

**The Bank of Nova Scotia Berhad**

(Company No. 199401022356 (308035 U))

(Incorporated in Malaysia)

**and its subsidiaries**

**Unaudited Condensed Interim Financial Statements**

**31 July 2022**

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 2022

	Note	Group		Bank	
		31 July 2022 RM'000	31 October 2021 RM'000	31 July 2022 RM'000	31 October 2021 RM'000
<b>ASSETS</b>					
Cash and short-term funds	11	421,100	875,708	421,100	875,688
Financial assets at fair value					
through profit or loss	12	1,813	2,636	1,813	2,636
Loans and advances	13	59,737	286,859	59,737	286,859
Derivative financial assets	30	-	1,736	-	1,736
Other assets	15	1,825	2,935	1,825	2,935
Statutory deposits with					
Bank Negara Malaysia		553	553	553	553
Investment in subsidiaries		-	-	-	30
Property and equipment including					
right-of-use assets		558	2,930	558	2,930
Tax recoverable		2,911	2,213	2,911	2,213
<b>TOTAL ASSETS</b>		<b>488,497</b>	<b>1,175,570</b>	<b>488,497</b>	<b>1,175,580</b>
<b>LIABILITIES</b>					
Deposits from customers	16	-	1,313	-	1,323
Deposits and placements of					
banks and other financial					
institutions	17	-	40,959	-	40,959
Derivative financial liabilities	30	-	1,124	-	1,124
Other liabilities	18	26,505	32,076	26,505	32,076
Amounts owing to holding					
company		198	83,117	198	83,117
<b>TOTAL LIABILITIES</b>		<b>26,703</b>	<b>158,589</b>	<b>26,703</b>	<b>158,599</b>

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(Company No. 199401022356 (308035 U))

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#### UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 JULY 2022 (CONTD.)

	Note	Group		Bank	
		31 July 2022 RM'000	31 October 2021 RM'000	31 July 2022 RM'000	31 October 2021 RM'000
<b>EQUITY</b>					
Share capital		165,000	165,000	165,000	165,000
Reserves		296,794	851,981	296,794	851,981
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK</b>		<u>461,794</u>	<u>1,016,981</u>	<u>461,794</u>	<u>1,016,981</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>488,497</u>	<u>1,175,570</u>	<u>488,497</u>	<u>1,175,580</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	31	<u>-</u>	<u>343,113</u>	<u>-</u>	<u>343,113</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 2021.

# THE BANK OF NOVA SCOTIA BERHAD

(Company No. 199401022356 (308035 U))

(Incorporated in Malaysia)

## AND ITS SUBSIDIARIES

### UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 JULY 2022

	Note	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
		31 July 2022 RM'000	31 July 2021 RM'000	31 July 2022 RM'000	31 July 2021 RM'000
Interest income	20	3,134	10,654	13,473	33,715
Interest expense	21	(4)	(472)	(191)	(1,933)
Net interest income		3,130	10,182	13,282	31,782
Net fee and commission income	22	109	209	189	955
Net gain/(loss) on financial instruments	23	32	60	(718)	482
Other operating income	24	49	94	49	94
Net income		3,320	10,545	12,802	33,313
Other operating expenses	25	(3,835)	(6,134)	(13,407)	(18,522)
Operating (loss)/profit		(515)	4,411	(605)	14,791
Allowance for credit losses	27	53	(22,551)	(2,698)	(36,011)
Wind down expenses	28	(546)	(26,260)	(2,100)	(26,260)
Loss before taxation		(1,008)	(44,400)	(5,403)	(47,480)
Taxation		22	(781)	216	(31)
<b>Loss for the period</b>		<b>(986)</b>	<b>(45,181)</b>	<b>(5,187)</b>	<b>(47,511)</b>
<b>Other comprehensive loss, net of tax</b>					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Net loss on financial investments at fair value through other comprehensive income		-	(431)	-	(2,534)
<b>Total comprehensive loss for the period attributable to owners of the Bank</b>		<b>(986)</b>	<b>(45,612)</b>	<b>(5,187)</b>	<b>(50,045)</b>
Basic loss per share (sen)		(0.81)	(36.92)	(4.24)	(38.82)

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 2021.

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**AND ITS SUBSIDIARIES**

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 JULY 2022**

	←	Non-distributable Regulatory reserves	→	Distributable Retained earnings	Total
	Share capital RM'000	RM'000	Other reserves RM'000	RM'000	RM'000
<b>Group and Bank</b>					
<b>At 1 November 2020</b>	165,000	-	4,285	867,556	1,036,841
Net loss for the period	-	-	-	(47,511)	(47,511)
Other comprehensive loss, net of tax					
- Financial investments at fair value through other comprehensive income	-	-	(2,534)	-	(2,534)
Total comprehensive loss for the period	-	-	(2,534)	(47,511)	(50,045)
Transfer to regulatory reserves from retained earnings	-	1,598	-	(1,598)	-
<b>As at 31 Jul 2021</b>	<b>165,000</b>	<b>1,598</b>	<b>1,751</b>	<b>818,447</b>	<b>986,796</b>
<b>As at 1 November 2021</b>	165,000	1,173	-	850,808	1,016,981
Net loss/Total comprehensive loss for the period	-	-	-	(5,187)	(5,187)
Transfer from regulatory to retained earnings	-	(1,173)	-	1,173	-
Dividend paid	-	-	-	(550,000)	(550,000)
<b>As at 31 July 2022</b>	<b>165,000</b>	<b>-</b>	<b>-</b>	<b>296,794</b>	<b>461,794</b>

Note 19

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 2021.

## THE BANK OF NOVA SCOTIA BERHAD

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### AND ITS SUBSIDIARIES

#### UNAUDITED CONDENSED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 JULY 2022

	Group		Bank	
	31 July 2022 RM'000	31 July 2021 RM'000	31 July 2022 RM'000	31 July 2021 RM'000
<b>Cash flows from operating activities</b>				
Loss before taxation	(5,403)	(47,480)	(5,403)	(47,480)
Adjustments for non-cash item	3,384	44,051	3,384	44,051
Operating profit before working capital changes	(2,019)	(3,429)	(2,019)	(3,429)
Changes in working capital:				
Net changes in operating assets	232,466	164,308	232,466	164,308
Net changes in operating liabilities	(134,103)	(202,096)	(134,103)	(202,096)
Income taxes paid	(482)	(1,358)	(482)	(1,358)
<b>Net cash generated from operating activities</b>	95,862	(42,575)	95,862	(42,575)
<b>Net cash generated from investing activities</b>	49	110,706	69	110,706
<b>Net cash used in financing activities</b>	(550,496)	(652)	(550,496)	(652)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(454,585)	67,479	(454,565)	67,479
<b>Cash and cash equivalents at beginning of the financial period</b>	875,708	570,808	875,688	570,788
<b>Cash and cash equivalents at end of the financial period</b>	421,123	638,287	421,123	638,267
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds	421,123	638,287	421,123	638,267
Deposits and placement with banks and other financial institutions	-	-	-	-
Cash and short term funds	421,123	638,287	421,123	638,267
Less: Expected credit loss allowance	(23)	(1)	(23)	(1)
	421,100	638,286	421,100	638,266

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 2021.

# **THE BANK OF NOVA SCOTIA BERHAD**

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## **AND ITS SUBSIDIARIES**

### **REVIEW OF PERFORMANCE**

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

Despite a reduction of RM7.23 million in net income earned from lower business volumes, the Group and the Bank recorded a smaller loss before taxation of RM1.01 for the third quarter ended 31 July 2022 compared to the loss of RM44.40 million in the previous corresponding quarter. This was driven by lower allowance for credit losses and wind down expenses incurred of RM22.60 million and RM25.71 million respectively.

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

Similarly, net income for the financial period ended 31 July 2022 has decreased by RM20.51 million to RM12.80 million compared to the previous corresponding financial period. However, loss before taxation has reduced by RM42.08 million to RM5.40 million due to lower allowance for credit losses and wind down expenses incurred of RM33.31 million and RM24.16 million respectively.

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

Total assets of the Group and the Bank as of 31 July 2022 has declined by RM687.03 million to RM488.50 million as compared to previous financial year ended 2021 of RM1.18 billion. This was driven by net reduction in loans and advances of RM227.12 million and lower cash and short term funds held of RM454.59 million, as the Bank has paid dividends of RM550 million in the current financial period.

Total liabilities has decreased by RM131.90 million to RM26.70 million, mainly contributed by withdrawals and maturity of deposits accepted and amount due to holding company as no external funding is required.

Despite lower capital level due to the distribution of dividends and net losses incurred, total capital ratio has further improved from 276.681% as at 31 October 2021 to 379.420% as at 31 July 2022, driven by a decrease in risk-weighted assets in line with the smaller balance sheet size and lower gross income levels.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2022

#### 1. Basis of preparation of the financial statements

The unaudited interim financial statements of the Group and the Bank for the financial period ended 31 July 2022 have been prepared on a basis other than that of a going concern in view of the Bank's intention to wind down and exit its operations in Malaysia. This basis of preparation includes, where appropriate, writing down the Bank's assets to net realisable value based on best estimates. There has been no material adjustments arising as a result of ceasing to apply the going concern basis except for wind down expenses as disclosed in Note 28.

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 2021. 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 2021.

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 2021, except for the adoption of the following Amendments to MFRSs:

#### **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 beyond 30 June 2021*

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

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

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

### **Amendments effective for annual periods beginning on or after 1 January 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 17, *Insurance Contracts – Initial application of MFRS 17 and MRS 9 – Comparative information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

### **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 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022; and
- from the annual period beginning on 1 November 2023 for those amendments that are effective for annual periods beginning on or after 1 January 2023.

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## 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.

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

The auditors' report on the financial statements for the financial year ended 31 October 2021 was not subjected to any qualifications.

**3. Seasonal or cyclical factors**

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the financial period ended 31 July 2022 except as disclosed in Note 28.

**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 2022 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 2022.

**7. Dividend**

Interim dividend of 449.44 sen per ordinary share, totalling RM550 million in respect of the financial year ended 31 October 2021, was declared and paid to the shareholder in January 2022.

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

On 1 November 2021, the below wholly-owned subsidiaries were placed under member's voluntary liquidation and a liquidator appointed pursuant to Section 439(1)(b) of the Companies Act 2016.

<u>Subsidiaries</u>	<u>Principal activities</u>	<u>Country of incorporation</u>
Scotia Nominees (Malaysia) Sdn. Bhd.	Nominees services	Malaysia
Scotia Nominees (Asing) Sdn. Bhd.	Nominees services	Malaysia
Scotia Nominees (Tempatan) Sdn. Bhd.	Nominees services	Malaysia

There were no other changes in the composition of the Group in the current financial period ended 31 July 2022.

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## 9. Subsequent events

There were no material events subsequent to the reporting date that requires disclosure or adjustments to the unaudited condensed interim financial statements.

## 10. Fair value of financial instruments

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

### Level

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

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

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.

	<b>Group and Bank</b>			<b>Total RM'000</b>
	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	
<b>31 July 2022</b>				
Financial assets at fair value through profit or loss	-	-	1,813	1,813
Derivative financial assets	-	-	-	-
	-	-	1,813	1,813
Derivative financial liabilities	-	-	-	-
<b>31 October 2021</b>				
Financial assets at fair value through profit or loss	-	-	2,636	2,636
Derivative financial assets	-	1,736	-	1,736
	-	1,736	2,636	4,372
Derivative financial liabilities	-	1,124	-	1,124

Reconciliation of movements in Level 3 financial instruments

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

	<b>Group and Bank</b>	
	<b>31 July 2022 RM'000</b>	<b>31 October 2021 RM'000</b>
<b>Financial assets at fair value</b>		
At 1 November	2,636	2,564
Sold	-	(60)
Recognised in profit or loss		
- Realised gain	-	42
- Unrealised (loss)/gain	(823)	90
At end of financial period/year	1,813	2,636

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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 2022 RM'000	31 October 2021 RM'000	31 July 2022 RM'000	31 October 2021 RM'000
Cash and balances with banks and other financial institutions	2,039	3,915	2,039	3,895
Money at call and deposit placements maturing within one month	419,084	871,793	419,084	871,793
	421,123	875,708	421,123	875,688
Less: Expected credit loss ("ECL") allowance	(23)	-	(23)	-
	421,100	875,708	421,100	875,688

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

	12 months	Lifetime	Total
	ECL	not Credit	
Group and Bank	(Stage 1)	Impaired	
	RM'000	RM'000	RM'000
At 1 November 2020	9	-	9
Allowance written back	(9)	-	(9)
At 31 October/ 1 November 2021	-	-	-
Allowance made	16	7	23
At 31 July 2022	16	7	23

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

	<b>Group and Bank</b>	
	<b>31 July</b>	<b>31 October</b>
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares in Malaysia	1,813	2,636

**13. Loans and advances**

	<b>Group and Bank</b>	
	<b>31 July</b>	<b>31 October</b>
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) By type</b>		
Term loans		
- housing loans	50,202	68,825
- other term loans	11,706	38,389
Bills receivable	-	126,058
Revolving credit	-	142,546
Staff loans	-	489
	<u>61,908</u>	<u>376,307</u>
Less: Unearned interest	-	(273)
Gross loans and advances	<u>61,908</u>	<u>376,034</u>
Less: ECL allowance (Note 14 (ii))	<u>(2,171)</u>	<u>(89,175)</u>
Net loans and advances	<u><u>59,737</u></u>	<u><u>286,859</u></u>
<b>(ii) By type of customer</b>		
Domestic non-bank financial institutions	-	83,048
Domestic business enterprises	-	185,283
Individuals	51,376	63,004
Foreign entities	<u>10,532</u>	<u>44,699</u>
Gross loans and advances	<u><u>61,908</u></u>	<u><u>376,034</u></u>

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

	<b>Group and Bank</b>	
	<b>31 July</b>	<b>31 October</b>
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(iii) By geographical distribution</b>		
Northern region	304	37,864
Southern region	2,144	14,323
Central region	52,254	296,078
Eastern region	-	152
Outside Malaysia	7,206	27,617
	<u>61,908</u>	<u>376,034</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.

	<b>Group and Bank</b>	
	<b>31 July</b>	<b>31 October</b>
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(iv) By interest rate sensitivity</b>		
Fixed rate:		
- Housing loans	-	489
- Other fixed rate loans	-	42,407
Variable rate:		
- Base Lending Rate plus	61,908	190,592
- Cost plus	-	142,546
Gross loans and advances	<u>61,908</u>	<u>376,034</u>

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

	<b>Group and Bank</b>	
	<b>31 July</b>	<b>31 October</b>
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(v) By sector</b>		
Manufacturing	-	135,283
Construction	-	50,000
Purchase of landed property:		
- Residential	50,202	69,314
- Non-residential	9,953	35,644
Finance, insurance and business services	-	83,048
Consumption credit	1,753	2,745
Gross loans and advances	<u>61,908</u>	<u>376,034</u>
<b>(vi) By residual contractual maturity</b>		
Within one year	2,961	272,614
One year to five years	10,219	15,877
Over five years	48,728	87,543
	<u>61,908</u>	<u>376,034</u>

**14. Impaired loans and advances**

	<b>Group and Bank</b>	
	<b>31 July</b>	<b>31 October</b>
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) Movements in impaired loans and advances</b>		
At beginning of financial period/year	131,348	131,385
Classified as impaired during the financial period/year	6,395	15,471
Reclassified as performing during the financial period/year	(2,870)	(3,173)
Amount recovered	(44,567)	(1,233)
Amount written off	(89,681)	(11,102)
At end of financial period/year	625	131,348
Lifetime credit impaired ECL allowance	(52)	(87,409)
Net impaired loans and advances	<u>573</u>	<u>43,939</u>
Ratio of net impaired loans and advances to net loans and advances (less lifetime credit impaired ECL allowance)	<u>0.93%</u>	<u>15.22%</u>

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

	<b>12 months ECL (Stage 1) RM'000</b>	<b>Lifetime not Credit Impaired ECL (Stage 2) RM'000</b>	<b>Lifetime Credit Impaired ECL (Stage 3) RM'000</b>	<b>Total RM'000</b>
<b>Group and Bank</b>				
At 1 November 2020	315	1,412	97,955	99,682
<u>Transfer between stages:</u>				
Due to changes in credit risk:				
- Transfer to Stage 1	3,126	(2,693)	(433)	-
- Transfer to Stage 2	(69)	181	(112)	-
- Transfer to Stage 3	(2)	(531)	533	-
	3,055	(3,043)	(12)	-
Loans de-recognised during the year (other than write-offs)	(61)	(76)	(133)	(270)
New loans originated	-	-	-	-
Changes due to change in credit risk and remeasurement	(3,131)	3,295	1,489	1,653
Net ECL allowance (written back)/made	(3,192)	3,219	1,356	1,383
Amount written off	-	-	(11,103)	(11,103)
<u>Other adjustment:</u>				
Unwinding of discount	-	-	(787)	(787)
<b>At 31 October/ 1 November 2021</b>	178	1,588	87,409	89,175
<u>Transfer between stages:</u>				
Due to changes in credit risk:				
- Transfer to Stage 1	2,135	(1,486)	(649)	-
- Transfer to Stage 2	(43)	79	(36)	-
- Transfer to Stage 3	(2)	(379)	381	-
	2,090	(1,786)	(304)	-
Loans de-recognised during the period (other than write-offs)	(27)	(89)	(5,755)	(5,871)
Changes due to change in credit risk and remeasurement	(2,112)	2,277	3,208	3,373
Net ECL allowance (written back)/made	(2,139)	2,188	(2,547)	(2,498)
Amount written off	-	-	(84,506)	(84,506)
<b>At 31 July 2022</b>	129	1,990	52	2,171

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

	<b>Group and Bank</b>	
	<b>31 July</b>	<b>31 October</b>
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(iii) By geographical distribution</b>		
Northern region	-	6
Southern region	-	11,871
Central region	345	99,691
Outside Malaysia	280	19,780
	<u>625</u>	<u>131,348</u>
<b>(iv) By sector</b>		
Manufacturing	-	92,876
Purchase of landed property:		
- Residential	309	13,544
- Non-residential	280	24,568
Consumption credit	36	360
	<u>625</u>	<u>131,348</u>

**15. Other assets**

	<b>Group and Bank</b>	
	<b>31 July</b>	<b>31 October</b>
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Interest receivable	641	1,515
Other receivables, deposits and prepayments	1,184	1,420
	<u>1,825</u>	<u>2,935</u>
Less: ECL allowance	-	-
	<u>1,825</u>	<u>2,935</u>

Movements in ECL allowance on other receivables are as follow:

**12-Month ECL Stage 1**

At 1 November	-	1
Allowance written back during the financial period/year	-	(1)
At end of the financial period/year	<u>-</u>	<u>-</u>

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**16. Deposits from customers**

	<b>Group</b>		<b>Bank</b>	
	<b>31 July 2022 RM'000</b>	<b>31 October 2021 RM'000</b>	<b>31 July 2022 RM'000</b>	<b>31 October 2021 RM'000</b>
<b>(i) By type of deposit</b>				
Demand deposits	-	1,312	-	1,322
Savings deposits	-	1	-	1
	<u>-</u>	<u>1,313</u>	<u>-</u>	<u>1,323</u>
<b>(ii) By type of customer</b>				
Business enterprises	-	1,307	-	1,317
Individuals	-	6	-	6
	<u>-</u>	<u>1,313</u>	<u>-</u>	<u>1,323</u>

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

	<b>Group and Bank</b>	
	<b>31 July 2022 RM'000</b>	<b>31 October 2021 RM'000</b>
Other financial institutions	-	40,959

**18. Other liabilities**

	<b>31 July 2022 RM'000</b>	<b>31 October 2021 RM'000</b>
Interest payable	-	894
Provision for wind down expenses	18,503	22,478
Other payables and accruals	7,370	7,587
Lease liabilities	632	1,117
ECL allowance on off-balance sheet exposures	-	-
	<u>26,505</u>	<u>32,076</u>

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## 18. Other liabilities (contd.)

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

	Group and Bank	
	31 July 2022 RM'000	31 October 2021 RM'000
<b>12-Month ECL Stage 1</b>		
At 1 November	-	1
Allowance written back during the financial period/year	-	(1)
At end of the financial period/year	-	-

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

As at 31 July 2022, the allowance for non-credit impaired exposures and regulatory reserve stands at 3.38% (31 October 2021: 1.00%).

## 20. Interest income

	Group and Bank 3rd Quarter Ended		Group and Bank Nine Months Ended	
	31 July 2022 RM'000	31 July 2021 RM'000	31 July 2022 RM'000	31 July 2021 RM'000
Loans and advances:				
- Interest income other than on impaired loans	880	2,917	3,317	9,947
- Interest income on impaired loans	117	2,848	2,351	8,842
Money at call and deposit placements with financial institutions	2,137	2,776	7,805	8,054
Financial investments at amortised cost	-	18	-	529
Financial investments at FVOCI	-	2,095	-	6,342
Others	-	-	-	1
Total interest income	3,134	10,654	13,473	33,715

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**21. Interest expense**

	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>31 July</b>	<b>31 July</b>	<b>31 July</b>	<b>31 July</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits and placements of banks and other financial institutions	-	69	25	288
Deposits from customers	-	378	155	1,556
Lease liabilities	4	24	11	88
Others	-	1	-	1
	<u>4</u>	<u>472</u>	<u>191</u>	<u>1,933</u>

**22. Net fee and commission income**

	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>31 July</b>	<b>31 July</b>	<b>31 July</b>	<b>31 July</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other fees relating to loans	96	23	145	172
Commitment fees	-	-	-	41
Guarantee fees	-	-	-	31
Acceptance commissions	-	88	24	464
Others	13	98	20	247
	<u>109</u>	<u>209</u>	<u>189</u>	<u>955</u>

**23. Net gain/(loss) on financial instruments**

	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>31 July</b>	<b>31 July</b>	<b>31 July</b>	<b>31 July</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gains arising from dealing in foreign currency	33	11	718	3,508
Unrealised revaluation (losses)/gains in foreign exchange	(1)	49	(613)	(3,069)
Unrealised revaluation losses on financial assets at FVTPL	-	-	(823)	-
Realised gain on disposal of financial assets at FVTPL	-	-	-	43
	<u>32</u>	<u>60</u>	<u>(718)</u>	<u>482</u>

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**24. Other operating income**

	<b>Group and Bank 3rd Quarter Ended</b>		<b>Group and Bank Nine Months Ended</b>	
	<b>31 July 2022 RM'000</b>	<b>31 July 2021 RM'000</b>	<b>31 July 2022 RM'000</b>	<b>31 July 2021 RM'000</b>
Dividend income:				
- Financial investments held at FVOCI	49	49	49	49
Gains on lease modification	-	45	-	45
	<u>49</u>	<u>94</u>	<u>49</u>	<u>94</u>

**25. Other operating expenses**

	<b>Group and Bank 3rd Quarter Ended</b>		<b>Group and Bank Nine Months Ended</b>	
	<b>31 July 2022 RM'000</b>	<b>31 July 2021 RM'000</b>	<b>31 July 2022 RM'000</b>	<b>31 July 2021 RM'000</b>
Personnel costs:				
- Salaries and bonuses	1,479	2,709	4,978	8,180
- Pension fund contributions	257	453	953	1,365
- Other staff costs	(16)	417	658	1,282
Marketing expenses:				
- Advertising and promotion	14	14	25	20
- Others	11	15	36	41
Establishment costs:				
- Depreciation of property and equipment including ROU assets	640	456	2,372	1,312
- Rental	15	25	53	54
- Others	594	551	2,467	1,786
Administrative expenses:				
- Fees	797	1,165	1,036	3,416
- Others	44	329	829	1,066
	<u>3,835</u>	<u>6,134</u>	<u>13,407</u>	<u>18,522</u>

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**26. Significant related party transactions**

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<b>Expenditure:</b>				
<i>Holding company</i>				
<b>(i) By type of services</b>				
Support fees	168	298	612	816
Technical and support fees	414	313	1,798	940
Interest and other fees	116	272	355	806
<b>(ii) By country</b>				
Singapore	116	272	355	806
Canada	216	359	751	967
Hong Kong, SAR China	317	249	1,371	777
India	49	3	288	12
<b>Income:</b>				
<i>Holding company</i>				
Technical fees	-	97	7	203

**27. Allowance for credit losses**

	Group and Bank		Group and Bank	
	3rd Quarter Ended		Nine Months Ended	
	31 July	31 July	31 July	31 July
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
ECL allowance (written back)/made on:				
- Loans and advances	(5,249)	22,552	(2,498)	36,029
- Deposits and short term funds	22	(2)	23	(8)
- Financial investments at FVOCI	-	-	-	(7)
- Financial investments at amortised cost	-	(1)	-	(4)
- Other financial assets	-	1	-	1
- Off-balance sheet exposures	-	2	-	2
Impaired loans and advances:				
- written off	5,175	-	5,175	-
- recovered	(1)	(1)	(2)	(2)
	(53)	22,551	2,698	36,011

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**28. Wind down expenses**

	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>31 July</b>	<b>31 July</b>	<b>31 July</b>	<b>31 July</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for severance payments	546	21,045	2,100	21,045
Impairment of property and equipment	-	2,600	-	2,600
Other provisions	-	2,615	-	2,615
	<u>546</u>	<u>26,260</u>	<u>2,100</u>	<u>26,260</u>

**29. Capital adequacy**

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

	<b>Group and Bank</b>	
	<b>31 July</b>	<b>31 October</b>
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Common Equity Tier 1 ("CET1") / Tier 1 capital</b>		
Paid-up share capital	165,000	165,000
Retained profit	296,794	850,808
Other reserves	-	1,173
	<u>461,794</u>	<u>1,016,981</u>
Less regulatory adjustments:		
- Regulatory reserve	-	(1,173)
Total CET1 / Tier 1 capital	<u>461,794</u>	<u>1,015,808</u>
<b>Tier 2 capital</b>		
Regulatory reserve *	-	998
12-months and lifetime non-credit impaired ECL allowances	2,142	1,766
	<u>463,936</u>	<u>1,018,572</u>
Less regulatory adjustments:		
- Investment in subsidiaries	-	(30)
Total capital	<u>463,936</u>	<u>1,018,542</u>
CET 1 / Tier 1 capital ratio	377.668%	275.939%
Total capital ratio	<u>379.420%</u>	<u>276.681%</u>

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

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**29. Capital adequacy (contd.)**

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

	31 July 2022		31 October 2021	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	490,685	43,886	1,180,869	265,720
Market risk	-	1,391	-	2,690
Operational risk	-	76,998	-	99,718
	<u>490,685</u>	<u>122,275</u>	<u>1,180,869</u>	<u>368,128</u>

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

**30. Derivative financial instruments**

	Nominal value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
At 31 July 2022			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 October 2021			
<i>Derivatives held-for-trading</i>			
Foreign exchange contracts	209,662	1,736	1,124
	<u>209,662</u>	<u>1,736</u>	<u>1,124</u>

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**31. Commitments and contingencies**

<b>Group and Bank 31 July 2022</b>	<b>Principal amount RM'000</b>	<b>Positive fair value of derivative contracts RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted assets RM'000</b>
<u>Credit-related exposures</u>				
Transaction-related contingent items	-		-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of: - exceeding one year	-		-	-
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	-		-	-
	<hr/>		<hr/>	<hr/>
	-		-	-
<u>Derivative financial contracts</u>				
Foreign exchange related contracts: - less than one year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

<b>Group and Bank 31 October 2021</b>	<b>Principal amount RM'000</b>	<b>Positive fair value of derivative contracts RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted assets RM'000</b>
<u>Credit-related exposures</u>				
Transaction-related contingent items	910		455	228
Other commitments, such as formal standby facilities and credit lines, with an original maturity of: - exceeding one year	54		27	27
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	132,487		-	-
	<u>133,451</u>		<u>482</u>	<u>255</u>
<u>Derivative financial contracts</u>				
Foreign exchange related contracts: - less than one year	209,662	1,736	4,758	3,199
<b>Total</b>	<u><u>343,113</u></u>	<u><u>1,736</u></u>	<u><u>5,240</u></u>	<u><u>3,454</u></u>