gross loans and advances	1,331,042	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))	(77,906)	-
Net loans and advances	1,253,136	985,891
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	169,213	42,394
Domestic business enterprises		
- Small medium enterprises	702	1,401
- Others	858,260	728,127
Government and statutory bodies	33,000	13,000
Individuals	140,362	148,346
Foreign entities	129,505	136,772
Gross loans and advances	1,331,042	1,070,040

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15. Loans and advances (contd.)

(iii) By geographical distribution

Northern region	205,729	163,565
Southern region	315,388	135,422
Central region	698,215	643,110
Eastern region	195	9,335
Outside Malaysia	111,515	118,608
	1,331,042	1,070,040

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	1,195	1,309
- Other fixed rate loans	83,800	108,553
Variable rate:		
- Base Lending Rate plus	317,380	329,648
- Cost plus	928,667	630,530
Gross loans and advances	1,331,042	1,070,040

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15. Loans and advances (contd.)

	Group and Bank	
	31 July 2019 RM'000	31 October 2018 RM'000
(v) By sector		
Agriculture	386,740	215,348
Manufacturing	273,951	270,654
Construction	50,000	50,000
Purchase of landed property:		
- Residential	94,892	101,592
- Non-residential	37,695	39,417
Wholesale & retail trade and restaurants & hotels	7,506	38,705
Transport, storage and communication	100,000	80,000
Finance, insurance and business services	272,568	182,626
Purchase of transport vehicles	69	153
Consumption credit	54,621	55,545
Others	53,000	36,000
Gross loans and advances	1,331,042	1,070,040

(vi) By residual contractual maturity		
Within one year	1,200,975	929,421
One year to five years	11,215	13,834
Over five years	118,852	126,785
	1,331,042	1,070,040

16. Impaired loans and advances

	Group and Bank	
	31 July 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	26,323	16,764
Reclassified as performing during the financial period	(3,828)	(6,751)
Amount recovered	(8,717)	(12,869)
Amount written off	-	(2,180)
At end of financial period	134,807	121,029
Individual impairment allowance	-	(67,098)
Lifetime credit impaired ECL allowance	(76,555)	-
Net impaired loans and advances	58,252	53,931
Ratio of net impaired loans and advances to net loans and advances (less lifetime credit impaired ECL allowance / individual impairment)	4.64%	5.38%

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16. Impaired loans and advances (contd.)

(ii) Movements in collective and individual impairment allowances for loans and advances

	Group and Bank 31 July 2019 RM'000	Group and Bank 31 October 2018 RM'000
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
Transfer between stages	1,369	(1,182)	(187)	-
Changes due to change in credit risk:				
- Transfer to Stage 1	1,424	(897)	(527)	-
- Transfer to Stage 2	(48)	132	(84)	-
- Transfer to Stage 3	(7)	(417)	424	-
Loans derecognised during the period (other than write-offs)	(32)	(24)	(276)	(332)
New loans originated	30	-	-	30
Changes due to change in credit risk	(1,369)	1,321	12,020	11,972
Other adjustment:				
- Unwinding of discount	-	-	(2,100)	(2,100)
At end of financial period	375	976	76,555	77,906

(iv) By geographical distribution

	Group and Bank 31 July 2019 RM'000	Group and Bank 31 October 2018 RM'000
Southern region	10,320	301
Central region	109,030	107,617
Outside Malaysia	15,457	13,111
	134,807	121,029

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16. Impaired loans and advances (contd.)

	Group and Bank	
	31 July 2019 RM'000	31 October 2018 RM'000
(v) By sector		
Manufacturing	94,828	86,063
Purchase of landed property:		
- Residential	20,283	18,366
- Non-residential	18,997	15,946
Consumption credit	699	654
	134,807	121,029

17. Other assets

	Group and Bank	
	31 July 2019 RM'000	31 October 2018 RM'000
Interest receivable	7,073	4,824
Other receivables, deposits and prepayments	1,888	2,029
	8,961	6,853
ECL allowance	(1)	-
	8,960	6,853

Movements in ECL allowance on receivables are as follow:

12-Month ECL Stage 1		
As at 31 October 2018	-	-
Effect of adopting MFRS 9	1	-
1 November 2018, as restated / At end of the financial period	1	-

18. Deposits from customers

	Group		Bank	
	31 July 2019 RM'000	31 October 2018 RM'000	31 July 2019 RM'000	31 October 2018 RM'000
(i) By type of deposit				
Demand deposits	20,168	31,917	20,178	31,917
Savings deposits	2,025	1,884	2,025	1,884
Fixed/Investment deposits	177,426	182,173	177,426	182,173
Others	127,688	82,493	127,688	82,493
	327,307	298,467	327,317	298,467

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18. Deposits from customers (contd.)

(ii) Maturity structure of fixed/investment deposits

	Group and Bank	
	31 July 2019 RM'000	31 October 2018 RM'000
Due within six months	173,803	175,494
Six months to one year	3,601	6,566
More than one year	22	113
	177,426	182,173

(iii) By type of customer

	Group		Bank	
	31 July 2019 RM'000	31 October 2018 RM'000	31 July 2019 RM'000	31 October 2018 RM'000
Business enterprises	307,891	271,830	307,901	271,830
Individuals	19,405	26,626	19,405	26,626
Others	11	11	11	11
	327,307	298,467	327,317	298,467

19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 July 2019 RM'000	31 October 2018 RM'000
Licensed banks	-	31,387
Other financial institutions	58,921	189,542
	58,921	220,929

20. Other liabilities

	Group and Bank	
	31 July 2019 RM'000	31 October 2018 RM'000
Interest payable	916	689
Other payables and accruals	10,797	17,314
ECL allowances on off-balance sheet exposures	1	-
	11,714	18,003

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20. Other liabilities (contd.)

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

	Group and Bank	
	31 July 2019 RM'000	31 October 2018 RM'000
12-Month ECL Stage 1		
As at 31 October 2018	-	-
Effect of adopting MFRS 9	10	-
1 November 2018, as restated	10	-
Allowance written back during the financial period	(9)	-
At end of the financial period	1	-

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 31 July 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 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2019 RM'000	31 July 2018 RM'000	31 July 2019 RM'000	31 July 2018 RM'000
Loans and advances:				
- Interest income other than on impaired loans	13,400	12,514	37,238	39,949
- Interest income on impaired loans	3,846	3,937	10,845	12,596
Money at call and deposit placements with financial institutions	4,462	4,637	14,675	16,340
Financial investments at FVOCI/ available-for-sale	782	762	2,323	2,248
Others	7	493	26	1,563
Total interest income	22,497	22,343	65,107	72,696

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23. Interest expense

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2019 RM'000	31 July 2018 RM'000	31 July 2019 RM'000	31 July 2018 RM'000
Deposits and placements of banks and other financial institutions	2,050	1,785	3,748	9,106
Deposits from customers	3,522	3,016	11,281	10,757
Others	11	505	58	1,596
	5,583	5,306	15,087	21,459

24. Net fee and commission income

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2019 RM'000	31 July 2018 RM'000	31 July 2019 RM'000	31 July 2018 RM'000
Other fees relating to loans	56	316	564	1,428
Commitment fees	40	38	122	114
Guarantee fees	10	-	36	52
Acceptance commissions	127	110	357	358
Others	74	319	278	361
	307	783	1,357	2,313

25. Net trading income/(losses)

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2019 RM'000	31 July 2018 RM'000	31 July 2019 RM'000	31 July 2018 RM'000
Gains arising from dealing in foreign currency	1,784	6,567	2,344	4,914
Unrealised losses from derivative trading	(5)	(34)	(20)	(83)
Unrealised revaluation losses in foreign exchange	(1,167)	(6,165)	(1,084)	(3,476)
	612	368	1,240	1,355

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26. Other operating income

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2019 RM'000	31 July 2018 RM'000	31 July 2019 RM'000	31 July 2018 RM'000
Dividend income:				
- Financial investments held at FVOCI/available-for-sale	95	46	95	95

27. Other operating expenses

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2019 RM'000	31 July 2018 RM'000	31 July 2019 RM'000	31 July 2018 RM'000
Personnel costs:				
- Salaries and bonuses	2,750	3,212	8,643	9,535
- Pension fund contributions	465	540	1,473	1,583
- Other staff costs	440	292	2,091	1,584
Marketing expenses:				
- Advertising and promotion	17	26	36	34
- Others	16	131	55	402
Establishment costs:				
- Depreciation of plant and equipment	127	217	471	651
- Rental	366	177	833	789
- Others	913	1,094	3,058	3,359
Administrative expenses:				
- Fees	1,996	1,019	4,600	3,364
- Others	604	623	1,259	1,982
	7,694	7,331	22,519	23,283

28. Significant related party transactions

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2019 RM'000	31 July 2018 RM'000	31 July 2019 RM'000	31 July 2018 RM'000
Expenditure:				
Holding company				
(i) By type of services				
Computer license agreement	620	211	1,383	627
Technical fees	522	1,036	1,146	1,629
Technical support	63	(203)	713	520
Interest payable	662	755	890	3,502

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28. Significant related party transactions (contd.)

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2019 RM'000	31 July 2018 RM'000	31 July 2019 RM'000	31 July 2018 RM'000
Expenditure: (contd.)				
Holding company				
(ii) By country				
Singapore	662	755	890	3,502
Canada	620	211	1,383	627
Hong Kong, SAR China	579	834	1,843	2,143
India	6	(1)	16	6
Income:				
Holding company				
Technical fees	46	247	198	169

29. Allowance for credit losses

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2019 RM'000	31 July 2018 RM'000	31 July 2019 RM'000	31 July 2018 RM'000
ECL allowance made/(written back) on:				
- Loans and advances	4,617	-	11,671	-
- Deposits and short term funds	(1)	-	(45)	-
- Financial investments at FVOCI	3	-	2	-
- Off-balance sheet exposures	(2)	-	(9)	-
Individual impairment allowance for loans and advances				
- made in the financial period	-	4,564	-	21,404
- written back in respect of recoveries	-	(1,040)	-	(3,736)
Collective impairment provisions				
- made/(written back) in the financial period	-	573	-	(1,158)
Impaired loans and advances:				
- written off	-	3	-	3
- recovered	(80)	(18)	(84)	(73)
	4,537	4,082	11,535	16,440

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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	
	31 July 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	821,426	832,972
Other reserves	101	(203)
	986,527	997,769
Less: Deferred tax assets	(484)	(2,888)
Total CET1 / Tier 1 capital	986,043	994,881
Tier 2 capital		
Regulatory Reserve *	10,965	-
12-months and lifetime not credit impaired ECL allowances	1,362	-
Collective impairment	-	6,456
	998,370	1,001,337
Less: Investment in subsidiaries	(30)	(30)
Total capital	998,340	1,001,307
CET 1 / Tier 1 capital ratio	69.603%	86.174%
Total capital ratio	70.471%	86.731%

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

30. Capital adequacy (contd.)

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

	31 July 2019		31 October 2018	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Credit risk	1,842,618	1,281,700	1,662,038	1,017,693
Market risk	-	8,732	-	1,961
Operational risk	-	126,235	-	134,843
	1,842,618	1,416,667	1,662,038	1,154,497

The total capital and capital adequacy ratios of the Group are computed in acordance 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	Fair value Liabilities RM'000
At 31 July 2019			
Derivatives held-for-trading			
Foreign exchange contracts	546,160	1,474	2,502
Cross currency interest rate swaps	-	-	-
	546,160	1,474	2,502
At 31 October 2018			
Derivatives held-for-trading			
Foreign exchange contracts	140,357	421	364
Cross currency interest rate swaps	46,186	5,739	5,716
	186,543	6,160	6,080

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32. Commitments and contingencies

Group and Bank 31 July 2019	Principal Amount RM'000	Positive Fair Value of Derivate Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Credit-related exposures				
Transaction-related contingent items	7,434		3,717	1,192
Short term self liquidating trade-related contingencies	179		36	36
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	46		23	23
- not exceeding one year	15,856		3,171	3,171
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	541,909		-	-
	565,424		6,947	4,422
Derivative financial contracts				
Foreign exchange related contracts:				
- less than one year	546,160	1,474	8,029	6,089
	546,160	1,474	8,029	6,089
Total	1,111,584	1,474	14,976	10,511

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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
Credit-related exposures				
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		-	-
	1,344,081		7,391	5,120
Derivative financial contracts				
Foreign exchange related contracts:				
- less than one year	186,543	6,160	8,404	2,383
	186,543	6,160	8,404	2,383
Total	1,530,624	6,160	15,795	7,503

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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

<u>Classification of financial assets</u>

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

33. Changes in significant accounting policies (contd.)

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

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

<u>Classification of financial assets (contd.)</u>

The classification of debt instruments is further dependent on:

- *<u>Business model assessment</u>*
  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

- *<u>Contractual cash flow characteristics assessment</u>*
  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.

<u>Financial assets at amortised cost</u>

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 31 July 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.

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	2,088
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	68,399

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	**Bank**
	RM'000	**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	518,178	518,148

	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	-

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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	1,754
- Unrealised fair value gain on unquoted equity shares	334
Opening balance under MFRS 9 at 1 November 2018	2,088
Financial investments at FVOCI	
Closing balance under MFRS 139 at 31 October 2018	-
- Redesignation from financial investments available-for-sale	100,723
Opening balance under MFRS 9 at 1 November 2018	100,723
Loans and advances	
Closing balance under MFRS 139 at 31 October 2018	985,891
- Recognition of expected credit losses under MFRS 9	15,813
Opening balance under MFRS 9 at 1 November 2018	1,001,704
Other assets	
Closing balance under MFRS 139 at 31 October 2018	6,853
- Recognition of expected credit losses under MFRS 9	(1)
Opening balance under MFRS 9 at 1 November 2018	6,852
Other liabilities	
Closing balance under MFRS 139 at 31 October 2018	18,003
- Recognition of expected credit losses under MFRS 9	10
Opening balance under MFRS 9 at 1 November 2018	18,013
Tax recoverable	
Closing balance under MFRS 139 at 31 October 2018	4,979
- Derecognition of impairment allowance under MFRS 139	(3,780)
Opening balance under MFRS 9 at 1 November 2018	1,199
Regulatory reserves	
Closing balance under MFRS 139 at 31 October 2018	-
- Transfer from retained profit	9,150
Opening balance under MFRS 9 at 1 November 2018	9,150

(Company No. 308035 U)

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	4
Opening balance under MFRS 9 at 1 November 2018	(199)
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)
- Unrealised fair value gain on unquoted equity shares	334
- Transfer to regulatory reserves	(9,150)
Opening balance under MFRS 9 at 1 November 2018	836,126