

The Bank of Nova Scotia Berhad

(Company No. 199401022356 (308035 U))

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

30 April 2021

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 2021

	Note	Group		Bank	
		30 April 2021 RM'000	31 October 2020 RM'000	30 April 2021 RM'000	31 October 2020 RM'000
ASSETS					
Cash and short-term funds	11	571,735	570,799	571,715	570,779
Financial assets at fair value through profit or loss	12	2,546	2,564	2,546	2,564
Financial investments at fair value through other comprehensive income	13	264,188	267,780	264,188	267,780
Financial investments at amortised cost	14	59,999	59,996	59,999	59,996
Loans and advances	15	573,728	599,213	573,728	599,213
Derivative financial assets	31	4,336	10,623	4,336	10,623
Other assets	17	6,127	7,584	6,127	7,584
Statutory deposits with Bank Negara Malaysia		553	553	553	553
Investment in subsidiaries		-	-	30	30
Property and equipment including right-of-use assets		8,669	9,355	8,669	9,355
Deferred tax assets		166	-	166	-
Tax recoverable		6,973	5,615	6,973	5,615
TOTAL ASSETS		1,499,020	1,534,082	1,499,030	1,534,092
LIABILITIES					
Deposits from customers	18	87,494	87,699	87,504	87,709
Deposits and placements of banks and other financial institutions	19	322,447	294,905	322,447	294,905
Derivative financial liabilities	31	4,372	7,542	4,372	7,542
Other liabilities	20	13,107	12,770	13,107	12,770
Amounts owing to holding company		39,192	93,079	39,192	93,079
Deferred tax liabilities		-	1,246	-	1,246
TOTAL LIABILITIES		466,612	497,241	466,622	497,251

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AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2021 (CONTD.)

	Note	Group		Bank	
		30 April 2021 RM'000	31 October 2020 RM'000	30 April 2021 RM'000	31 October 2020 RM'000
EQUITY					
Share capital		165,000	165,000	165,000	165,000
Reserves		867,408	871,841	867,408	871,841
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		<u>1,032,408</u>	<u>1,036,841</u>	<u>1,032,408</u>	<u>1,036,841</u>
TOTAL LIABILITIES AND EQUITY		<u>1,499,020</u>	<u>1,534,082</u>	<u>1,499,030</u>	<u>1,534,092</u>
COMMITMENTS AND CONTINGENCIES	32	<u>1,230,224</u>	<u>1,484,986</u>	<u>1,230,224</u>	<u>1,484,986</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 2020.

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 199401022356 (308035 U))

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AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 APRIL 2021

	Note	Group and Bank 2nd Quarter Ended		Group and Bank Six Months Ended	
		30 April 2021 RM'000	30 April 2020 RM'000	30 April 2021 RM'000	30 April 2020 RM'000
Interest income	22	11,229	18,232	23,061	39,090
Interest expense	23	(704)	(3,095)	(1,461)	(7,358)
Net interest income		10,525	15,137	21,600	31,732
Net fee and commission income	24	308	258	746	596
Net trading income	25	204	566	422	964
Net income		11,037	15,961	22,768	33,292
Other operating expenses	26	(6,225)	(6,851)	(12,388)	(13,596)
Operating profit		4,812	9,110	10,380	19,696
Allowance for credit losses	29	(1,711)	(9,105)	(13,460)	(12,314)
Profit/(Loss) before taxation		3,101	5	(3,080)	7,382
Taxation		(717)	(21)	750	(1,885)
Profit/(Loss) for the period		2,384	(16)	(2,330)	5,497
Other comprehensive (loss)/income, net of tax					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Net (loss)/gain on financial investments at fair value through other comprehensive income		(931)	1,468	(2,103)	2,516
Total comprehensive income/(loss) for the period attributable to owners of the Bank		1,453	1,452	(4,433)	8,013
Basic earnings/(loss) per share (sen)		1.95	(0.01)	(1.90)	4.49

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 2020.

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 199401022356 (308035 U))

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AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 APRIL 2021

	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 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
As at 1 November 2020	165,000	-	4,285	867,556	1,036,841
Net loss for the period	-	-	-	(2,330)	(2,330)
Other comprehensive loss, net of tax					
- Financial investments at fair value through other comprehensive income	-	-	(2,103)	-	(2,103)
Total comprehensive income for the period	-	-	(2,103)	(2,330)	(4,433)
As at 30 April 2021	165,000	-	2,182	865,226	1,032,408

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 2020.

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 199401022356 (308035 U))

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 APRIL 2021

	Group		Bank	
	30 April 2021 RM'000	30 April 2020 RM'000	30 April 2021 RM'000	30 April 2020 RM'000
Cash flows from operating activities				
(Loss)/Profit before taxation	(3,080)	7,382	(3,080)	7,382
Adjustments for non-cash item	15,065	17,632	15,065	17,632
Operating profit before working capital changes	11,985	25,014	11,985	25,014
Changes in working capital:				
Net changes in operating assets	19,327	374,370	19,327	374,370
Net changes in operating liabilities	(29,067)	7,914	(29,067)	7,914
Income taxes paid	(1,358)	(3,629)	(1,358)	(3,629)
Net cash generated from operating activities	887	403,669	887	403,669
Net cash generated from/(used in) investing activities	480	(161,822)	480	(161,822)
Net cash used in financing activities	(437)	(422)	(437)	(422)
Net increase in cash and cash equivalents	930	241,425	930	241,425
Cash and cash equivalents at beginning of the financial period	570,808	399,273	570,788	399,253
Cash and cash equivalents at end of the financial period	571,738	640,698	571,718	640,678
Cash and cash equivalents comprise:				
Cash and short term funds	571,738	430,698	571,718	430,678
Deposits and placement with banks and other financial institutions	-	210,000	-	210,000
	571,738	640,698	571,718	640,678
Less: Expected credit loss allowance	(3)	(22)	(3)	(22)
	571,735	640,676	571,715	640,656

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REVIEW OF PERFORMANCE

Current Quarter vs. Previous Year Corresponding Quarter

Operating profits for the current financial quarter ended 30 April 2021 for the Group and the Bank had reduced by RM4.30 million to RM4.81 million compared to the previous corresponding quarter. While net income has reduced by RM4.92 million, driven by lower interest rates and business volumes, this was offset by a reduction in operating expenses of RM0.63 million.

However, allowance for credit losses incurred during the quarter was RM7.39 million lower, resulting in higher profit before taxation of RM3.10 million compared to previous corresponding quarter.

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

Operating profits for the financial period ended 30 April 2021 has similarly decreased by RM9.32 million to RM10.38 million compared to the corresponding period in the previous financial year, due to factors described above.

Higher increase in allowance for credit losses by RM1.15 million to RM13.46 million has contributed to the overall decrease of RM10.46 million in profit before taxation for the financial period ended 30 April 2021 against the previous corresponding period.

Total assets of the Group and the Bank had declined marginally to RM1.50 billion, as compared to financial year ended 2020 of RM1.53 billion. This was contributed by a decrease in loans and advances and derivative financial assets of RM25.49 million and RM6.29 million, respectively.

Total liabilities, comprising mainly of deposits from customers, intercompany and interbank borrowing, had correspondingly decreased by RM30.63 million to RM466.62 million due to the lower funding requirement.

Despite lower capital level due to net loss for the period, total capital ratio has improved from 134.203% as at 31 October 2020 to 138.343% as at current quarter end, driven by decrease in risk-weighted assets in line with the smaller balance sheet size and lower gross income levels.

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(Company No. 199401022356 (308035 U))

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 APRIL 2021

1. Basis of preparation of the financial statements

The unaudited interim financial statements of the Group and the Bank for the financial period ended 30 April 2021 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 2020. 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 2020.

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 2020, except for the adoption of the following Amendments to MFRSs which are effective for annual periods beginning on or after 1 November 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*, Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement* and Amendments to MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*
- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

The adoption of these amendments does not have any material effect on the financial statements of the Group and the Bank.

(Company No. 199401022356 (308035 U))

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 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

Amendments effective for annual periods beginning on or after 1 April 2021

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

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*
- 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*
- Amendments to MFRS 9, *Financial Instruments – Annual Improvements to MFRS Standards 2018 – 2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*

MFRS and amendments 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 to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

Amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale 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 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021; and
- from the annual period beginning on 1 November 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022.

(Company No. 199401022356 (308035 U))

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

The Group and the Bank do not plan to apply MFRS 141, *Agriculture (Annual Improvements to Standards 2018-2020)* that is effective for annual periods beginning on or after 1 January 2022, and 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 they are 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 the current period and prior period financial statements of the Group and the Bank.

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.

(Company No. 199401022356 (308035 U))

2. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 October 2020 was not subjected to any qualifications.

3. Seasonal or cyclical factors

The business operations of the Group and the Bank have not been affected by any material seasonal or cyclical factors.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the financial period ended 30 April 2021.

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 2021 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 2021.

7. Dividend

No dividend was paid during the financial period ended 30 April 2021.

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 2021.

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.

(Company No. 199401022356 (308035 U))

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.

(Company No. 199401022356 (308035 U))

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
	Level 1	Level 2	Level 3	
	RM'000	RM'000	RM'000	RM'000
30 April 2021				
Financial assets at fair value				
through profit or loss	-	-	2,546	2,546
Financial investments at fair value				
through other comprehensive income	-	264,188	-	264,188
Derivative financial assets	-	4,336	-	4,336
	-	268,524	2,546	271,070
	-	4,372	-	4,372
	-	-	-	-
31 October 2020				
Financial assets at fair value				
through profit or loss	-	-	2,564	2,564
Financial investments at fair value				
through other comprehensive income	-	267,780	-	267,780
Derivative financial assets	-	10,623	-	10,623
	-	278,403	2,564	280,967
	-	7,542	-	7,542

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	31 October
	2021	2020
	RM'000	RM'000
Financial assets at fair value		
At 1 November	2,564	2,338
Sold	(61)	-
Recognised in profit or loss		
- Realised gain	43	-
- Unrealised gain	-	226
At end of financial period/year	2,546	2,564

(Company No. 199401022356 (308035 U))

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	
	30 April 2021 RM'000	31 October 2020 RM'000	30 April 2021 RM'000	31 October 2020 RM'000
Cash and balances with banks and other financial institutions	5,111	6,446	5,091	6,426
Money at call and deposit placements maturing within one month	566,627	564,362	566,627	564,362
	571,738	570,808	571,718	570,788
Less: Expected credit loss ("ECL") allowance	(3)	(9)	(3)	(9)
	571,735	570,799	571,715	570,779

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

	Group and Bank	
	30 April 2021 RM'000	31 October 2020 RM'000
12-Month ECL Stage 1		
At 1 November	9	5
Allowance (written back)/made during the financial period/year	(6)	4
At end of the financial period/year	3	9

(Company No. 199401022356 (308035 U))

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

	Group and Bank	
	30 April	31 October
	2021	2020
	RM'000	RM'000
Unquoted shares in Malaysia	2,546	2,564

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

	Group and Bank	
	30 April	31 October
	2021	2020
	RM'000	RM'000
<u>Quoted money market instruments</u>		
Malaysian Government Securities	264,188	267,780

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:

	Group and Bank	
	30 April	31 October
	2021	2020
	RM'000	RM'000
12-Month ECL Stage 1		
At 1 November	9	5
Allowance (written back)/made during the financial period/year	(7)	4
At end of the financial period/year	2	9

14. Financial investments at amortised cost

	Group and Bank	
	30 April	31 October
	2021	2020
	RM'000	RM'000
Negotiable instruments of deposits	60,000	60,000
Less: ECL allowance	(1)	(4)
	59,999	59,996

(Company No. 199401022356 (308035 U))

14. Financial investments at amortised cost (contd.)

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

	Group and Bank	
	30 April	31 October
	2021	2020
	RM'000	RM'000
12-Month ECL Stage 1		
At 1 November	4	-
Allowance (written back)/made during the financial period/year	(3)	4
At end of the financial period/year	<u>1</u>	<u>4</u>

15. Loans and advances

	Group and Bank	
	30 April	31 October
	2021	2020
	RM'000	RM'000
(i) By type		
Term loans		
- housing loans	72,128	77,114
- other term loans	39,183	40,233
Bills receivable	164,016	164,563
Revolving credit	410,579	416,791
Staff loans	638	888
	<u>686,544</u>	<u>699,589</u>
Less: Unearned interest	(417)	(694)
Gross loans and advances	<u>686,127</u>	<u>698,895</u>
Less: ECL allowance (Note 16 (ii))	(112,399)	(99,682)
Net loans and advances	<u>573,728</u>	<u>599,213</u>
(ii) By type of customer		
Domestic non-bank financial institutions	166,181	159,844
Domestic business enterprises	382,997	398,631
Government and statutory bodies	25,000	20,000
Individuals	67,029	73,195
Foreign entities	44,920	47,225
Gross loans and advances	<u>686,127</u>	<u>698,895</u>

(Company No. 199401022356 (308035 U))

15. Loans and advances (contd.)

	Group and Bank	
	30 April 2021 RM'000	31 October 2020 RM'000
(iii) By geographical distribution		
Northern region	80,333	75,607
Southern region	174,177	191,937
Central region	403,453	400,860
Eastern region	164	182
Outside Malaysia	28,000	30,309
	686,127	698,895

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.

	Group and Bank	
	30 April 2021 RM'000	31 October 2020 RM'000
(iv) By interest rate sensitivity		
Fixed rate:		
- Housing loans	637	881
- Other fixed rate loans	72,973	77,038
Variable rate:		
- Base Lending Rate plus	201,938	204,185
- Cost plus	410,579	416,791
Gross loans and advances	686,127	698,895

(Company No. 199401022356 (308035 U))

15. Loans and advances (contd.)

	Group and Bank	
	30 April 2021 RM'000	31 October 2020 RM'000
(v) By sector		
Manufacturing	332,997	348,630
Construction	50,000	50,000
Purchase of landed property:		
- Residential	72,766	77,995
- Non-residential	36,061	36,471
Finance, insurance and business services	166,181	162,030
Purchase of transport vehicles	-	7
Consumption credit	3,122	3,762
Others	25,000	20,000
Gross loans and advances	<u>686,127</u>	<u>698,895</u>
(vi) By residual contractual maturity		
Within one year	577,979	584,369
One year to five years	17,218	17,518
Over five years	90,930	97,008
	<u>686,127</u>	<u>698,895</u>

16. Impaired loans and advances

	Group and Bank	
	30 April 2021 RM'000	31 October 2020 RM'000
(i) Movements in impaired loans and advances		
At beginning of financial period/year	131,385	138,538
Classified as impaired during the financial period/year	8,583	16,868
Reclassified as performing during the financial period/year	(1,882)	(4,707)
Amount recovered	(926)	(4,469)
Amount written off	-	(14,845)
At end of financial period/year	137,160	131,385
Lifetime credit impaired ECL allowance	(110,071)	(97,955)
Net impaired loans and advances	<u>27,089</u>	<u>33,430</u>
Ratio of net impaired loans and advances to net loans and advances (less lifetime credit impaired ECL allowance)	<u>4.70%</u>	<u>5.56%</u>

(Company No. 199401022356 (308035 U))

16. Impaired loans and advances (contd.)**(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 2020	315	1,412	97,955	99,682
<u>Transfer between stages:</u>				
Due to changes in credit risk:				
- Transfer to Stage 1	1,747	(1,396)	(351)	-
- Transfer to Stage 2	(39)	45	(6)	-
- Transfer to Stage 3	(1)	(398)	399	-
	1,707	(1,749)	42	-
Loans de-recognised during the period (other than write-offs)	(12)	(31)	(113)	(156)
New loans originated	-	-	-	-
Changes due to change in credit risk	(1,270)	1,956	12,947	13,633
Net ECL allowance (written back)/made	(1,282)	1,925	12,834	13,477
<u>Other adjustment:</u>				
Unwinding of discount	-	-	(760)	(760)
At 30 April 2021	740	1,588	110,071	112,399

(Company No. 199401022356 (308035 U))

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 2019	427	1,134	86,815	88,376
<u>Transfer between stages:</u>				
Due to changes in credit risk:				
- Transfer to Stage 1	1,910	(1,563)	(347)	-
- Transfer to Stage 2	(37)	47	(10)	-
- Transfer to Stage 3	-	(404)	404	-
	1,873	(1,920)	47	-
Loans de-recognised during the year (other than write-offs)	(226)	(67)	(497)	(790)
New loans originated	11	-	-	11
Changes due to change in credit risk	(1,770)	2,265	28,579	29,074
Net ECL allowance (written back)/made	(1,985)	2,198	28,082	28,295
Amount written off	-	-	(14,845)	(14,845)
<u>Other adjustment:</u>				
Unwinding of discount	-	-	(2,144)	(2,144)
At 31 October 2020	315	1,412	97,955	99,682

	Group and Bank	
	30 April 2021 RM'000	31 October 2020 RM'000
(iii) By geographical distribution		
Northern region	6	6
Southern region	11,499	11,143
Central region	106,924	102,703
Outside Malaysia	18,731	17,533
	137,160	131,385

(Company No. 199401022356 (308035 U))

16. Impaired loans and advances (contd.)

	Group and Bank	
	30 April	31 October
	2021	2020
	RM'000	RM'000
(iv) By sector		
Manufacturing	99,844	95,786
Purchase of landed property:		
- Residential	13,716	13,869
- Non-residential	23,228	21,318
Consumption credit	372	412
	<u>137,160</u>	<u>131,385</u>

17. Other assets

	Group and Bank	
	30 April	31 October
	2021	2020
	RM'000	RM'000
Interest receivable	3,825	4,142
Other receivables, deposits and prepayments	2,303	3,443
	<u>6,128</u>	<u>7,585</u>
Less: ECL allowance	(1)	(1)
	<u>6,127</u>	<u>7,584</u>

Movements in ECL allowance on other receivables are as follow:

12-Month ECL Stage 1

At 1 November/ end of the financial period / year

<u>1</u>	<u>1</u>
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18. Deposits from customers

	Group		Bank	
	30 April	31 October	30 April	31 October
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
(i) By type of deposit				
Demand deposits	9,761	10,434	9,771	10,444
Savings deposits	521	471	521	471
Fixed/Investment deposits	34,547	34,613	34,547	34,613
Others	42,665	42,181	42,665	42,181
	<u>87,494</u>	<u>87,699</u>	<u>87,504</u>	<u>87,709</u>

(Company No. 199401022356 (308035 U))

18. Deposits from customers (contd.)

	Group and Bank			
	30 April 2021		31 October 2020	
	RM'000		RM'000	
(ii) Maturity structure of fixed/investment deposits				
Due within six months	30,905		31,029	
Six months to one year	3,573		3,291	
More than one year	69		293	
	<u>34,547</u>		<u>34,613</u>	
	Group		Bank	
	30 April 2021	31 October 2020	30 April 2021	31 October 2020
	RM'000		RM'000	
(iii) By type of customer				
Business enterprises	75,133	75,119	75,143	75,129
Individuals	12,361	12,569	12,361	12,569
Others	-	11	-	11
	<u>87,494</u>	<u>87,699</u>	<u>87,504</u>	<u>87,709</u>

19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 April 2021	31 October 2020
	RM'000	
Licensed banks	112,922	174,678
Other financial institutions	209,525	120,227
	<u>322,447</u>	<u>294,905</u>

20. Other liabilities

	Group and Bank	
	30 April 2021	31 October 2020
	RM'000	
Interest payable	602	276
Other payables and accruals	9,109	8,821
Lease liabilities	3,395	3,672
ECL allowance on off-balance sheet exposures	1	1
	<u>13,107</u>	<u>12,770</u>

(Company No. 199401022356 (308035 U))

20. Other liabilities (contd.)

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

	Group and Bank	
	30 April	31 October
	2021	2020
	RM'000	RM'000
12-Month ECL Stage 1		
At 1 November/end of the financial period/year	<u>1</u>	<u>1</u>

21. BNM requires the Bank to maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1.00% of total credit exposures, net of loss allowance for credit-impaired exposures.

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 Apr 2021, the allowance for non-credit impaired exposures and regulatory reserve stands at 0.40% (31 October 2020: 0.27%).

22. Interest income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Loans and advances:				
- Interest income other than on impaired loans	3,270	8,644	7,030	19,497
- Interest income on impaired loans	2,996	3,530	5,994	7,504
Money at call and deposit placements with financial institutions	2,594	3,843	5,278	7,728
Financial investments at amortised cost	267	100	511	100
Financial investments at FVOCI	2,102	2,103	4,247	4,249
Others	1	12	1	12
Total interest income	<u>11,230</u>	<u>18,232</u>	<u>23,061</u>	<u>39,090</u>

(Company No. 199401022356 (308035 U))

23. Interest expense

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	106	1,457	219	2,654
Deposits from customers	567	1,584	1,178	4,609
Lease liabilities	31	38	64	79
Others	-	16	-	16
	<u>704</u>	<u>3,095</u>	<u>1,461</u>	<u>7,358</u>

24. Net fee and commission income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Other fees relating to loans	25	52	149	107
Commitment fees	-	36	41	72
Guarantee fees	9	20	31	34
Acceptance commissions	204	87	376	226
Others	70	63	149	157
	<u>308</u>	<u>258</u>	<u>746</u>	<u>596</u>

25. Net trading income

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Gains arising from dealing in foreign currency	(1,082)	3,033	3,497	4,757
Unrealised revaluation losses in foreign exchange	1,243	(2,467)	(3,118)	(3,793)
Realised gain on disposal of financial assets at FVTPL	43	-	43	-
	<u>204</u>	<u>566</u>	<u>422</u>	<u>964</u>

(Company No. 199401022356 (308035 U))

26. Other operating expenses

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries and bonuses	2,758	2,740	5,471	5,481
- Pension fund contributions	458	461	912	914
- Other staff costs	447	526	865	1,385
Marketing expenses:				
- Advertising and promotion	6	5	6	7
- Others	10	18	26	35
Establishment costs:				
- Depreciation of property and equipment including ROU assets	395	388	856	770
- Rental	15	6	29	33
- Others	668	1,281	1,235	1,908
Administrative expenses:				
- Fees	1,094	1,042	2,251	2,423
- Others	374	384	737	640
	<u>6,225</u>	<u>6,851</u>	<u>12,388</u>	<u>13,596</u>

27. Significant related party transactions

	Group and Bank		Group and Bank	
	2nd Quarter Ended		Six Months Ended	
	30 April	30 April	30 April	30 April
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Expenditure:				
<i> Holding company</i>				
(i) By type of services				
Support fees	197	205	518	561
Technical and support fees	372	1,037	627	1,434
Interest and other fees	261	1,505	534	2,325
	<u>261</u>	<u>1,505</u>	<u>534</u>	<u>2,325</u>

(Company No. 199401022356 (308035 U))

27. 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
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Expenditure: (contd.)				
<i>Holding company</i>				
(ii) By country				
Singapore	261	1,505	534	2,325
Canada	287	311	608	667
Hong Kong, SAR China	276	927	528	1,320
India	6	4	9	8
	<u>58</u>	<u>50</u>	<u>106</u>	<u>104</u>
Income:				
<i>Holding company</i>				
Technical fees	58	50	106	104
	<u>58</u>	<u>50</u>	<u>106</u>	<u>104</u>

28. 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
	2021	2020
	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	2,418	2,584
As a percentage of total credit exposures	<u>0.342%</u>	<u>0.353%</u>

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

(Company No. 199401022356 (308035 U))

29. Allowance for credit losses

	Group and Bank 2nd Quarter Ended		Group and Bank Six Months Ended	
	30 April 2021 RM'000	30 April 2020 RM'000	30 April 2021 RM'000	30 April 2020 RM'000
ECL allowance made/(written back) on:				
- Loans and advances	1,718	9,071	13,477	12,279
- Deposits and short term funds	(4)	14	(6)	17
- Financial investments at FVOCI	(2)	16	(7)	27
- Financial investments at amortised cost	-	2	(3)	2
- Other financial assets	(2)	-	-	-
- Off-balance sheet exposures	1	3	-	6
Impaired loans and advances:				
- recovered	-	(1)	(1)	(17)
	<u>1,711</u>	<u>9,105</u>	<u>13,460</u>	<u>12,314</u>

(Company No. 199401022356 (308035 U))

30. Capital adequacy

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

	Group and Bank	
	30 April	31 October
	2021	2020
	RM'000	RM'000
Common Equity Tier 1 ("CET1") / Tier 1 capital		
Paid-up share capital	165,000	165,000
Retained profit	865,226	867,556
Other reserves	2,180	4,276
	<u>1,032,406</u>	<u>1,036,832</u>
Less regulatory adjustments:		
- Deferred tax assets	(166)	-
- 55% of cumulative gains of financial instruments at FVOCI	(1,588)	(3,105)
	<u>(1,754)</u>	<u>(3,105)</u>
Total CET1 / Tier 1 capital	<u>1,030,652</u>	<u>1,033,727</u>
Tier 2 capital		
12-months and lifetime non-credit impaired ECL allowances	2,336	1,751
	<u>2,336</u>	<u>1,751</u>
Less regulatory adjustments:		
- Investment in subsidiaries	(30)	(30)
	<u>(30)</u>	<u>(30)</u>
Total capital	<u>1,032,958</u>	<u>1,035,448</u>
CET 1 / Tier 1 capital ratio	138.034%	133.980%
Total capital ratio	<u>138.343%</u>	<u>134.203%</u>

(Company No. 199401022356 (308035 U))

30. Capital adequacy (contd.)

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

	30 April 2021		31 October 2020	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	1,517,027	625,940	1,559,298	642,911
Market risk	-	9,477	-	8,704
Operational risk	-	111,247	-	119,939
	<u>1,517,027</u>	<u>746,664</u>	<u>1,559,298</u>	<u>771,554</u>

The total capital and capital adequacy ratios of the Group are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II Risk Weighted Assets) Guidelines. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

31. Derivative financial instruments

	Nominal value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
At 30 April 2021			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	<u>829,751</u>	<u>4,336</u>	<u>4,372</u>
At 31 October 2020			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	<u>1,094,887</u>	<u>10,623</u>	<u>7,542</u>

(Company No. 199401022356 (308035 U))

32. Commitments and contingencies

Group and Bank 30 April 2021	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	6,586		3,293	1,731
Other commitments, such as formal standby facilities and credit lines, with an original maturity of: - exceeding one year	50		25	25
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	393,837		-	-
	<u>400,473</u>		<u>3,318</u>	<u>1,756</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts: - less than one year	829,751	4,336	16,638	11,129
Total	<u><u>1,230,224</u></u>	<u><u>4,336</u></u>	<u><u>19,956</u></u>	<u><u>12,885</u></u>

(Company No. 199401022356 (308035 U))

32. Commitments and contingencies (contd.)

Group and Bank 31 October 2020	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	6,919		3,460	1,815
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	46		23	23
- not exceeding one year	25,750		5,150	5,150
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	357,384		-	-
	<u>390,099</u>		<u>8,633</u>	<u>6,988</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	1,094,887	10,623	24,961	18,793
Total	<u><u>1,484,986</u></u>	<u><u>10,623</u></u>	<u><u>33,594</u></u>	<u><u>25,781</u></u>