

The Bank of Nova Scotia Berhad

(Company No. 199401022356 (308035 U))

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

31 July 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 JULY

	Note	Group		Bank	
		31 July 2020 RM'000	31 October 2019 RM'000	31 July 2020 RM'000	31 October 2019 RM'000
ASSETS					
Cash and short-term funds	11	390,416	399,268	390,396	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	268,359	162,696	268,359	162,696
Financial investments at amortised cost	14	59,994	-	59,994	-
Loans and advances	15	736,721	1,265,353	736,721	1,265,353
Derivative financial assets	31	7,123	2,320	7,123	2,320
Other assets	17	7,868	8,391	7,868	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		9,740	5,873	9,740	5,873
Deferred tax assets		-	421	-	421
Tax recoverable		6,154	2,985	6,154	2,985
TOTAL ASSETS		1,489,266	1,849,943	1,489,276	1,849,953
LIABILITIES					
Deposits from customers	18	91,739	328,324	91,749	328,334
Deposits and placements of banks and other financial institutions	19	192,286	93,119	192,286	93,119
Derivative financial liabilities	31	3,792	1,273	3,792	1,273
Other liabilities	20	11,634	11,060	11,634	11,060
Amounts owing to holding company		150,336	387,984	150,336	387,984
Deferred tax liabilities		2,008	-	2,008	-
TOTAL LIABILITIES		451,795	821,760	451,805	821,770

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

	Note	Group		Bank	
		31 July 2020 RM'000	31 October 2019 RM'000	31 July 2020 RM'000	31 October 2019 RM'000
EQUITY					
Share capital		165,000	165,000	165,000	165,000
Reserves		872,471	863,183	872,471	863,183
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		<u>1,037,471</u>	<u>1,028,183</u>	<u>1,037,471</u>	<u>1,028,183</u>
TOTAL LIABILITIES AND EQUITY		<u>1,489,266</u>	<u>1,849,943</u>	<u>1,489,276</u>	<u>1,849,953</u>
COMMITMENTS AND CONTINGENCIES	32	<u>1,365,753</u>	<u>1,322,597</u>	<u>1,365,753</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 31 JULY 2020

	Note	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
		31 July 2020 RM'000	31 July 2019 RM'000	31 July 2020 RM'000	31 July 2019 RM'000
Interest income	22	16,255	22,497	55,345	65,107
Interest expense	23	(2,196)	(5,583)	(9,554)	(15,087)
Net interest income		14,059	16,914	45,791	50,020
Net fee and commission income	24	295	307	891	1,357
Net trading income	25	135	612	1,099	1,240
Other operating income	26	49	95	49	95
Net income		14,538	17,928	47,830	52,712
Other operating expenses	27	(6,427)	(7,694)	(20,023)	(22,519)
Operating profit		8,111	10,234	27,807	30,193
Allowance for credit losses	29	(8,342)	(4,537)	(20,656)	(11,535)
(Loss)/Profit before taxation		(231)	5,697	7,151	18,658
Taxation		44	(1,192)	(1,841)	(4,622)
(Loss)/Profit for the period		(187)	4,505	5,310	14,036
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		1,462	129	3,978	306
Total comprehensive income for the period attributable to owners of the Bank		1,275	4,634	9,288	14,342
Basic (loss)/earnings per share (sen)		(0.15)	3.68	4.34	11.47

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 JULY 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					
At 1 November 2018	165,000	9,150	(199)	835,126	1,009,077
Net profit for the period	-	-	-	14,036	14,036
Other comprehensive income, net of tax					
- Financial investments at fair value through other comprehensive income	-	-	306	-	306
Total comprehensive income for the period	-	-	306	14,036	14,342
Transfer to regulatory reserves from retained earnings	-	2,396	-	(2,396)	-
As at 31 July 2019	165,000	11,546	107	846,766	1,023,419
As at 1 November 2019	165,000	11,429	428	851,326	1,028,183
Net profit for the period	-	-	-	5,310	5,310
Other comprehensive income, net of tax					
- Financial investments at fair value through other comprehensive income	-	-	3,978	-	3,978
Total comprehensive income for the period	-	-	3,978	5,310	9,288
Transfer from regulatory reserves to retained earnings	-	(11,429)	-	11,429	-
As at 31 July 2020	165,000	-	4,406	868,065	1,037,471

Note 21

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

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

	Group		Bank	
	31 July 2020 RM'000	31 July 2019 RM'000	31 July 2020 RM'000	31 July 2019 RM'000
Cash flows from operating activities				
Profit before taxation	7,151	18,658	7,151	18,658
Adjustments for non-cash item	20,283	14,168	20,283	14,168
Operating profit before working capital changes	27,434	32,826	27,434	32,826
Changes in working capital:				
Net changes in operating assets	503,636	(260,525)	503,636	(260,525)
Net changes in operating liabilities	(373,576)	165,590	(373,576)	165,600
Income taxes paid	(3,836)	(4,298)	(3,836)	(4,298)
Net cash generated from / (used in) operating activities	153,658	(66,407)	153,658	(66,397)
Net cash used in investing activities	(161,867)	(11,514)	(161,867)	(11,514)
Net cash used in financing activities	(636)	-	(636)	-
Net decrease in cash and cash equivalents	(8,845)	(77,921)	(8,845)	(77,911)
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	390,428	440,305	390,408	440,285
Cash and cash equivalents comprise:				
Cash and short term funds	390,428	440,305	390,408	440,285
Less: Expected credit loss allowance	(12)	(3)	(12)	(3)
	390,416	440,302	390,396	440,282

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REVIEW OF PERFORMANCE

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

Operating profits for the financial period ended 31 July 2020 for the Group and the Bank was at RM 27.81 million, a 7.9% decrease against operating profits of RM 30.19 million in the corresponding period in the previous financial year. While net interest income and other operating income has reduced by RM4.23 million and RM0.65 million respectively due to lower business volumes, these were offset by a reduction in operating expenses of RM2.50 million. The profit before tax is at RM7.15 million, RM11.51 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 16.9% to RM14.06 million, largely driven by lower average lending balances and a declining interest rate environment. Higher allowance for credit losses of RM3.81 million resulted in a loss before tax of RM0.23 million for the third quarter ended 31 July 2020.

On the balance sheet, total assets of the Group and the Bank have reduced by 19.5% to RM1.49 billion as compared to total assets of RM1.85 billion as at previous financial year ended 2019. The smaller balance sheet size arose mainly from net repayments of loans and advances of RM528.63 million. This was offset by additional investments in debt instruments of RM165.66 million.

Total liabilities correspondingly dropped by 45.0% to RM0.45 billion, largely from reduction in deposits accepted from customers and borrowings from holding company of RM236.59 million and RM237.65 million respectively. The drop was partially offset by higher deposits and placements from financial institutions of RM99.17 million.

Decrease in total risk-weighted assets by RM487.23 million is in line with the smaller balance sheet. This have led capital ratio to improve from 73.271% as at financial year ended 2019 to 112.466% as at 31 July 2020.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 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 31 July 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*
- Amendments to MFRS 4, *Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9*

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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.

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,
- Amendments to MFRS 9, *Financial Instruments* and Amendments to MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

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

Amendments effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

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

- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Cost of Fulfilling a Contract*

MFRSs effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- 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, where applicable:

- from the annual period beginning on 1 November 2020 for those accounting standards and amendments that are effective for annual periods beginning on or after 1 January 2020 and 1 June 2020; and
- from the annual period beginning on 1 November 2022 for those accounting standards and amendments that are effective for annual periods beginning on or after 1 January 2022;

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 2023 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 this period, the Bank had recorded higher provision for credit losses 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, was granted from 1 April 2020 by banking institutions on performing loans/financing which were:

- 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 rescheduling and restructuring requests received during this period:

- 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 31 July 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 July 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 31 July 2020.

7. Dividend

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

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10. Fair value of financial instruments

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level

- 1: Quoted market price (unadjusted) in an active market for an identical asset or liability.
- 2: Valuation techniques based on observable inputs, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted prices for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.
- 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category also includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

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10. Fair value of financial instruments (contd.)

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

	Group and Bank			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
31 July 2020				
Financial assets at fair value through profit or loss	-	-	2,338	2,338
Financial investments at fair value through other comprehensive income	-	268,359	-	268,359
Derivative financial assets	-	7,123	-	7,123
	-	275,482	2,338	277,820
Derivative financial liabilities	-	3,792	-	3,792
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

Reconciliation of movements in Level 3 financial instruments

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

	Group and Bank	
	31 July 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

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10. Fair value of financial instruments (contd.)

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	
	31 July 2020 RM'000	31 October 2019 RM'000	31 July 2020 RM'000	31 October 2019 RM'000
Cash and balances with banks and other financial institutions	2,637	4,833	2,617	4,813
Money at call and deposit placements maturing within one month	387,791	394,440	387,791	394,440
	<u>390,428</u>	<u>399,273</u>	<u>390,408</u>	<u>399,253</u>
Less: Expected credit loss ("ECL") allowance	(12)	(5)	(12)	(5)
	<u><u>390,416</u></u>	<u><u>399,268</u></u>	<u><u>390,396</u></u>	<u><u>399,248</u></u>

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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	
	31 July	31 October
	2020	2019
	RM'000	RM'000
12-Month ECL Stage 1		
At 1 November	5	48
Allowance made/(written back) during the financial period/year	7	(43)
At end of the financial period/year	<u>12</u>	<u>5</u>

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

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

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

	Group and Bank	
	31 July	31 October
	2020	2019
	RM'000	RM'000
<u>Quoted money market instruments</u>		
Malaysian Government Securities	<u>268,359</u>	<u>162,696</u>

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 1 November	5	4
Allowance made during the financial period/year	7	1
At end of the financial period/year	<u>12</u>	<u>5</u>

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14. Financial investments at amortised cost

	Group and Bank	
	31 July	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	(6)	-
	<u>59,994</u>	<u>-</u>
	<u>59,994</u>	<u>-</u>

Movements in ECL allowance on financial investments at amortised cost are as follow:

12-Month ECL Stage 1

At 1 November	-	-
Allowance made during the financial period/year	6	-
At end of the financial period/year	<u>6</u>	<u>-</u>
	<u>6</u>	<u>-</u>

15. Loans and advances

	Group and Bank	
	31 July	31 October
	2020	2019
	RM'000	RM'000
(i) By type		
Overdrafts	20,410	26,542
Term loans		
- housing loans	76,955	90,962
- other term loans	39,817	41,600
Bills receivable	157,863	177,550
Revolving credit	534,095	1,017,050
Staff loans	917	1,219
	<u>830,057</u>	<u>1,354,923</u>
Less: Unearned interest	(921)	(1,194)
Gross loans and advances	<u>829,136</u>	<u>1,353,729</u>
Less: Impairment on loans and advances		
- Expected credit losses (Note 17 (ii))	(92,415)	(88,376)
Net loans and advances	<u>736,721</u>	<u>1,265,353</u>
	<u>736,721</u>	<u>1,265,353</u>

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15. Loans and advances (contd.)

	Group and Bank	
	31 July 2020 RM'000	31 October 2019 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	163,245	170,215
Domestic business enterprises		
- Small medium enterprises	-	89
- Others	497,711	886,434
Government and statutory bodies	20,000	30,000
Individuals	102,853	137,265
Foreign entities	45,327	129,726
Gross loans and advances	<u>829,136</u>	<u>1,353,729</u>
(iii) By geographical distribution		
Northern region	75,381	203,692
Southern region	200,865	342,573
Central region	524,054	695,382
Eastern region	180	189
Outside Malaysia	28,656	111,893
	<u>829,136</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	906	1,167
- Other fixed rate loans	71,976	87,628
Variable rate:		
- Base Lending Rate plus	284,458	315,639
- Cost plus	471,796	949,295
Gross loans and advances	<u>829,136</u>	<u>1,353,729</u>

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15. Loans and advances (contd.)

	Group and Bank	
	31 July	31 October
	2020	2019
	RM'000	RM'000
(v) By sector		
Agriculture	-	393,592
Manufacturing	348,802	304,146
Construction	50,000	50,000
Purchase of landed property:		
- Residential	78,027	92,129
- Non-residential	36,020	36,904
Wholesale & retail trade and restaurants & hotels	-	7,589
Transport, storage and communication	-	100,000
Finance, insurance and business services	250,045	266,921
Purchase of transport vehicles	6	52
Consumption credit	33,236	54,396
Others	33,000	48,000
Gross loans and advances	<u>829,136</u>	<u>1,353,729</u>
(vi) By residual contractual maturity		
Within one year	715,028	1,227,149
One year to five years	17,668	11,771
Over five years	96,440	114,809
	<u>829,136</u>	<u>1,353,729</u>

16. Impaired loans and advances

	Group and Bank	
	31 July	31 October
	2020	2019
	RM'000	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	13,299	31,720
Reclassified as performing during the financial period/year	(4,588)	(4,478)
Amount recovered	(4,046)	(9,733)
Amount written off	(14,845)	-
At end of financial period/year	<u>128,358</u>	<u>138,538</u>
Lifetime credit impaired ECL allowance	(90,734)	(86,815)
Net impaired loans and advances	<u>37,624</u>	<u>51,723</u>
Ratio of net impaired loans and advances to net loans and advances (less lifetime credit impaired ECL allowance)	<u>5.10%</u>	<u>4.09%</u>

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16. 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	1,484	(1,155)	(329)	-
- Transfer to Stage 2	(27)	37	(10)	-
- Transfer to Stage 3	-	(288)	288	-
	1,457	(1,406)	(51)	-
Loans de-recognised during the period (other than write-offs)	(144)	(37)	(419)	(600)
New loans originated	11	-	-	11
Changes due to change in credit risk	(1,298)	1,537	21,002	21,241
Net ECL allowance (written back)/made	(1,431)	1,500	20,583	20,652
Amount written off	-	-	(14,845)	(14,845)
<u>Other adjustment:</u>				
Unwinding of discount	-	-	(1,768)	(1,768)
At 31 July 2020	453	1,228	90,734	92,415

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16. 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	
	31 July 2020 RM'000	31 October 2019 RM'000
(iii) By geographical distribution		
Northern region	7	-
Southern region	10,959	10,510
Central region	100,361	112,029
Outside Malaysia	17,031	15,999
	128,358	138,538

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16. Impaired loans and advances (contd.)

	Group and Bank	
	31 July 2020 RM'000	31 October 2019 RM'000
(iv) By sector		
Manufacturing	93,783	97,151
Purchase of landed property:		
- Residential	13,134	20,798
- Non-residential	20,755	19,618
Consumption credit	686	971
	<u>128,358</u>	<u>138,538</u>

17. Other assets

	Group and Bank	
	31 July 2020 RM'000	31 October 2019 RM'000
Interest receivable	6,483	6,640
Other receivables, deposits and prepayments	1,386	1,752
	<u>7,869</u>	<u>8,392</u>
Less: Expected credit loss ("ECL") allowance	(1)	(1)
	<u>7,868</u>	<u>8,391</u>

Movements in ECL allowance on other receivables are as follow:

12-Month ECL Stage 1

At 1 November	1	1
Allowance made during the financial period/year *	-	-
As 1 November / At end of the financial period/year	<u>1</u>	<u>1</u>

* Movements during the financial period/year were below RM1,000

18. Deposits from customers

	Group		Bank	
	31 July 2020 RM'000	31 October 2019 RM'000	31 July 2020 RM'000	31 October 2019 RM'000
(i) By type of deposit				
Demand deposits	13,348	26,864	13,358	26,874
Savings deposits	452	1,347	452	1,347
Fixed/Investment deposits	35,567	122,998	35,567	122,998
Others	42,372	177,115	42,372	177,115
	<u>91,739</u>	<u>328,324</u>	<u>91,749</u>	<u>328,334</u>

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18. Deposits from customers (contd.)

	Group and Bank	
	31 July 2020 RM'000	31 October 2019 RM'000
(ii) Maturity structure of fixed/investment deposits		
Due within six months	32,609	118,059
Six months to one year	2,958	4,800
More than one year	-	139
	<u>35,567</u>	<u>122,998</u>

	Group		Bank	
	31 July 2020 RM'000	31 October 2019 RM'000	31 July 2020 RM'000	31 October 2019 RM'000
(iii) By type of customer				
Business enterprises	78,517	311,685	78,527	311,695
Individuals	13,210	16,628	13,210	16,628
Others	12	11	12	11
	<u>91,739</u>	<u>328,324</u>	<u>91,749</u>	<u>328,334</u>

19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 July 2020 RM'000	31 October 2019 RM'000
Licensed banks	127,425	62,633
Other financial institutions	64,861	30,486
	<u>192,286</u>	<u>93,119</u>

20. Other liabilities

	Group and Bank	
	31 July 2020 RM'000	31 October 2019 RM'000
Interest payable	211	1,387
Other payables and accruals	7,533	9,672
Lease liabilities	3,888	-
ECL allowance on off-balance sheet exposures	2	1
	<u>11,634</u>	<u>11,060</u>

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20. Other liabilities (contd.)

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

	Group and Bank	
	31 July 2020 RM'000	31 October 2019 RM'000
12-Month ECL Stage 1		
At 1 November	1	10
Allowance made/(written back) during the financial period/year	1	(9)
At end of the financial period/year	2	1

- 21.** 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 31 July 2020, the allowance for non-credit impaired exposures and regulatory reserve stands at 0.22% (31 October 2019 : 1.00%).

22. Interest income

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July 2020 RM'000	31 July 2019 RM'000	31 July 2020 RM'000	31 July 2019 RM'000
Loans and advances:				
- Interest income other than on impaired loans	7,794	13,400	27,291	37,238
- Interest income on impaired loans	3,073	3,846	10,577	10,845
Money at call and deposit placements with financial institutions	2,878	4,462	10,606	14,675
Financial investments at amortised cost	350	-	450	-
Financial investments at FVOCI	2,157	782	6,406	2,323
Others	3	7	15	26
Total interest income	16,255	22,497	55,345	65,107

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23. Interest expense

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	1,364	2,050	4,018	3,748
Deposits from customers	785	3,522	5,394	11,281
Lease liabilities	37	-	116	-
Others	10	11	26	58
	<u>2,196</u>	<u>5,583</u>	<u>9,554</u>	<u>15,087</u>

24. Net fee and commission income

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Other fees relating to loans	52	56	159	564
Commitment fees	61	40	133	122
Guarantee fees	2	10	36	36
Acceptance commissions	103	127	329	357
Others	77	74	234	278
	<u>295</u>	<u>307</u>	<u>891</u>	<u>1,357</u>

25. Net trading income

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(Losses)/Gains arising from dealing in foreign currency	(5,940)	1,784	(1,183)	2,344
Unrealised losses from derivative trading	-	(5)	-	(20)
Unrealised revaluation gains/(losses) in foreign exchange	6,075	(1,167)	2,282	(1,084)
	<u>135</u>	<u>612</u>	<u>1,099</u>	<u>1,240</u>

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26. Other operating income

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Dividend income:				
- Financial investments held at FVTPL	49	95	49	95

27. Other operating expenses

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries and bonuses	2,741	2,750	8,222	8,643
- Pension fund contributions	468	465	1,382	1,473
- Other staff costs	300	440	1,685	2,091
Marketing expenses:				
- Advertising and promotion	18	17	25	36
- Others	14	16	49	55
Establishment costs:				
- Depreciation of property and equipment including ROU assets	358	127	1,128	471
- Rental	2	366	35	833
- Others	826	913	2,734	3,058
Administrative expenses:				
- Fees	1,336	1,996	3,759	4,600
- Others	364	604	1,004	1,259
	6,427	7,694	20,023	22,519

28. Significant related party transactions

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	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	496	620	1,163	1,383
Technical fees	309	522	1,379	1,146
Technical support	129	63	387	713
Interest payable	1,322	662	3,218	890

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28. Significant related party transactions (contd.)

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Expenditure: (contd.)				
<i>Holding company</i>				
(ii) By country				
Singapore	1,322	662	3,218	890
Canada	496	620	1,163	1,383
Hong Kong, SAR China	431	579	1,751	1,843
India	7	6	15	16
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income:				
<i>Holding company</i>				
Technical fees	42	46	146	198
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

29. Allowance for credit losses

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
ECL allowance made/(written back) on:				
- Loans and advances	8,373	4,617	20,652	11,671
- Deposits and short term funds	(10)	(1)	7	(45)
- Financial investments at FVOCI	(20)	3	7	2
- Financial investments at amortised cost	4	-	6	-
- Off-balance sheet exposures	(5)	(2)	1	(9)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Impaired loans and advances:				
- recovered	-	(80)	(17)	(84)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	8,342	4,537	20,656	11,535
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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30. Capital adequacy

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

	Group and Bank	
	31 July 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	4,394	422
	<u>1,032,149</u>	<u>1,016,748</u>
Less regulatory adjustments:		
- Deferred tax assets	-	(421)
- 55% of cumulative gains of financial instruments at FVOCI	(3,190)	(316)
	<u>(3,190)</u>	<u>(316)</u>
Total CET1 / Tier 1 capital	<u><u>1,028,959</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	1,714	1,573
	<u>1,030,673</u>	<u>1,028,495</u>
Less regulatory adjustments:		
- Investment in subsidiaries	(30)	(30)
	<u>(30)</u>	<u>(30)</u>
Total capital	<u><u>1,030,643</u></u>	<u><u>1,028,465</u></u>
CET 1 / Tier 1 capital ratio	112.282%	72.384%
Total capital ratio	<u>112.466%</u>	<u>73.271%</u>

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

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30. Capital adequacy (contd.)

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

	31 July 2020		31 October 2019	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	1,509,823	786,128	1,870,188	1,256,934
Market risk	-	8,382	-	19,259
Operational risk	-	121,898	-	127,443
	<u>1,509,823</u>	<u>916,408</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.

31. Derivative financial instruments

	Nominal value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
At 31 July 2020			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	<u>960,508</u>	<u>7,123</u>	<u>3,792</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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32. Commitments and contingencies

Group and Bank 31 July 2020	Principal Amount RM'000	Positive Fair Value of Derivate Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	6,919		3,459	1,815
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	15,340		3,068	3,068
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	382,936		-	-
	<u>405,245</u>		<u>6,552</u>	<u>4,908</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	960,508	7,123	18,865	13,081
Total	<u><u>1,365,753</u></u>	<u><u>7,123</u></u>	<u><u>25,417</u></u>	<u><u>17,989</u></u>

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32. 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>