

**The Bank of Nova Scotia Berhad**

(Company No. 199401022356 (308035 U))

(Incorporated in Malaysia)

**and its subsidiaries**

**Unaudited Condensed Interim Financial Statements**

**31 January 2020**

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. 199401022356 (308035 U))

(Incorporated in Malaysia)

## AND ITS SUBSIDIARIES

### UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2020

	Note	Group		Bank	
		31 January 2020 RM'000	31 October 2019 RM'000	31 January 2020 RM'000	31 October 2019 RM'000
<b>ASSETS</b>					
Cash and short-term funds	11	468,219	399,268	468,199	399,248
Financial assets at fair value through profit or loss	12	2,338	2,338	2,338	2,338
Financial investments at fair value through other comprehensive income	13	265,336	162,696	265,336	162,696
Loans and advances	14	938,866	1,265,353	938,866	1,265,353
Derivative financial assets	30	5,987	2,320	5,987	2,320
Other assets	16	8,176	8,391	8,176	8,391
Statutory deposits with Bank Negara Malaysia		553	298	553	298
Investment in subsidiaries		-	-	30	30
Property and equipment including right-of-use assets		10,011	5,873	10,011	5,873
Deferred tax assets		-	421	-	421
Tax recoverable		3,734	2,985	3,734	2,985
<b>TOTAL ASSETS</b>		<b>1,703,220</b>	<b>1,849,943</b>	<b>1,703,230</b>	<b>1,849,953</b>
<b>LIABILITIES</b>					
Deposits from customers	17	176,788	328,324	176,798	328,334
Deposits and placements of banks and other financial institutions	18	377,929	93,119	377,929	93,119
Derivative financial liabilities	30	6,266	1,273	6,266	1,273
Other liabilities	19	13,964	11,060	13,964	11,060
Amounts owing to holding company		93,187	387,984	93,187	387,984
Deferred tax liabilities		342	-	342	-
<b>TOTAL LIABILITIES</b>		<b>668,476</b>	<b>821,760</b>	<b>668,486</b>	<b>821,770</b>

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### UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2020 (CONTD.)

	Group		Bank	
	31 January 2020	31 October 2019	31 January 2020	31 October 2019
Note	RM'000	RM'000	RM'000	RM'000
<b>EQUITY</b>				
Share capital	165,000	165,000	165,000	165,000
Reserves	869,744	863,183	869,744	863,183
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK</b>	<u>1,034,744</u>	<u>1,028,183</u>	<u>1,034,744</u>	<u>1,028,183</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>1,703,220</u>	<u>1,849,943</u>	<u>1,703,230</u>	<u>1,849,953</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	31 <u>2,332,719</u>	<u>1,322,597</u>	<u>2,332,719</u>	<u>1,322,597</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 2019.

## THE BANK OF NOVA SCOTIA BERHAD

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#### UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 JANUARY 2020

	Note	Group and Bank 1st Quarter Ended		Group and Bank Three Months Ended	
		31 January 2020 RM'000	31 January 2019 RM'000	31 January 2020 RM'000	31 January 2019 RM'000
Interest income	21	20,858	20,118	20,858	20,118
Interest expense	22	(4,263)	(4,296)	(4,263)	(4,296)
Net interest income		16,595	15,822	16,595	15,822
Net fee and commission income	23	338	449	338	449
Net trading income	24	398	332	398	332
Other operating income	25	-	-	-	-
Net income		17,331	16,603	17,331	16,603
Other operating expenses	26	(6,745)	(8,123)	(6,745)	(8,123)
Operating profit		10,586	8,480	10,586	8,480
Allowance for credit losses	28	(3,209)	(3,293)	(3,209)	(3,293)
Profit before taxation		7,377	5,187	7,377	5,187
Tax expense		(1,864)	(1,255)	(1,864)	(1,255)
<b>Profit for the period</b>		<b>5,513</b>	<b>3,932</b>	<b>5,513</b>	<b>3,932</b>
Other comprehensive income, net of tax <i>Items that are or may be reclassified subsequently to profit or loss</i>					
Net gain on financial investments at fair value through other comprehensive income		1,048	102	1,048	102
<b>Total comprehensive income for the period attributable to owners of the Bank</b>		<b>6,561</b>	<b>4,034</b>	<b>6,561</b>	<b>4,034</b>
Basic earnings per share (sen)		4.51	3.21	4.51	3.21

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 2019.

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JANUARY 2020**

	Share capital RM'000	← Non-distributable Regulatory reserves RM'000	→ Other reserves RM'000	Distributable Retained earnings RM'000	Total RM'000
<b>Group and Bank</b>					
<b>As at 31 October 2018, as previously reported</b>	165,000	-	(203)	832,972	997,769
Adjustment on initial application of MFRS 9, net of tax	-	9,150	4	3,382	12,536
<b>At 1 November 2018, as restated</b>	165,000	9,150	(199)	836,354	1,010,305
Net profit for the period	-	-	-	3,932	3,932
Other comprehensive income, net of tax					
- Financial investments at fair value through other comprehensive income	-	-	102	-	102
<b>Total comprehensive income for the period</b>	-	-	102	3,932	4,034
Transfer from regulatory reserves to retained earnings	-	(597)	-	597	-
<b>As at 31 January 2019</b>	165,000	8,553	(97)	840,883	1,014,339
<b>As at 1 November 2019</b>	165,000	11,429	428	851,326	1,028,183
Net profit for the period	-	-	-	5,513	5,513
Other comprehensive income, net of tax					
- Financial investments at fair value through other comprehensive income	-	-	1,048	-	1,048
<b>Total comprehensive income for the period</b>	-	-	1,048	5,513	6,561
Transfer from regulatory reserves to retained earnings	-	(3,231)	-	3,231	-
<b>As at 31 January 2020</b>	165,000	8,198	1,476	860,070	1,034,744

Note 20

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 2019.

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### UNAUDITED CONDENSED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 JANUARY 2020

	Group		Bank	
	31 January 2020 RM'000	31 January 2019 RM'000	31 January 2020 RM'000	31 January 2019 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	7,377	5,187	7,377	5,187
Adjustments for non-cash item	5,357	5,529	5,357	5,529
Operating profit before working capital changes	12,734	10,716	12,734	10,716
Changes in working capital:				
Net changes in operating assets	319,572	21,808	319,572	21,808
Net changes in operating liabilities	(159,265)	38,005	(159,265)	38,005
Income taxes paid	(2,177)	-	(2,177)	-
<b>Net cash generated from operating activities</b>	170,864	70,529	170,864	70,529
<b>Net cash used in investing activities</b>	(101,700)	-	(101,700)	-
<b>Net cash used in financing activities</b>	(210)	-	(210)	-
<b>Net increase in cash and cash equivalents</b>	68,954	70,529	68,954	70,529
<b>Cash and cash equivalents at beginning of the financial period</b>	399,273	518,226	399,253	518,196
<b>Cash and cash equivalents at end of the financial period</b>	468,227	588,755	468,207	588,725
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds	468,227	588,755	468,207	588,725
Less: Expected credit loss allowance	(8)	(5)	(8)	(5)
	468,219	588,750	468,199	588,720

# **THE BANK OF NOVA SCOTIA BERHAD**

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### **REVIEW OF PERFORMANCE**

#### **Current Quarter vs. Previous Year Corresponding Quarter**

Net income has grown by 4.38% to RM17.33 million, driven by higher interest income from higher average loan balances and holding of debt securities.

Further reduction in operating expenses by RM1.38 million to RM6.75 million, contributed to an increase in RM2.19 million on profit before taxation for the quarter ended 31 January 2020 against previous year corresponding period.

#### **Current Quarter End vs. Previous Year End**

Total assets of the Group and the Bank had declined by RM146.72 million to RM1.70 billion, as compared to financial year ended 2019. This was contributed by a decrease of RM326.49 million in loans and advances, netted off by higher holding of financial investments and cash and short term funds of RM102.64 million and RM68.95 million respectively.

Total liabilities, comprising mainly of deposits from customers, intercompany and interbank borrowing, had correspondingly decreased by RM153.28 million to RM668.49 million as compared to financial year ended 2019, due to the lower funding requirement.

Lower risk-weighted assets was a result of the lower balance sheet size, and this had led to an improvement in total capital ratio from 72.842% as at financial year ended 2019 to 94.874% as at current quarter end.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2020

#### 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 January 2020 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 2019. 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 2019.

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 2019, 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 2019:

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 3, *Business Combinations - Previously Held Interest in a Joint Operation*
- Amendments to MFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation*
- Amendments to MFRS 112, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to MFRS 123, *Borrowing Costs - Borrowing Costs Eligible for Capitalisation*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*

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

The adoption of these new standards, interpretation and amendments does not have any material effect on the financial statements of the Group and the Bank except as mentioned below:

### MFRS 16, Leases ("MFRS 16")

On November 1, 2019 the Bank adopted MFRS 16. The new standard replaces the previous standard MFRS 117 *Leases* ("MFRS 117"). MFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases were accounted for under MFRS 117. MFRS 16 will apply to all leases with the exception of licences of intellectual property and rights held by licensing agreement within the scope of MFRS 138 *Intangible Assets*. Lessees will recognise a right-of-use ("ROU") asset and a corresponding financial liability on the balance sheet. The ROU asset will be amortised over the length of the lease, and the financial liability measured at amortised cost. The standard substantially carries forward the lessor accounting in MFRS 117, with the distinction between operating leases and finance leases being retained.

### Transition adjustment

The Bank applied MFRS 16 on a modified retrospective approach and took advantage of the option not to restate comparative periods. The Bank applied the following transition options available under the modified retrospective approach:

- Measure the ROU asset at the date of initial application as equal to lease liability.
- Not apply MFRS 16 to operating leases with a remaining lease term of less than 12 months (short-term leases) or low value assets.
- Not apply MFRS 16 to leases of intangible assets.
- To rely on previous assessment of whether leases are onerous in accordance with MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review. Where this is the case, the carrying amount of the ROU assets will be adjusted by the onerous lease provision.
- Exclude initial direct costs from the measurement of the ROU assets at the date of initial application.

The Bank adopted MFRS 16 using a modified retrospective approach and recognised RM4.52 million of ROU assets and lease liabilities respectively. The ROU assets are presented under "property and equipment including right-of-use assets" in the statement of financial position.

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

The following are accounting standards and amendments that have been issued by MASB but have not been adopted by the Group and the Bank:

### **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*

The Group and the Bank plan to apply the abovementioned accounting standards and amendments that are effective for annual periods beginning on or after 1 January 2020, from the annual period beginning on 1 November 2020.

The Group and the Bank do not plan to apply MFRS 17, *Insurance Contracts* that is effective for the annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Bank.

The initial application of the accounting standards and amendments are not expected to have any material financial impact to financial statements of the Group and the Bank.

## **2. Auditor's report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 31 October 2019 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 financial period ended 31 January 2020.

## **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 financial period ended 31 January 2020.

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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 31 January 2020.

## **7. Dividend**

No dividend was paid during the financial period ended 31 January 2020.

## **8. Changes in the composition of the Group**

There were no changes in the composition of the Group for the financial period ended 31 January 2020.

## **9. Subsequent events**

COVID-19 was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. The extent of the impacts on the Bank is unclear at this stage but the Bank will continue to monitor the situation closely.

This is a non-adjusting event and an estimate of the financial effect cannot be made at this point in time as the situation continues to evolve.

## **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.

	<b>Group and Bank</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 January 2020</b>				
Financial assets at fair value				
through profit or loss	-	-	2,338	2,338
Financial investments at fair value				
through other comprehensive income	-	265,336	-	265,336
Derivative financial assets	-	5,987	-	5,987
	-	271,323	2,338	273,661
Derivative financial liabilities	-	6,266	-	6,266
<b>31 October 2019</b>				
Financial assets at fair value				
through profit or loss	-	-	2,338	2,338
Financial investments at fair value				
through other comprehensive income	-	162,696	-	162,696
Derivative financial assets	-	2,320	-	2,320
	-	165,016	2,338	167,354
Derivative financial liabilities	-	1,273	-	1,273

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#### 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.

	<b>Group and Bank</b>	
	<b>31 January 2020 RM'000</b>	<b>31 October 2019 RM'000</b>
<b>Financial assets at fair value</b>		
At 1 November	2,338	-
Effects of adoption of MFRS 9	-	2,316
Disposed	-	(2,285)
Recognised in profit or loss		
- Realised gain	-	2,145
- Unrealised gain	-	162
At end of financial period/year	2,338	2,338

Financial assets in Level 3 category comprises of unquoted shares. Valuation for these shares are assessed 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 financial period during which the change occurred. There has been no transfer between hierarchies during the current financial period.

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**11. Cash and short-term funds**

	<b>Group</b>		<b>Bank</b>	
	<b>31 January 2020 RM'000</b>	<b>31 October 2019 RM'000</b>	<b>31 January 2020 RM'000</b>	<b>31 October 2019 RM'000</b>
Cash and balances with banks and other financial institutions	6,453	4,833	6,433	4,813
Money at call and deposit placements maturing within one month	461,774	394,440	461,774	394,440
	<u>468,227</u>	<u>399,273</u>	<u>468,207</u>	<u>399,253</u>
Expected credit loss ("ECL") allowance	(8)	(5)	(8)	(5)
	<u>468,219</u>	<u>399,268</u>	<u>468,199</u>	<u>399,248</u>

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

	<b>Group and Bank</b>	
	<b>31 January 2020 RM'000</b>	<b>31 October 2019 RM'000</b>
<b>12-Month ECL Stage 1</b>		
At 31 October, as previous reported	5	-
Effect of adopting MFRS 9	-	48
At 1 November, as restated	<u>5</u>	<u>48</u>
Allowance made/(written back) during the financial period/year	<u>3</u>	<u>(43)</u>
At end of the financial period/year	<u>8</u>	<u>5</u>

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

	<b>Group and Bank</b>	
	<b>31 January 2020 RM'000</b>	<b>31 October 2019 RM'000</b>
Unquoted shares in Malaysia	<u>2,338</u>	<u>2,338</u>

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

	<b>Group and Bank</b>	
	<b>31 January 2020</b>	<b>31 October 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Quoted money market instruments		
- Malaysian Government Securities	265,336	162,696

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:

	<b>Group and Bank</b>	
	<b>31 January 2020</b>	<b>31 October 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>12-Month ECL Stage 1</b>		
At 31 October, as previous reported	5	-
Effect of adopting MFRS 9	-	4
At 1 November, as restated	5	4
Allowance made during the financial period/year	11	1
At end of the financial period/year	16	5

**14. Loans and advances**

	<b>Group and Bank</b>	
	<b>31 January 2020</b>	<b>31 October 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) By type</b>		
Overdrafts	21,635	26,542
Term loans		
- housing loans	85,941	90,962
- other term loans	40,574	41,600
Bills receivable	181,970	177,550
Revolving credit	699,603	1,017,050
Staff loans	1,180	1,219
	1,030,903	1,354,923
Less: Unearned interest	(1,155)	(1,194)
Gross loans and advances	1,029,748	1,353,729
Less: Impairment on loans and advances		
- Expected credit losses (Note 15 (ii))	(90,882)	(88,376)
Net loans and advances	938,866	1,265,353

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**14. Loans and advances (contd.)**

	<b>Group and Bank</b>	
	<b>31 January</b>	<b>31 October</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(ii) By type of customer</b>		
Domestic non-bank financial institutions		
- Others	170,259	170,215
Domestic business enterprises		
- Small medium enterprises	-	89
- Others	580,265	886,434
Government and statutory bodies	20,000	30,000
Individuals	131,989	137,265
Foreign entities	127,235	129,726
Gross loans and advances	<u>1,029,748</u>	<u>1,353,729</u>
<b>(iii) By geographical distribution</b>		
Northern region	172,622	203,692
Southern region	155,993	342,573
Central region	591,122	695,382
Eastern region	181	189
Outside Malaysia	109,830	111,893
	<u>1,029,748</u>	<u>1,353,729</u>

The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Kelantan and Terengganu.

The Southern region consists of the states of Johor, Melaka and Pahang.

The Central region consists of the states of Selangor, Negeri Sembilan and the Federal Territory of Kuala Lumpur.

The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

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**14. Loans and advances (contd.)**

	<b>Group and Bank</b>	
	<b>31 January 2020 RM'000</b>	<b>31 October 2019 RM'000</b>
<b>(iv) By interest rate sensitivity</b>		
Fixed rate:		
- Housing loans	1,139	1,167
- Other fixed rate loans	89,846	87,628
Variable rate:		
- Base Lending Rate plus	304,116	315,639
- Cost plus	634,647	949,295
Gross loans and advances	<u>1,029,748</u>	<u>1,353,729</u>
<b>(v) By sector</b>		
Agriculture	175,630	393,592
Manufacturing	318,673	304,146
Construction	50,000	50,000
Purchase of landed property:		
- Residential	87,079	92,129
- Non-residential	36,292	36,904
Wholesale & retail trade and restaurants & hotels	7,500	7,589
Transport, storage and communication	-	100,000
Finance, insurance and business services	262,551	266,921
Purchase of transport vehicles	34	52
Consumption credit	53,989	54,396
Others	38,000	48,000
Gross loans and advances	<u>1,029,748</u>	<u>1,353,729</u>
<b>(vi) By residual contractual maturity</b>		
Within one year	909,614	1,227,149
One year to five years	12,475	11,771
Over five years	107,659	114,809
	<u>1,029,748</u>	<u>1,353,729</u>

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**15. Impaired loans and advances**

	<b>Group and Bank</b>	
	<b>31 January 2020 RM'000</b>	<b>31 October 2019 RM'000</b>
<b>(i) Movements in impaired loans and advances</b>		
At beginning of financial period/year	138,538	121,029
Classified as impaired during the financial period/year	6,829	31,720
Reclassified as performing during the financial period/year	(2,661)	(4,478)
Amount recovered	(2,065)	(9,733)
At end of financial period/year	140,641	138,538
Lifetime credit impaired ECL allowance	(89,419)	(86,815)
Net impaired loans and advances	<u>51,222</u>	<u>51,723</u>
Ratio of net impaired loans and advances to net loans and advances (less lifetime credit impaired ECL allowance)	<u>5.45%</u>	<u>4.09%</u>

**(ii) Movements in ECL allowances for loans and advances**

	<b>12 months ECL (Stage 1) RM'000</b>	<b>Lifetime not Credit Impaired ECL (Stage 2) RM'000</b>	<b>Lifetime Credit Impaired ECL (Stage 3) RM'000</b>	<b>Total RM'000</b>
<b>Group and Bank</b>				
At 1 November 2019	427	1,134	86,815	88,376
<u>Transfer between stages:</u>				
Due to changes in credit risk:				
- Transfer to Stage 1	594	(502)	(92)	-
- Transfer to Stage 2	(12)	13	(1)	-
- Transfer to Stage 3	-	(197)	197	-
	582	(686)	104	-
Loans de-recognised during the period (other than write-offs)	(85)	(12)	(70)	(167)
New loans originated	10	-	-	10
Changes due to change in credit risk	(410)	503	3,270	3,363
Net ECL allowance (written back)/made	(485)	491	3,200	3,206
<u>Other adjustment:</u>				
Unwinding of discount	-	-	(700)	(700)
<b>At 31 January 2020</b>	<u>524</u>	<u>939</u>	<u>89,419</u>	<u>90,882</u>

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**15. Impaired loans and advances (contd.)****(ii) Movements in ECL allowances for loans and advances (contd.)**

	<b>12 months ECL (Stage 1) RM'000</b>	<b>Lifetime not Credit Impaired ECL (Stage 2) RM'000</b>	<b>Lifetime Credit Impaired ECL (Stage 3) RM'000</b>	<b>Total RM'000</b>
<b>Group and Bank</b>				
At 1 November 2018, on adoption of MFRS 9	377	861	67,098	68,336
<u>Transfer between stages:</u>				
Due to changes in credit risk:				
- Transfer to Stage 1	1,785	(1,229)	(556)	-
- Transfer to Stage 2	(61)	171	(110)	-
- Transfer to Stage 3	(9)	(540)	549	-
	1,715	(1,598)	(117)	-
Loans de-recognised during the year (other than write-offs)	(35)	(29)	(316)	(380)
New loans originated	31	-	-	31
Changes due to change in credit risk	(1,661)	1,900	23,054	23,293
Net ECL allowance (written back)/made	(1,665)	1,871	22,738	22,944
<u>Other adjustment:</u>				
Unwinding of discount	-	-	(2,904)	(2,904)
<b>At 31 October 2019</b>	<b>427</b>	<b>1,134</b>	<b>86,815</b>	<b>88,376</b>

	<b>Group and Bank</b>	
	<b>31 January 2020 RM'000</b>	<b>31 October 2019 RM'000</b>
<b>(iii) By geographical distribution</b>		
Southern region	10,816	10,510
Central region	113,119	112,029
Outside Malaysia	16,706	15,999
	<b>140,641</b>	<b>138,538</b>

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**15. Impaired loans and advances (contd.)**

	<b>Group and Bank</b>	
	<b>31 January</b>	<b>31 October</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(iv) By sector</b>		
Manufacturing	99,531	97,151
Purchase of landed property:		
- Residential	19,901	20,798
- Non-residential	20,307	19,618
Consumption credit	902	971
	<u>140,641</u>	<u>138,538</u>

**16. Other assets**

	<b>Group and Bank</b>	
	<b>31 January</b>	<b>31 October</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest receivable	5,995	6,640
Other receivables, deposits and prepayments	2,182	1,752
	<u>8,177</u>	<u>8,392</u>
ECL allowance	(1)	(1)
	<u>8,176</u>	<u>8,391</u>

Movements in ECL allowance on other receivables are as follow:

**12-Month ECL Stage 1**

At 31 October, as previous reported	1	-
Effect of adopting MFRS 9	-	1
At end of the financial period / year	<u>1</u>	<u>1</u>

**17. Deposits from customers**

	<b>Group</b>		<b>Bank</b>	
	<b>31 January</b>	<b>31 October</b>	<b>31 January</b>	<b>31 October</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(i) By type of deposit</b>				
Demand deposits	21,219	26,864	21,229	26,874
Savings deposits	574	1,347	574	1,347
Fixed/Investment deposits	122,498	122,998	122,498	122,998
Others	32,497	177,115	32,497	177,115
	<u>176,788</u>	<u>328,324</u>	<u>176,798</u>	<u>328,334</u>

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**17. Deposits from customers (contd.)**

	<b>Group and Bank</b>	
	<b>31 January</b>	<b>31 October</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(ii) Maturity structure of fixed/investment deposits</b>		
Due within six months	118,026	118,059
Six months to one year	4,451	4,800
More than one year	21	139
	<u>122,498</u>	<u>122,998</u>

	<b>Group</b>		<b>Bank</b>	
	<b>31 January</b>	<b>31 October</b>	<b>31 January</b>	<b>31 October</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(iii) By type of customer</b>				
Business enterprises	162,152	311,685	162,162	311,695
Individuals	14,625	16,628	14,625	16,628
Others	11	11	11	11
	<u>176,788</u>	<u>328,324</u>	<u>176,798</u>	<u>328,334</u>

**18. Deposits and placements of banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>31 January</b>	<b>31 October</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	298,679	62,633
Other financial institutions	79,250	30,486
	<u>377,929</u>	<u>93,119</u>

**19. Other liabilities**

	<b>Group and Bank</b>	
	<b>31 January</b>	<b>31 October</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest payable	437	1,387
Other payables and accruals	9,213	9,672
Lease liabilities	4,310	-
ECL allowance on off-balance sheet exposures	4	1
	<u>13,964</u>	<u>11,060</u>

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**19. Other liabilities (contd.)**

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

	<b>Group and Bank</b>	
	<b>31 January 2020 RM'000</b>	<b>31 October 2019 RM'000</b>
<b>12-Month ECL Stage 1</b>		
At 31 October, as previous reported	1	-
Effect of adopting MFRS 9	-	10
At 1 November, as restated	1	10
Allowance made/(written back) during the financial period/year	3	(9)
At end of the financial period/year	<u>4</u>	<u>1</u>

- 20.** 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 January 2020, the allowance for non-credit impaired exposures and regulatory reserve stands at 1.00% (31 October 2019 : 1.00%).

**21. Interest income**

	<b>Group and Bank 1st Quarter Ended</b>		<b>Group and Bank Three Months Ended</b>	
	<b>31 January 2020 RM'000</b>	<b>31 January 2019 RM'000</b>	<b>31 January 2020 RM'000</b>	<b>31 January 2019 RM'000</b>
Loans and advances:				
- Interest income other than on impaired loans	10,853	11,174	10,853	11,174
- Interest income on impaired loans	3,974	2,847	3,974	2,847
Money at call and deposit placements with financial institutions	3,885	5,344	3,885	5,344
Financial investments at FVOCI	2,146	743	2,146	743
Others	-	10	-	10
Total interest income	<u>20,858</u>	<u>20,118</u>	<u>20,858</u>	<u>20,118</u>

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**22. Interest expense**

	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 January</b>	<b>31 January</b>	<b>31 January</b>	<b>31 January</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements of banks and other financial institutions	1,197	453	1,197	453
Deposits from customers	3,025	3,811	3,025	3,811
Lease liabilities	41	-	41	-
Others	-	32	-	32
	<u>4,263</u>	<u>4,296</u>	<u>4,263</u>	<u>4,296</u>

**23. Net fee and commission income**

	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 January</b>	<b>31 January</b>	<b>31 January</b>	<b>31 January</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other fees relating to loans	55	135	55	135
Commitment fees	36	43	36	43
Guarantee fees	14	15	14	15
Acceptance commissions	139	146	139	146
Others	94	110	94	110
	<u>338</u>	<u>449</u>	<u>338</u>	<u>449</u>

**24. Net trading income**

	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 January</b>	<b>31 January</b>	<b>31 January</b>	<b>31 January</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gains arising from dealing in foreign currency	1,724	2,014	1,724	2,014
Unrealised losses from derivative trading	-	(10)	-	(10)
Unrealised revaluation losses in foreign exchange	(1,326)	(1,672)	(1,326)	(1,672)
	<u>398</u>	<u>332</u>	<u>398</u>	<u>332</u>

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**25. Other operating income**

	<b>Group and Bank 1st Quarter Ended</b>		<b>Group and Bank Three Months Ended</b>	
	<b>31 January 2020</b>	<b>31 January 2019</b>	<b>31 January 2020</b>	<b>31 January 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividend income:				
- Financial investments held at FVOCI	-	-	-	-

**26. Other operating expenses**

	<b>Group and Bank 1st Quarter Ended</b>		<b>Group and Bank Three Months Ended</b>	
	<b>31 January 2020</b>	<b>31 January 2019</b>	<b>31 January 2020</b>	<b>31 January 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel costs:				
- Salaries and bonuses	2,741	3,017	2,741	3,017
- Pension fund contributions	453	520	453	520
- Other staff costs	859	1,059	859	1,059
Marketing expenses:				
- Advertising and promotion	2	5	2	5
- Others	17	135	17	135
Establishment costs:				
- Depreciation of property and equipment including ROU assets	382	157	382	157
- Rental	27	279	27	279
- Others	627	1,214	627	1,214
Administrative expenses:				
- Fees	1,381	1,410	1,381	1,410
- Others	256	327	256	327
	<b>6,745</b>	<b>8,123</b>	<b>6,745</b>	<b>8,123</b>

**27. Significant related party transactions**

	<b>Group and Bank 1st Quarter Ended</b>		<b>Group and Bank Three Months Ended</b>	
	<b>31 January 2020</b>	<b>31 January 2019</b>	<b>31 January 2020</b>	<b>31 January 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Expenditure:</b>				
<i> Holding company</i>				
(i) <b>By type of services</b>				
Computer license agreement	356	339	356	339
Technical fees	370	279	370	279
Technical support	27	421	27	421
Interest payable	612	73	612	73

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**27. Significant related party transactions (contd.)**

	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 January</b>	<b>31 January</b>	<b>31 January</b>	<b>31 January</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Expenditure: (contd.)</b>				
<i>Holding company</i>				
<b>(ii) By country</b>				
Singapore	612	73	612	73
Canada	356	339	356	339
Hong Kong, SAR China	393	694	393	694
India	4	6	4	6
	<u>54</u>	<u>72</u>	<u>54</u>	<u>72</u>
<b>Income:</b>				
<i>Holding company</i>				
Technical fees	54	72	54	72

**28. Allowance for credit losses**

	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 January</b>	<b>31 January</b>	<b>31 January</b>	<b>31 January</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
ECL allowance made/(written back) on:				
- Loans and advances	3,208	3,303	3,208	3,303
- Deposits and short term funds	3	(11)	3	(11)
- Financial investments at FVOCI	11	-	11	-
- Off-balance sheet exposures	3	4	3	4
Impaired loans and advances:				
- recovered	(16)	(3)	(16)	(3)
	<u>3,209</u>	<u>3,293</u>	<u>3,209</u>	<u>3,293</u>

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## 29. Capital adequacy

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

	<b>Group and Bank</b>	
	<b>31 January 2020</b>	<b>31 October 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Common Equity Tier 1 ("CET1") / Tier 1 capital</b>		
Paid-up share capital	165,000	165,000
Retained profit	854,557	851,326
Other reserves	1,460	422
	<u>1,021,017</u>	<u>1,016,748</u>
Less regulatory adjustments:		
- Deferred tax assets	-	(421)
- 55% of cumulative gains of financial instruments at FVOCI	(1,066)	(316)
	<u>(1,066)</u>	<u>(316)</u>
Total CET1 / Tier 1 capital	<u><u>1,019,951</u></u>	<u><u>1,016,011</u></u>
<b>Tier 2 capital</b>		
Regulatory Reserve *	7,686	10,911
12-months and lifetime non-credit impaired ECL allowances	1,492	1,573
	<u>1,029,129</u>	<u>1,028,495</u>
Less regulatory adjustments:		
- Investment in subsidiaries	(30)	(30)
	<u>(30)</u>	<u>(30)</u>
Total capital	<u><u>1,029,099</u></u>	<u><u>1,028,465</u></u>
CET 1 / Tier 1 capital ratio	94.031%	72.384%
Total capital ratio	<u>94.874%</u>	<u>73.271%</u>

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

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## 29. Capital adequacy (contd.)

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

	31 January 2020		31 October 2019	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	1,842,618	947,714	1,870,188	1,256,934
Market risk	-	10,513	-	19,259
Operational risk	-	126,471	-	127,443
	<u>1,842,618</u>	<u>1,084,698</u>	<u>1,870,188</u>	<u>1,403,636</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.

## 30. Derivative financial instruments

	Nominal value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
At 31 January 2020			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	<u>1,784,306</u>	<u>5,987</u>	<u>6,266</u>
At 31 October 2019			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	<u>903,929</u>	<u>2,320</u>	<u>1,273</u>

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### 31. Commitments and contingencies

<b>Group and Bank</b>	<b>Principal Amount</b>	<b>Positive Fair</b>	<b>Credit</b>	<b>Risk Weighted</b>
<b>31 January 2020</b>	<b>RM'000</b>	<b>Value of Derivate</b>	<b>Equivalent</b>	<b>Assets</b>
<u>Credit-related exposures</u>	<b>RM'000</b>	<b>Contracts</b>	<b>Amount</b>	<b>RM'000</b>
<b>Transaction-related contingent items</b>	<b>6,828</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	49		24	24
- not exceeding one year	13,135		2,627	2,627
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	528,401		-	-
	<u>548,413</u>		<u>6,065</u>	<u>4,563</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	1,784,306	5,987	25,934	15,501
<b>Total</b>	<u><u>2,332,719</u></u>	<u><u>5,987</u></u>	<u><u>31,999</u></u>	<u><u>20,064</u></u>

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**31. Commitments and contingencies (contd.)**

<b>Group and Bank 31 October 2019</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivate Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Assets RM'000</b>
<u>Credit-related exposures</u>				
Transaction-related contingent items	7,435		3,718	2,139
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	47		24	24
- not exceeding one year	15,724		3,145	3,145
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	395,462		-	-
	<u>418,668</u>		<u>6,887</u>	<u>5,308</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	903,929	2,320	13,612	12,086
<b>Total</b>	<u><u>1,322,597</u></u>	<u><u>2,320</u></u>	<u><u>20,499</u></u>	<u><u>17,394</u></u>