

The Bank of Nova Scotia Berhad

(Company No. 199401022356 (308035 U))

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

30 April 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 30 APRIL

	Note	Group		Bank	
		30 April 2020 RM'000	31 October 2019 RM'000	30 April 2020 RM'000	31 October 2019 RM'000
ASSETS					
Cash and short-term funds	11	430,684	399,268	430,664	399,248
Deposits and placement with banks and other financial institutions	12	209,992	-	209,992	-
Financial assets at fair value through profit or loss	13	2,338	2,338	2,338	2,338
Financial investments at fair value through other comprehensive income	14	266,833	162,696	266,833	162,696
Financial investments at amortised cost	15	59,998	-	59,998	-
Loans and advances	16	861,594	1,265,353	861,594	1,265,353
Derivative financial assets	33	19,561	2,320	19,561	2,320
Other assets	18	8,105	8,391	8,105	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		9,745	5,873	9,745	5,873
Deferred tax assets		-	421	-	421
Tax recoverable		5,205	2,985	5,205	2,985
TOTAL ASSETS		1,874,608	1,849,943	1,874,618	1,849,953
LIABILITIES					
Deposits from customers	19	140,525	328,324	140,535	328,334
Deposits and placements of banks and other financial institutions	20	65,709	93,119	65,709	93,119
Derivative financial liabilities	33	24,807	1,273	24,807	1,273
Other liabilities	21	17,927	11,060	17,927	11,060
Amounts owing to holding company		588,603	387,984	588,603	387,984
Deferred tax liabilities		841	-	841	-
TOTAL LIABILITIES		838,412	821,760	838,422	821,770

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2020 (CONTD.)

	Note	Group		Bank	
		30 April 2020 RM'000	31 October 2019 RM'000	30 April 2020 RM'000	31 October 2019 RM'000
EQUITY					
Share capital		165,000	165,000	165,000	165,000
Reserves		871,196	863,183	871,196	863,183
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		<u>1,036,196</u>	<u>1,028,183</u>	<u>1,036,196</u>	<u>1,028,183</u>
TOTAL LIABILITIES AND EQUITY		<u>1,874,608</u>	<u>1,849,943</u>	<u>1,874,618</u>	<u>1,849,953</u>
COMMITMENTS AND CONTINGENCIES	34	<u>1,844,684</u>	<u>1,322,597</u>	<u>1,844,684</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.

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 APRIL 2020

	Note	Group and Bank 2nd Quarter Ended		Group and Bank Six Months Ended	
		30 April 2020 RM'000	30 April 2019 RM'000	30 April 2020 RM'000	30 April 2019 RM'000
Interest income	23	18,232	22,492	39,090	42,610
Interest expense	24	(3,095)	(5,208)	(7,358)	(9,504)
Net interest income		15,137	17,284	31,732	33,106
Net fee and commission income	25	258	601	596	1,050
Net trading income	26	566	296	964	628
Other operating income	27	-	-	-	-
Net income		15,961	18,181	33,292	34,784
Other operating expenses	28	(6,851)	(6,702)	(13,596)	(14,825)
Operating profit		9,110	11,479	19,696	19,959
Allowance for credit losses	31	(9,105)	(3,705)	(12,314)	(6,998)
Profit before taxation		5	7,774	7,382	12,961
Tax expense		(21)	(2,175)	(1,885)	(3,430)
(Loss)/Profit for the period		(16)	5,599	5,497	9,531
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		1,468	75	2,516	177
Total comprehensive income for the period attributable to owners of the Bank		1,452	5,674	8,013	9,708
Basic (loss)/earnings per share (sen)		(0.01)	4.58	4.49	7.79

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 30 APRIL 2020

	Share capital RM'000	← Non-distributable Regulatory reserves RM'000	→ Other reserves RM'000	Distributable Retained earnings RM'000	Total RM'000
Group and Bank					
As at 31 October 2018, as previously reported	165,000	-	(203)	832,972	997,769
Adjustment on initial application of MFRS 9, net of tax	-	9,150	4	3,382	12,536
At 1 November 2018, as restated	165,000	9,150	(199)	836,354	1,010,305
Net profit for the period	-	-	-	9,531	9,531
Other comprehensive income, net of tax					
- Financial investments at fair value through other comprehensive income	-	-	177	-	177
Total comprehensive income for the period	-	-	177	9,531	9,708
Transfer to regulatory reserves from retained earnings	-	1,855	-	(1,855)	-
As at 30 April 2019	165,000	11,005	(22)	844,030	1,020,013
As at 1 November 2019	165,000	11,429	428	851,326	1,028,183
Net profit for the period	-	-	-	5,497	5,497
Other comprehensive income, net of tax					
- Financial investments at fair value through other comprehensive income	-	-	2,516	-	2,516
Total comprehensive income for the period	-	-	2,516	5,497	8,013
Transfer from regulatory reserves to retained earnings	-	(11,429)	-	11,429	-
As at 30 April 2020	165,000	-	2,944	868,252	1,036,196

Note 22

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the year ended 31 October 2019.

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UNAUDITED CONDENSED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 APRIL 2020

	Group		Bank	
	30 April 2020 RM'000	30 April 2019 RM'000	30 April 2020 RM'000	30 April 2019 RM'000
Cash flows from operating activities				
Profit before taxation	7,382	12,961	7,382	12,961
Adjustments for non-cash item	17,632	8,022	17,632	8,022
Operating profit before working capital changes	25,014	20,983	25,014	20,983
Changes in working capital:				
Net changes in operating assets	374,370	(222,093)	374,370	(222,093)
Net changes in operating liabilities	7,914	233,293	7,914	233,293
Income taxes paid	(3,629)	(1,197)	(3,629)	(1,197)
Net cash generated from operating activities	403,669	30,986	403,669	30,986
Net cash used in investing activities	(161,822)	(744)	(161,822)	(744)
Net cash used in financing activities	(422)	-	(422)	-
Net increase in cash and cash equivalents	241,425	30,242	241,425	30,242
Cash and cash equivalents at beginning of the financial period	399,273	518,226	399,253	518,196
Cash and cash equivalents at end of the financial period	640,698	548,468	640,678	548,438
Cash and cash equivalents comprise:				
Cash and short term funds	430,698	548,468	430,678	548,438
Deposits and placement with banks and other financial institutions	210,000	-	210,000	-
	640,698	548,468	640,678	548,438
Less: Expected credit loss allowance	(22)	(5)	(22)	(5)
	640,676	548,463	640,656	548,433

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REVIEW OF PERFORMANCE

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

Operating profits for the financial period ended 30 April 2020 for the Group and the Bank was at RM 9.70 million, with a marginal 1.3% decrease against operating profits of RM 9.96 million in the corresponding period in the previous financial year. While net interest income has reduced by RM1.37 million due to lower business volumes, this was offset by a reduction in operating expenses of RM1.23 million. The profit before tax is at RM7.38 million, RM5.58 million lower than corresponding period to date as a result of higher allowances for credit losses.

Current Quarter vs. Previous Year Corresponding Quarter

Net interest income for the current quarter reduced by 12.4% to RM15.14 million, largely driven by lower interest income from lending activities and lower interest rate environment. Additional allowance for credit losses of RM5.4 million resulted in the decline in profit before taxation for the second quarter ended 30 April 2020.

From balance sheet perspective, total assets of the Group and the Bank was stable at RM1.87 billion as compared to total assets of RM1.85 billion as at previous financial year ended 2019. Higher deposits and placements with banking institutions of RM241.4 million, and additional investments in debt instruments of RM164.1 million, was offset by net repayments of loans and advances of RM403.8 million.

Total liabilities trended upwards by 2% to RM0.84 billion, mainly contributed by higher amount of borrowing from holding company of RM200.6 million, which countered the reduction in deposit accepted from customers of RM187.8 million.

Decrease in total risk-weighted assets by RM302.6 million, largely driven by change in composition of credit risk exposures to lower risk counterparties, have led to capital ratio improvement from 73.271% as at financial year ended 2019 to 93.588% as at 30 April 2020.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 APRIL 2020

1. Basis of preparation of the financial statements

- a) The unaudited interim financial statements of the Group and the Bank for the financial period ended 30 April 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 Treatment*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 3, *Business Combinations - Previously Held Interest in a Joint Operation*
- Amendments to MFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation*
- Amendments to MFRS 112, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to MFRS 123, *Borrowing Costs - Borrowing Costs Eligible for Capitalisation*
- Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*

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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* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments* and Amendments to MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

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

- MFRS 17, *Insurance Contracts*

MFRSs effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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* and Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* that are effective for annual periods beginning on or after 1 January 2021 and 1 January 2022 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.

- b) During the financial period, the novel coronavirus ("COVID-19") was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally. To curb the spread of the disease, the Malaysian government implemented the Movement Control Order ("MCO") on 18 March 2020, which imposed nationwide restrictions on public movements and business activities.

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

The COVID-19 pandemic has had disruptive effects in the local and global economy, as well as causing increased volatility, interruption of supply chains, increased unemployment levels, and impacting GDP growth. The Bank's business involves making loans or otherwise committing resources to borrowers, including individuals and companies in various industries. The COVID-19 pandemic's impact on such borrower could impact their ability to repay their loans. At this stage it remains unclear how this will evolve through 2020 but the Bank will continue to monitor the situation closely. During the period, the Bank recorded a higher provision for credit losses in the quarter due to the unfavourable macroeconomic outlook.

On 25 March 2020, BNM announced several regulatory relief measures to support banking institutions in provision of assistance to individuals and corporations to manage the impact of the pandemic. Key measures impacting regulatory and accounting treatments for the Bank, includes:

(i) Moratorium on loans/financing

For individuals and small-medium enterprise ("SME") borrowers, automatic moratorium for a period of 6 months, will be granted from 1 April 2020 by banking institutions on performing loans/financing which are:

- denominated in MYR; and
- not exceeding 90 days in arrears as at 1 April 2020.

For corporate borrowers, banking institutions are encouraged to facilitate requests to defer or restructure their loans/financing repayments to enable corporations to preserve jobs and swiftly resume economic activities when conditions improve.

For moratorium and restructuring requests received on or before 31 December 2020,

- the moratorium/deferral period is excluded in the determination of the period in arrears for the purpose of regulatory and accounting classifications; and
- need not be reported as restructured and rescheduled ("R&R") or credit-impaired.

For provisioning under MFRS 9, the moratorium in itself would not automatically result in a stage transfer in the absence of other factors relevant to the assessment for increase in credit risk.

(ii) Reduction in prudential limits and requirements

Banking institutions are allowed with immediate effect to

- drawdown on the capital conservation buffer of 2.5%;
- reduce the regulatory reserves held against expected losses from 1.00% to 0.00%; and
- operate below the minimum liquidity coverage ratio of 100%

Banking institutions are expected to rebuild these reserves and buffers after 31 December 2020, and restore them to minimum requirements by 30 September 2021.

For the net stable funding ratio which is to be implemented on 1 July 2020, the minimum requirement is lowered from 100% to 80%. Banking institutions shall maintain a minimum NSFR requirement of 100% from 30 September 2021.

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

Use of estimates and judgements

The preparation of financial statements, in conformity with MFRS, requires management to make estimates, apply judgments and make assumptions that affect the reported amount of assets and liabilities at the date of the condensed interim consolidated financial statements, and income and expenses during the reporting period. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key areas where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, include those relating to the allowance for credit losses and the fair value of financial instruments.

The allowance for credit losses, using an expected credit loss approach as required under MFRS 9, is estimated using complex models and incorporates inputs, assumptions and techniques that require a high degree of judgement. These include assessment of significant increase in credit risk, the forecast of macroeconomic variables for multiple scenarios and probability weightings of the scenarios. In the current economic environment resulting from COVID-19, the models in isolation may not capture all the uncertainty as well as the impact of the relief measures by the governments and central banks. Therefore, management has applied significant expert credit judgment in the determination of the allowance for credit losses.

The fair value of financial instruments (including derivatives) is a market-based measurement that considers assumptions that market participants would use, reflecting market conditions at the measurement date. For a more accurate representation of fair value, certain adjustments for credit spreads, funding levels, market volatility, bid-offer spreads, unobservable parameters, prices in inactive or illiquid markets and when applicable funding costs are required. The Bank has considered current market conditions due to COVID-19 and assessed the impact of any unobservable inputs and has applied significant judgement in the selection of those inputs to determine the fair value of financial instruments.

While management makes its best estimates and assumptions, actual results could differ from these estimates and assumptions.

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.

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4. Unusual items due to their nature, size or incidence

Other than those disclosed under basis of preparation, 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 30 April 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 30 April 2020 other than those disclosed under basis of preparation.

6. Debt and Equity Securities

There were no issuances, cancellations, repurchase, resale and repayments of debt and equity securities during the financial period ended 30 April 2020.

7. Dividend

No dividend was paid during the financial period ended 30 April 2020.

8. Changes in the composition of the Group

There were no changes in the composition of the Group for the financial period ended 30 April 2020.

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.

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10. Fair value of financial instruments (contd.)

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used in the market. The objective of valuation techniques is to arrive at a fair value that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The table below analyses financial instruments measured at fair value at the end of the respective reporting periods, by the level in the fair value hierarchy into which the fair value measurement is categorised.

	Group and Bank			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
30 April 2020				
Financial assets at fair value				
through profit or loss	-	-	2,338	2,338
Financial investments at fair value				
through other comprehensive income	-	266,833	-	266,833
Derivative financial assets	-	19,561	-	19,561
	-	286,394	2,338	288,732
Derivative financial liabilities	-	24,807	-	24,807
31 October 2019				
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.

	Group and Bank	
	30 April 2020 RM'000	31 October 2019 RM'000
Financial assets at fair value		
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.

11. Cash and short-term funds

	Group		Bank	
	30 April 2020 RM'000	31 October 2019 RM'000	30 April 2020 RM'000	31 October 2019 RM'000
Cash and balances with banks and other financial institutions	27,017	4,833	26,997	4,813
Money at call and deposit placements maturing within one month	403,681	394,440	403,681	394,440
	430,698	399,273	430,678	399,253
Less: Expected credit loss ("ECL") allowance	(14)	(5)	(14)	(5)
	430,684	399,268	430,664	399,248

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11. Cash and short-term funds (contd.)

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

	Group and Bank	
	30 April	31 October
	2020	2019
	RM'000	RM'000
12-Month ECL Stage 1		
At 31 October, as previous reported	5	-
Effect of adopting MFRS 9	-	48
At 1 November, as restated	5	48
Allowance made/(written back) during the financial period/year	9	(43)
At end of the financial period/year	<u>14</u>	<u>5</u>

12. Deposits and placement with banks and other financial institutions

	Group and Bank	
	30 April	31 October
	2020	2019
	RM'000	RM'000
Licensed banks	210,000	-
Less: Expected credit loss ("ECL") allowance	(8)	-
	<u>209,992</u>	<u>-</u>

Movements in ECL allowance on deposits and placements with banks and other financial institutions are as follow:

12-Month ECL Stage 1		
At 1 November	-	-
Allowance made during the financial period/year	8	-
At end of the financial period/year	<u>8</u>	<u>-</u>

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

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

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

	Group and Bank	
	30 April	31 October
	2020	2019
	RM'000	RM'000
<u>Quoted money market instruments</u>		
Malaysian Government Securities	266,833	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:

12-Month ECL Stage 1

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	27	1
At end of the financial period/year	32	5

15. Financial investments at amortised cost

	Group and Bank	
	30 April	31 October
	2020	2019
	RM'000	RM'000
<u>Quoted money market instruments</u>		
Negotiable instruments of deposits	60,000	-
Less: Expected credit loss ("ECL") allowance	(2)	-
	59,998	-

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

12-Month ECL Stage 1

At 1 November	-	-
Allowance made during the financial period/year	2	-
At end of the financial period/year	2	-

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16. Loans and advances

	Group and Bank	
	30 April	31 October
	2020	2019
	RM'000	RM'000
(i) By type		
Overdrafts	21,254	26,542
Term loans		
- housing loans	77,874	90,962
- other term loans	39,673	41,600
Bills receivable	160,062	177,550
Revolving credit	647,512	1,017,050
Staff loans	951	1,219
	<u>947,326</u>	<u>1,354,923</u>
Less: Unearned interest	(1,207)	(1,194)
Gross loans and advances	946,119	1,353,729
Less: Impairment on loans and advances		
- Expected credit losses (Note 17 (ii))	(84,525)	(88,376)
Net loans and advances	<u>861,594</u>	<u>1,265,353</u>
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	172,814	170,215
Domestic business enterprises		
- Small medium enterprises	-	89
- Others	585,108	886,434
Government and statutory bodies	20,000	30,000
Individuals	124,121	137,265
Foreign entities	44,076	129,726
Gross loans and advances	<u>946,119</u>	<u>1,353,729</u>

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16. Loans and advances (contd.)

	Group and Bank	
	30 April 2020 RM'000	31 October 2019 RM'000
(iii) By geographical distribution		
Northern region	178,652	203,692
Southern region	181,068	342,573
Central region	558,685	695,382
Eastern region	180	189
Outside Malaysia	27,534	111,893
	<u>946,119</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.

(iv) By interest rate sensitivity

Fixed rate:		
- Housing loans	931	1,167
- Other fixed rate loans	75,779	87,628
Variable rate:		
- Base Lending Rate plus	286,853	315,639
- Cost plus	582,556	949,295
Gross loans and advances	<u>946,119</u>	<u>1,353,729</u>

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16. Loans and advances (contd.)

	Group and Bank	
	30 April 2020 RM'000	31 October 2019 RM'000
(v) By sector		
Agriculture	100,875	393,592
Manufacturing	330,522	304,146
Construction	50,000	50,000
Purchase of landed property:		
- Residential	78,805	92,129
- Non-residential	35,751	36,904
Wholesale & retail trade and restaurants & hotels	-	7,589
Transport, storage and communication	-	100,000
Finance, insurance and business services	263,524	266,921
Purchase of transport vehicles	17	52
Consumption credit	53,625	54,396
Others	33,000	48,000
Gross loans and advances	<u>946,119</u>	<u>1,353,729</u>
(vi) By residual contractual maturity		
Within one year	830,772	1,227,149
One year to five years	11,254	11,771
Over five years	104,093	114,809
	<u>946,119</u>	<u>1,353,729</u>

17. Impaired loans and advances

	Group and Bank	
	30 April 2020 RM'000	31 October 2019 RM'000
(i) Movements in impaired loans and advances		
At beginning of financial period/year	138,538	121,029
Classified as impaired during the financial period/year	10,713	31,720
Reclassified as performing during the financial period/year	(4,315)	(4,478)
Amount recovered	(3,625)	(9,733)
Amount written off	(14,834)	-
At end of financial period/year	126,477	138,538
Lifetime credit impaired ECL allowance	(82,704)	(86,815)
Net impaired loans and advances	<u>43,773</u>	<u>51,723</u>
Ratio of net impaired loans and advances to net loans and advances (less lifetime credit impaired ECL allowance)	<u>5.07%</u>	<u>4.09%</u>

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17. Impaired loans and advances**(ii) 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 2019	427	1,134	86,815	88,376
<u>Transfer between stages:</u>				
Due to changes in credit risk:				
- Transfer to Stage 1	1,044	(730)	(314)	-
- Transfer to Stage 2	(27)	29	(2)	-
- Transfer to Stage 3	-	(288)	288	-
	1,017	(989)	(28)	-
Loans de-recognised during the period (other than write-offs)	(139)	(20)	(363)	(522)
New loans originated	10	-	-	10
Changes due to change in credit risk	(697)	1,078	12,410	12,791
Net ECL allowance (written back)/made	(826)	1,058	12,047	12,279
Amount written off	-	-	(14,845)	(14,845)
<u>Other adjustment:</u>				
Unwinding of discount	-	-	(1,285)	(1,285)
At 30 April 2020	618	1,203	82,704	84,525

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

	12 months ECL (Stage 1) RM'000	Lifetime not Credit Impaired ECL (Stage 2) RM'000	Lifetime Credit Impaired ECL (Stage 3) RM'000	Total RM'000
Group and Bank				
At 1 November 2018, on adoption of MFRS 9	377	861	67,098	68,336
<u>Transfer between stages:</u>				
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)
At 31 October 2019	427	1,134	86,815	88,376

	Group and Bank	
	30 April 2020 RM'000	31 October 2019 RM'000
(iii) By geographical distribution		
Northern region	7	-
Southern region	10,778	10,510
Central region	98,923	112,029
Outside Malaysia	16,769	15,999
	126,477	138,538

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17. Impaired loans and advances (contd.)

	Group and Bank	
	30 April 2020 RM'000	31 October 2019 RM'000
(iv) By sector		
Manufacturing	91,761	97,151
Purchase of landed property:		
- Residential	13,764	20,798
- Non-residential	20,436	19,618
Consumption credit	516	971
	<u>126,477</u>	<u>138,538</u>

18. Other assets

	Group and Bank	
	30 April 2020 RM'000	31 October 2019 RM'000
Interest receivable	6,519	6,640
Other receivables, deposits and prepayments	1,587	1,752
	<u>8,106</u>	<u>8,392</u>
Less: Expected credit loss ("ECL") allowance	(1)	(1)
	<u>8,105</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
	<u>1</u>	<u>1</u>
As restated / At end of the financial period/year	<u>1</u>	<u>1</u>

19. Deposits from customers

	Group		Bank	
	30 April 2020 RM'000	31 October 2019 RM'000	30 April 2020 RM'000	31 October 2019 RM'000
(i) By type of deposit				
Demand deposits	16,416	26,864	16,426	26,874
Savings deposits	447	1,347	447	1,347
Fixed/Investment deposits	121,962	122,998	121,962	122,998
Others	1,700	177,115	1,700	177,115
	<u>140,525</u>	<u>328,324</u>	<u>140,535</u>	<u>328,334</u>

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19. Deposits from customers (contd.)

	Group and Bank	
	30 April	31 October
	2020	2019
	RM'000	RM'000
(ii) Maturity structure of fixed/investment deposits		
Due within six months	118,940	118,059
Six months to one year	3,022	4,800
More than one year	-	139
	<u>121,962</u>	<u>122,998</u>

	Group		Bank	
	30 April	31 October	30 April	31 October
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(iii) By type of customer				
Business enterprises	126,810	311,685	126,820	311,695
Individuals	13,704	16,628	13,704	16,628
Others	11	11	11	11
	<u>140,525</u>	<u>328,324</u>	<u>140,535</u>	<u>328,334</u>

20. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 April	31 October
	2020	2019
	RM'000	RM'000
Licensed banks	-	62,633
Other financial institutions	65,709	30,486
	<u>65,709</u>	<u>93,119</u>

21. Other liabilities

	Group and Bank	
	30 April	31 October
	2020	2019
	RM'000	RM'000
Interest payable	1,643	1,387
Other payables and accruals	12,178	9,672
Lease liabilities	4,099	-
ECL allowance on off-balance sheet exposures	7	1
	<u>17,927</u>	<u>11,060</u>

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21. Other liabilities (contd.)

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

	Group and Bank	
	30 April 2020 RM'000	31 October 2019 RM'000
12-Month ECL Stage 1		
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	6	(9)
At end of the financial period/year	<u>7</u>	<u>1</u>

22. On 25 March 2020, BNM announced several regulatory relief measures to support banking institutions in provision of assistance to individuals and corporations to manage the impact of the novel coronavirus ("COVID-19") global pandemic. Consequently, the Bank is allowed to reduce the balance of regulatory reserves held against expected losses from 1.00% to 0.00% and to gradually rebuild the reserves, after 31 December 2020, to the minimum requirement by 30 September 2021.

As at 30 April 2020, the allowance for non-credit impaired exposures and regulatory reserve stands at 0.20% (31 October 2019 : 1.00%).

23. Interest income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April 2020 RM'000	30 April 2019 RM'000	30 April 2020 RM'000	30 April 2019 RM'000
Loans and advances:				
- Interest income other than on impaired loans	8,644	12,664	19,497	23,838
- Interest income on impaired loans	3,530	4,152	7,504	6,999
Money at call and deposit placements with financial institutions	3,843	4,869	7,728	10,213
Financial investments at amortised cost	100	-	100	-
Financial investments at FVOCI	2,103	798	4,249	1,541
Others	12	9	12	19
Total interest income	<u>18,232</u>	<u>22,492</u>	<u>39,090</u>	<u>42,610</u>

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24. Interest expense

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	1,457	1,245	2,654	1,698
Deposits from customers	1,584	3,948	4,609	7,759
Lease liabilities	38	-	79	-
Others	16	15	16	47
	<u>3,095</u>	<u>5,208</u>	<u>7,358</u>	<u>9,504</u>

25. Net fee and commission income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Other fees relating to loans	52	373	107	508
Commitment fees	36	39	72	82
Guarantee fees	20	11	34	26
Acceptance commissions	87	84	226	230
Others	63	94	157	204
	<u>258</u>	<u>601</u>	<u>596</u>	<u>1,050</u>

26. Net trading income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Gains/(Losses) arising from dealing in foreign currency	3,033	(1,454)	4,757	560
Unrealised losses from derivative trading	-	(5)	-	(15)
Unrealised revaluation (losses)/gains in foreign exchange	(2,467)	1,755	(3,793)	83
	<u>566</u>	<u>296</u>	<u>964</u>	<u>628</u>

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27. Other operating income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Dividend income:				
- Financial investments held at FVOCI	-	-	-	-

28. Other operating expenses

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries and bonuses	2,740	2,876	5,481	5,893
- Pension fund contributions	461	488	914	1,008
- Other staff costs	526	592	1,385	1,651
Marketing expenses:				
- Advertising and promotion	5	14	7	19
- Others	18	(96)	35	39
Establishment costs:				
- Depreciation of property and equipment including ROU assets	388	187	770	344
- Rental	6	188	33	467
- Others	1,281	931	1,908	2,145
Administrative expenses:				
- Fees	1,042	1,194	2,423	2,604
- Others	384	328	640	655
	6,851	6,702	13,596	14,825

29. Significant related party transactions

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Expenditure:				
<i> Holding company</i>				
(i) By type of services				
Computer license agreement	311	424	667	763
Technical fees	700	345	1,070	624
Technical support	231	229	258	650
Interest payable	1,284	155	1,896	228

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29. Significant related party transactions (contd.)

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Expenditure: (contd.)				
<i>Holding company</i>				
(ii) By country				
Singapore	1,284	155	1,896	228
Canada	311	424	667	763
Hong Kong, SAR China	927	570	1,320	1,264
India	4	4	8	10
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income:				
<i>Holding company</i>				
Technical fees	50	80	104	152
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

30. Credit exposures to connected parties

The credit exposures of the Group and the Bank to connected parties, as defined by BNM's "Guidelines on Credit Transactions and Exposures with Connected Parties", are as follows:

	30 April	31 October
	2020	2019
	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	2,423	2,502
As a percentage of total credit exposures	<u>0.244%</u>	<u>0.182%</u>

There are no outstanding credit exposures to connected parties which are non-performing or in default.

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31. Allowance for credit losses

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
ECL allowance made/(written back) on:				
- Loans and advances	9,071	3,751	12,279	7,054
- Deposits and short term funds	14	(33)	17	(44)
- Financial investments at FVOCI	16	(1)	27	(1)
- Financial investments at amortised cost	2	-	2	-
- Off-balance sheet exposures	3	(11)	6	(7)
Impaired loans and advances:				
- recovered	(1)	(1)	(17)	(4)
	<u>9,105</u>	<u>3,705</u>	<u>12,314</u>	<u>6,998</u>

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32. Capital adequacy

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

	Group and Bank	
	30 April 2020	31 October 2019
	RM'000	RM'000
Common Equity Tier 1 ("CET1") / Tier 1 capital		
Paid-up share capital	165,000	165,000
Retained profit	862,755	851,326
Other reserves	2,912	422
	<u>1,030,667</u>	<u>1,016,748</u>
Less regulatory adjustments:		
- Deferred tax assets	-	(421)
- 55% of cumulative gains of financial instruments at FVOCI	(2,117)	(316)
	<u>(2,117)</u>	<u>(316)</u>
Total CET1 / Tier 1 capital	<u><u>1,028,550</u></u>	<u><u>1,016,011</u></u>
Tier 2 capital		
Regulatory Reserve *	-	10,911
12-months and lifetime non-credit impaired ECL allowances	1,885	1,573
	<u>1,885</u>	<u>1,573</u>
Total Tier 2 capital	<u>1,885</u>	<u>1,573</u>
Less regulatory adjustments:		
- Investment in subsidiaries	(30)	(30)
	<u>(30)</u>	<u>(30)</u>
Total capital	<u><u>1,030,405</u></u>	<u><u>1,028,465</u></u>
CET 1 / Tier 1 capital ratio	93.420%	72.384%
Total capital ratio	<u><u>93.588%</u></u>	<u><u>73.271%</u></u>

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

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32. Capital adequacy (contd.)

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

	30 April 2020		31 October 2019	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	1,905,908	965,875	1,870,188	1,256,934
Market risk	-	10,066	-	19,259
Operational risk	-	125,059	-	127,443
	<u>1,905,908</u>	<u>1,101,000</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.

33. Derivative financial instruments

	Nominal value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
At 30 April 2020			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	<u>1,399,217</u>	<u>19,561</u>	<u>24,807</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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34. Commitments and contingencies

Group and Bank	Principal Amount	Positive Fair	Credit	Risk Weighted
30 April 2020	RM'000	Value of Derivate	Equivalent	Assets
<u>Credit-related exposures</u>	RM'000	Contracts	Amount	RM'000
	RM'000	RM'000	RM'000	RM'000
Transaction-related contingent items	7,046		3,523	1,959
Short term self liquidating trade-related contingencies	382		77	15
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	50		25	25
- not exceeding one year	26,046		5,209	5,209
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	411,943		-	-
	<u>445,467</u>		<u>8,834</u>	<u>7,208</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	1,399,217	19,561	39,526	20,476
Total	<u><u>1,844,684</u></u>	<u><u>19,561</u></u>	<u><u>48,360</u></u>	<u><u>27,684</u></u>

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34. Commitments and contingencies (contd.)

Group and Bank 31 October 2019	Principal Amount RM'000	Positive Fair Value of Derivate Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	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
Total	<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>