

The Bank of Nova Scotia Berhad

(Company No. 308035 U)

(Incorporated in Malaysia)

and its subsidiaries

Unaudited Condensed Interim Financial Statements

31 January 2011

Domiciled in Malaysia
Registered office
Menara Boustead
No. 69, Jalan Raja Chulan
50200 Kuala Lumpur
P.O. Box 11056
50734 Kuala Lumpur

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 308035 U)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2011

	Note	Group		Bank	
		31 January 2011 RM'000	31 October 2010 RM'000	31 January 2011 RM'000	31 October 2010 RM'000
ASSETS					
Cash and short-term funds	11	527,478	444,387	527,448	444,357
Deposits and placements with financial institutions	12	20,000	190,000	20,000	190,000
Securities available-for-sale	13	248,232	262,358	248,232	262,358
Loans and advances	14	3,252,703	2,917,557	3,252,703	2,917,557
Other assets	16	64,038	66,957	64,038	66,957
Statutory deposits with Bank Negara Malaysia		15,100	10,670	15,100	10,670
Investment in subsidiaries		-	-	30	30
Plant and equipment		1,853	1,900	1,853	1,900
Deferred tax assets		12,725	11,541	12,725	11,541
TOTAL ASSETS		4,142,129	3,905,370	4,142,129	3,905,370
LIABILITIES					
Deposits from customers	17	1,166,197	1,181,109	1,166,197	1,181,109
Deposits and placements of banks and other financial institutions	18	747,061	766,181	747,061	766,181
Bills and acceptances payable		43,846	34,300	43,846	34,300
Other liabilities	19	86,551	98,289	86,551	98,289
Amounts owing to holding company		1,454,885	1,204,885	1,454,885	1,204,885
Amounts owing to related company		11	11	11	11
Taxation		6,377	3,940	6,377	3,940
TOTAL LIABILITIES		3,504,928	3,288,715	3,504,928	3,288,715

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 308035 U)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 JANUARY 2011 (CONTD.)

	Group		Bank	
	31 January 2011 RM'000	31 October 2010 RM'000	31 January 2011 RM'000	31 October 2010 RM'000
EQUITY				
Share capital	122,375	122,375	122,375	122,375
Reserves	514,826	494,280	514,826	494,280
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK	<u>637,201</u>	<u>616,655</u>	<u>637,201</u>	<u>616,655</u>
TOTAL LIABILITIES AND EQUITY	<u>4,142,129</u>	<u>3,905,370</u>	<u>4,142,129</u>	<u>3,905,370</u>
COMMITMENTS AND CONTINGENCIES				
26	<u>4,191,035</u>	<u>3,404,503</u>	<u>4,191,035</u>	<u>3,404,503</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 2010.

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 308035 U)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST FINANCIAL QUARTER ENDED 31 JANUARY 2011

	Note	Group and Bank	
		31 January 2011 RM'000	31 January 2010 RM'000
Interest income	20	43,238	38,781
Interest expense	21	<u>(18,169)</u>	<u>(15,704)</u>
Net interest income		25,069	23,077
Other operating income	22	<u>9,102</u>	<u>4,277</u>
Net income		34,171	27,354
Other operating expenses	23	<u>(5,362)</u>	<u>(6,398)</u>
Operating profit		28,809	20,956
Impairment provisions for loans and advances	24	<u>(1,340)</u>	<u>416</u>
Profit before taxation		27,469	21,372
Tax expense		<u>(6,897)</u>	<u>(5,373)</u>
Profit for the period		<u><u>20,572</u></u>	<u><u>15,999</u></u>
Other comprehensive income, net of income tax			
Fair value reserve (investment securities available-for-sale):-			
Net changes in fair value		(49)	65
Total comprehensive income for the period		<u><u>20,523</u></u>	<u><u>16,064</u></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 2010.

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 308035 U)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST FINANCIAL QUARTER ENDED 31 JANUARY 2011

	← Non-distributable →				Distributable	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Other Reserve RM'000	Retained Profit RM'000	
Group and Bank						
At 1 November 2009	122,375	42,625	122,375	1,607	259,798	548,780
Profit for the period	-	-	-	-	15,999	15,999
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	87	-	87
Deferred tax on securities available-for-sale	-	-	-	(22)	-	(22)
Total comprehensive income for the period	-	-	-	65	15,999	16,064
As at 31 January 2010	<u>122,375</u>	<u>42,625</u>	<u>122,375</u>	<u>1,672</u>	<u>275,797</u>	<u>564,844</u>
As at 1 November 2010, as previously stated	122,375	42,625	122,375	1,997	327,283	616,655
Effect of adoption of FRS 139	-	-	-	-	23	23
As at 1 November 2010, as restated	<u>122,375</u>	<u>42,625</u>	<u>122,375</u>	<u>1,997</u>	<u>327,306</u>	<u>616,678</u>
Profit for the period	-	-	-	-	20,572	20,572
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(66)	-	(66)
Deferred tax on securities available-for-sale	-	-	-	17	-	17
Total comprehensive income for the period	-	-	-	(49)	20,572	20,523
As at 31 January 2011	<u>122,375</u>	<u>42,625</u>	<u>122,375</u>	<u>1,948</u>	<u>347,878</u>	<u>637,201</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 2010.

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 308035 U)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED CONDENSED STATEMENTS OF CASH FLOW FOR THE FIRST FINANCIAL QUARTER ENDED 31 JANUARY 2011

	Group		Bank	
	31 January 2011 RM'000	31 January 2010 RM'000	31 January 2011 RM'000	31 January 2010 RM'000
Cash flows from operating activities				
Profit before taxation	27,469	21,372	27,469	21,372
Adjustments for non-cash item	237	2,196	237	2,196
Operating profit before working capital changes	27,706	23,568	27,706	23,568
Changes in working capital:				
Net changes in operating assets	(337,997)	53,145	(337,997)	53,145
Net changes in operating liabilities	213,776	105,724	213,776	105,724
Income taxes paid	(5,625)	(4,800)	(5,625)	(4,800)
Income taxes refund	-	1,288	-	1,288
Net cash (used in)/generated from operating activities	(102,140)	178,925	(102,140)	178,925
Net cash generated from investing activities	15,231	66,254	15,231	66,254
Net (decrease)/increase in cash and cash equivalents	(86,909)	245,179	(86,909)	245,179
Cash and cash equivalents at beginning of the financial period	634,387	622,515	634,357	622,485
Cash and cash equivalents at end of the financial period	547,478	867,694	547,448	867,664
Cash and cash equivalents comprise:				
Cash and short term funds	527,478	867,694	527,448	867,664
Deposits and placements with financial institutions	20,000	-	20,000	-
	547,478	867,694	547,448	867,664

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 2010.

THE BANK OF NOVA SCOTIA BERHAD
(Company No. 308035 U)
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

REVIEW OF PERFORMANCE

During the first quarter ended 31 January 2011, the Bank's after tax profits increased by RM4.57 million compared to the corresponding period last year. Net interest income registered an increase of RM1.99 million or 8.6% mainly due to increase in loan base. Other operating income increased by RM4.82 million primarily due to higher mark-to-market gain from revaluation of interest rate swap contracts and loan fees amounting to RM1.62 million and RM3.84 million respectively. Other operating expenses decreased by RM1.04 million due to reduction in personnel costs from resignation mainly from Retail Banking department.

Loans and advances as at 31 January 2011 stood at RM3.25 billion, slightly higher than the RM2.92 billion as at 31 October 2010.

BUSINESS PROSPECTS

Despite global uncertainties arising from the Middle Eastern tensions, and rising inflation around the world, the Malaysian economy is expected to show a steady growth albeit at a slower pace. The Bank's portfolio is sound. The market continues to be liquid. Although loans growth in the industry is anticipated to be slower, the Bank's pipeline of deals is encouraging. Our expectations are the financial position will grow and profit growth can be maintained at reasonable levels.

In addition, the Bank is also focused in 2011 on reducing the concentration of exposures to a select group of customers by increasing new relationships; and building up deposits to reduce reliance on parent funding and money market dependence as much as possible.

THE BANK OF NOVA SCOTIA BERHAD

(Company No. 308035 U)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE FIRST FINANCIAL QUARTER ENDED 31 JANUARY 2011

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the first financial quarter ended 31 January 2011 have been prepared in accordance with FRS 134 (Interim Financial Reporting) issued by the Malaysian Accounting Standards Board ("MASB") and Bank Negara Malaysia Guidelines.

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 2010.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 October 2010, except for the adoption of the following new Financial Reporting Standards ("FRSs") issued by the MASB for the financial period beginning on 1 January 2010.

- FRS 7 Financial Instruments: Disclosures
- FRS 101 Presentation of Financial Statements
- FRS 139 Financial Instruments: Recognition and Measurement

FRS 7 - Financial Instruments: Disclosures

The adoption of FRS 7 does not have any impact on the financial results of the Group and the Bank as the changes only affect the presentation of disclosure items.

FRS 101 - Presentation of Financial Statements

Pursuant to the adoption of FRS 101, the Group and the Bank's income statements and statement of changes in equity have been combined and presented as statements of comprehensive income.

FRS 139 - Financial Instruments: Recognition and Measurement

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The adoption of FRS 139 have resulted in several changes to accounting policies relating to the recognition of interest income for impaired loans and impairment provisions.

(Company No. 308035 U)

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

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date a loan is classified as non-performing is reversed out of income and interest-in-suspense was created. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. Upon adoption of FRS 139, once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

Upon the adoption of FRS 139, the Bank assesses at the end of each reporting period whether there is any objective evidence that a loan is impaired. A loan or a group of loan is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a results of one or more events that occurred after the initial recognition of the loan (a "loss event") and the loss event that has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated. For collective impairment provisions, the Bank will maintain collective impairment provisions of at least 1.5% of total outstanding loans and advances as prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010.

2. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 October 2010 was not qualified.

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 in the first financial quarter ended 31 January 2011.

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 in the first financial quarter ended 31 January 2011.

(Company No. 308035 U)

6. Debt and Equity Securities

There were no issuances, cancellations, repurchase, resale and repayments of debt and equity securities.

7. Dividend

No dividend was paid during the first financial quarter ended 31 January 2011.

8. Carrying amount of revalued assets

The Group's and the Bank's plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

9. Changes in the composition of the Group

There were no significant changes in the composition of the Group in the first financial quarter ended 31 January 2011.

10. Subsequent events

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

11. Cash and short-term funds

	Group		Bank	
	31 January 2011 RM'000	31 October 2010 RM'000	31 January 2011 RM'000	31 October 2010 RM'000
Cash and balances with banks and other financial institutions	6,778	224,387	6,748	224,357
Money at call and deposit placements maturing within one month	<u>520,700</u>	<u>220,000</u>	<u>520,700</u>	<u>220,000</u>
	<u>527,478</u>	<u>444,387</u>	<u>527,448</u>	<u>444,357</u>

(Company No. 308035 U)

12. Deposits and placements with financial institutions

	Group and Bank	
	31 January 2011 RM'000	31 October 2010 RM'000
Licensed banks	20,000	190,000
	<u>20,000</u>	<u>190,000</u>

13. Securities available-for-sale

	Group and Bank	
	31 January 2011 RM'000	31 October 2010 RM'000
Quoted money market instruments - at fair value:		
- Malaysian Government Securities	165,603	166,058
- State Government guaranteed bonds	16,019	27,030
- Private debt securities	40,637	65,601
- Bankers' acceptance	22,343	-
	<u>244,602</u>	<u>258,689</u>
Quoted equity securities - at fair value:		
- Shares quoted in Malaysia	1,876	1,915
Unquoted equity securities - at cost:		
- Unquoted shares in Malaysia	1,754	1,754
	<u>248,232</u>	<u>262,358</u>

(Company No. 308035 U)

14. Loans and advances

	Group and Bank	
	31 January 2011 RM'000	31 October 2010 RM'000
(i) By type		
Overdrafts	73,177	73,701
Term loans		
- housing loans	265,429	269,493
- syndicated term loans	421,938	354,386
- other term loans	942,819	886,674
Bills receivable	591,493	484,198
Trust receipts	1,991	3,147
Revolving credit	1,011,313	890,589
Staff loans (of which RM374,000 (2010: RM400,000) are to Directors)	6,178	6,808
Other loans	23,701	21,207
	<u>3,338,039</u>	<u>2,990,203</u>
Less: Unearned interest	(1,922)	(1,683)
	<u>3,336,117</u>	<u>2,988,520</u>
Gross loans and advances		
Less: Impairment provisions on loans and advances		
- Collective impairment provisions (Note 15(ii)) (2010: General allowance)	(49,564)	(44,456)
- Individual impairment provisions (Note 15(ii)) (2010: Specific allowance)	(33,850)	(26,507)
	<u>3,252,703</u>	<u>2,917,557</u>
Net loans and advances		
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	731,915	630,524
Domestic business enterprises		
- Small medium enterprises	159,072	95,177
- Others	1,737,236	1,599,596
Government and statutory bodies	122,460	124,480
Individuals	372,852	375,057
Foreign entities	212,582	163,686
	<u>3,336,117</u>	<u>2,988,520</u>
Gross loans and advances		

(Company No. 308035 U)

14. Loans and advances (contd.)

	Group and Bank	
	31 January	31 October
	2011	2010
	RM'000	RM'000
(iii) By geographical distribution		
Within Malaysia	3,220,344	2,914,933
Outside Malaysia	115,773	73,587
	<u>3,336,117</u>	<u>2,988,520</u>
(iv) By interest rate sensitivity		
Fixed rate:		
- Housing loans	5,715	6,399
- Other fixed rate loans	129,201	151,700
Variable rate:		
- Base Lending Rate plus	1,624,023	1,453,610
- Cost plus	1,577,178	1,376,811
	<u>3,336,117</u>	<u>2,988,520</u>
Gross loans and advances	<u>3,336,117</u>	<u>2,988,520</u>
(v) By sector		
Agriculture	158,504	153,581
Manufacturing	622,080	555,894
Construction	105,960	115,038
Real estate	146,939	158,371
Purchase of landed property:		
- Residential	297,409	294,593
- Non-residential	68,674	76,272
Wholesale & retail trade and restaurants & hotels	318,065	266,912
Transport, storage and communication	200,000	200,233
Finance, insurance and business services	1,147,462	904,084
Purchase of securities	21,000	21,002
Purchase of transport vehicles	306	325
Consumption credit	61,777	61,328
Government of Malaysia	122,460	124,480
Others	65,481	56,407
	<u>3,336,117</u>	<u>2,988,520</u>
Gross loans and advances	<u>3,336,117</u>	<u>2,988,520</u>

(Company No. 308035 U)

14. Loans and advances (contd.)

Group and Bank
31 January 2011 **31 October 2010**
RM'000 **RM'000**

(vi) By residual contractual maturity

Within one year	2,737,776	2,354,143
One year to five years	244,845	272,393
Over five years	353,496	361,984
	<u>3,336,117</u>	<u>2,988,520</u>

15. Impaired loans and advances**(i) Movements in impaired loans and advances**

At beginning of financial period, as previously stated	41,941	44,892
Effect of adoption of FRS 139	<u>26,532</u>	<u>-</u>
At beginning of financial period, as restated	68,473	44,892
Classified as impaired during the financial period	9,496	13,728
Reclassified as performing during the financial period	(1,436)	(6,947)
Amount recovered	(16,179)	(7,275)
Amount written off	<u>(15,456)</u>	<u>(2,457)</u>
At end of financial period	44,898	41,941
Individual impairment provisions	<u>(33,850)</u>	<u>(26,507)</u>
Net impaired loans and advances	<u>11,048</u>	<u>15,434</u>
Ratio of net impaired loans and advances to net loans and advances (less individual impairment provisions)	<u>0.3%</u>	<u>0.5%</u>

(ii) Movements in impairment provisions for loans and advances**Collective impairment provisions
(2010: General allowance)**

At beginning of financial period	44,456	44,935
Impairment made during the financial period	5,108	6,084
Amount written back	-	<u>(6,563)</u>
At end of financial period	<u>49,564</u>	<u>44,456</u>
As % of gross loans and advances less individual impairment provisions	<u>1.5%</u>	<u>1.5%</u>

(Company No. 308035 U)

15. Impaired loans and advances (contd.)

	Group and Bank	
	31 January 2011 RM'000	31 October 2010 RM'000
(ii) Movements in impairment provisions for loans and advances (contd.)		
Individual impairment provisions (2010: Specific allowance)		
At beginning of financial period, as previously stated	26,507	31,078
Effect of adoption of FRS 139	<u>26,509</u>	<u>-</u>
At beginning of financial period, as restated	53,016	31,078
Impairment made during the financial period	3,601	2,496
Amount written back	(7,311)	(4,610)
Amount written off	<u>(15,456)</u>	<u>(2,457)</u>
At end of financial period	<u><u>33,850</u></u>	<u><u>26,507</u></u>
(iii) By geographical distribution		
Within Malaysia	<u><u>44,898</u></u>	<u><u>41,941</u></u>
(iv) By sector		
Manufacturing	2,531	12,899
Purchase of landed property:		
- Residential	21,502	18,944
- Non-residential	364	329
Wholesale & retail trade and restaurants & hotels	16,418	6,707
Consumption credit	3,401	2,775
Others	<u>682</u>	<u>287</u>
	<u><u>44,898</u></u>	<u><u>41,941</u></u>
16. Other assets		
Derivatives	6,128	2,361
Interest receivable	18,470	19,919
Other receivables, deposits and prepayments	<u>39,440</u>	<u>44,677</u>
	<u><u>64,038</u></u>	<u><u>66,957</u></u>

(Company No. 308035 U)

17. Deposits from customers

	Group and Bank	
	31 January	31 October
	2011	2010
	RM'000	RM'000
(i) By type of deposit		
Demand deposits	160,651	128,554
Savings deposits	7,355	6,742
Fixed/Investment deposits	886,074	804,160
Others	112,117	241,653
	<u>1,166,197</u>	<u>1,181,109</u>
(ii) Maturity structure of fixed/investment deposits		
Due within six months	847,128	772,863
Six months to one year	38,923	31,280
More than one year	23	17
	<u>886,074</u>	<u>804,160</u>
(iii) By type of customer		
Business enterprises	1,057,504	1,075,900
Individuals	107,923	104,223
Others	770	986
	<u>1,166,197</u>	<u>1,181,109</u>

18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	31 January	31 October
	2011	2010
	RM'000	RM'000
Licensed banks	310,075	254,000
Licensed investment banks	-	20,000
Other financial institutions	436,986	492,181
	<u>747,061</u>	<u>766,181</u>

(Company No. 308035 U)

19. Other liabilities

	Group and Bank	
	31 January 2011	31 October 2010
	RM'000	RM'000
Derivatives	48,284	51,849
Interest payable	12,571	11,500
Other payables and accruals	25,696	34,940
	<u>86,551</u>	<u>98,289</u>

20. Interest income

	Group and Bank	
	31 January 2011	31 January 2010
	RM'000	RM'000
Loans and advances:		
- Interest income other than recoveries from impaired loans	37,971	34,011
- Recoveries from impaired loans	149	251
Money at call and deposit placements with financial institutions	5,755	5,507
Securities - available-for-sale	2,515	3,466
Arbitrage interest	(5,656)	(4,350)
Others	2,431	1,704
	<u>43,165</u>	<u>40,589</u>
Amortisation of premium less accretion of discount	73	(133)
Net interest suspended	-	(1,675)
	<u>43,238</u>	<u>38,781</u>
Total interest income		

21. Interest expense

	Group and Bank	
	31 January 2011	31 January 2010
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	6,145	7,163
Deposits from customers	8,817	5,554
Others	3,207	2,987
	<u>18,169</u>	<u>15,704</u>

(Company No. 308035 U)

22. Other operating income

	Group and Bank	
	31 January	31 January
	2011	2010
	RM'000	RM'000
Fee income:		
- Commission	354	392
- Service charges and fees	3,912	2,700
- Guarantee fees	238	688
Losses arising from sale of securities:		
- Held for trading	-	(49)
Gains arising from dealing in foreign currency	3,419	2,819
Dividend income:		
- Securities available-for-sale	-	12
Unrealised gains/(losses) arising from derivative trading	1,177	(2,285)
Others	2	-
	<u>9,102</u>	<u>4,277</u>

23. Other operating expenses

Personnel costs:		
- Salaries and bonuses	2,423	2,814
- Pension fund contributions	418	470
- Other staff costs	501	285
Marketing expenses:		
- Advertising and promotion	39	8
- Others	89	93
Establishment costs:		
- Depreciation of plant and equipment	126	157
- Rental	545	543
- Others	285	888
Administrative expenses:		
- Fees	634	746
- Others	302	394
	<u>5,362</u>	<u>6,398</u>

(Company No. 308035 U)

24. Impairment provisions for loans and advances

	Group and Bank	
	31 January 2011	31 January 2010
	RM'000	RM'000
Impairment provisions for loans and advances		
(a) Individual impairment provisions (2010: Specific allowance)		
- made in the financial period	3,601	724
- written back	(7,311)	(824)
(b) Collective impairment provisions (2010: General allowance)		
- made in the financial period	5,108	-
- written back	-	(244)
Bad debts on loans and advances:		
- Recovered	(58)	(72)
	<u>1,340</u>	<u>(416)</u>

25. Capital adequacy

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

	Group and Bank	
	31 January 2011	31 October 2010
	RM'000	RM'000
Tier 1 capital		
Paid-up share capital	122,375	122,375
Share premium	42,625	42,625
Retained profit	327,283	327,283
Reserves	122,375	122,375
	<u>614,658</u>	<u>614,658</u>
Less: Deferred tax assets	(12,208)	(12,208)
Total Tier 1 capital	<u>602,450</u>	<u>602,450</u>
Tier 2 capital		
Collective impairment provisions (2010: General allowance), representing total Tier 2 capital	49,375	44,456
Total capital	651,825	646,906
Less: Investment in subsidiaries	(30)	(30)
Capital base	<u>651,795</u>	<u>646,876</u>
Core capital ratio	17.22%	18.72%
Risk-weighted capital ratio	18.63%	20.10%

(Company No. 308035 U)

25. Capital adequacy (contd.)

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

	31 January 2011		31 October 2010	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Credit risk	4,645,429	3,303,715	4,410,276	3,031,243
Market risk	-	2,620	-	1,818
Operational risk	-	192,514	-	185,856
	<u>4,645,429</u>	<u>3,498,849</u>	<u>4,410,276</u>	<u>3,218,917</u>

With effect from 1 January 2008, the capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework (RWCAF-Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

The disclosures on the capital adequacy and capital structure, are presented in accordance with para 4.3 of Bank Negara Malaysia's Guideline - Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3).

(Company No. 308035 U)

26. Commitments and contingencies

In the normal course of business, the Group and the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies are as follows:

	Group and Bank			Group and Bank		
	31 January 2011			31 October 2010		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Direct credit substitutes	33,798	33,798	33,798	34,307	34,307	34,307
Transaction-related contingent items	402,752	201,376	55,237	407,707	203,854	110,356
Short-term self-liquidating trade-related contingencies	20,761	4,152	3,542	17,380	3,476	3,115
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:						
- exceeding one year	-	-	-	10,772	5,386	5,386
- not exceeding one year	484,420	96,884	96,884	354,848	70,970	70,970
Unutilised uncommitted credit lines	816,674	-	-	757,915	-	-
Foreign exchange related contracts:						
- less than one year	2,183,728	32,558	9,313	1,696,574	23,348	8,057
Interest rate related contracts						
- less than one year	5,000	5	3	5,000	12	6
- one year to less than five years	243,902	7,533	3,767	120,000	3,200	1,600
	4,191,035	376,306	202,544	3,404,503	344,553	233,797

* The credit equivalent amount and the risk weighted amount are arrived at using the credit conversion factors and risk weights respectively, as per the Bank Negara Malaysia's guidelines.

Foreign exchange contracts are subject to market risk and credit risk.

(Company No. 308035 U)

26. Commitments and contingencies (contd.)

Market risk

Market risk is the potential change in value caused by movement in the market rates of prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

As at 31 January 2011, the amount of contracts which were not hedged and hence exposed to market risk was RM2.62 million (31 October 2010: RM1.82 million).

Credit risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at 31 January 2011, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM5.57 million (31 October 2010: RM2.36 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates of prices.

(Company No. 308035 U)

27. Interest rate risk

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

Group	Non-trading book					Effective interest rate %			
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000		Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
31 January 2011									
Assets									
Cash and short-term funds	520,700	-	-	-	-	6.778	-	527,478	2.50
Deposits and placement with financial institutions	-	20,000	-	-	-	-	-	20,000	2.94
Securities:									
- available for sale	22,343	-	35,005	180,000	-	10,884	-	248,232	4.62
Loans and advances:									
- performing	887,190	2,182,475	23,621	143,237	5,072	60	-	3,241,655	4.69
- non-performing	-	-	-	-	-	11,048	-	11,048	-
Others	-	-	-	-	-	93,716	-	93,716	-
Total assets	1,430,233	2,202,475	58,626	323,237	5,072	122,486	-	4,142,129	
Liabilities									
Deposits from customers	955,604	153,244	57,326	23	-	-	-	1,166,197	3.49
Deposits and placement of banks financial institutions	616,064	39,591	55,832	35,500	-	74	-	747,061	3.08
Bills and acceptance payables	-	25,612	18,234	-	-	-	-	43,846	2.81
Others	424,593	731,186	314,549	-	-	77,496	-	1,547,824	0.25
Total liabilities	1,996,261	949,633	445,941	35,523	-	77,570	-	3,504,928	

(Company No. 308035 U)

27. Interest rate risk (contd.)

Group 31 January 2011	Non-trading book					Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000			
Equity	-	-	-	-	-	-	637,201	637,201
Total liabilities and equity	1,996,261	949,633	445,941	35,523	-	-	714,771	4,142,129
On-balance sheet interest sensitivity gap	(566,028)	1,352,842	(387,315)	287,714	5,072	-	(592,285)	-
Off-balance sheet interest sensitivity gap	(9,650)	(256,729)	(8,590)	243,902	-	-	(941,734)	-
Total interest sensitivity gap	(575,678)	996,113	(395,905)	531,616	5,072	-	(1,534,019)	-

(Company No. 308035 U)

27. Interest rate risk (contd.)

Bank 31 January 2011	Non-trading book				Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	Over 5 years RM'000			
Assets							
Cash and short-term funds	520,700	-	-	-	-	527,448	2.50
Deposits and placement with financial institutions	-	20,000	-	-	-	-	-
Securities:							
- available for sale	22,343	-	35,005	180,000	-	20,000	2.94
Loans and advances:							
- performing	887,190	2,182,475	23,621	143,237	-	248,232	4.62
- non-performing	-	-	-	-	60	3,241,655	4.69
Others	-	-	-	-	11,048	11,048	-
	-	-	-	-	93,746	93,746	-
Total assets	1,430,233	2,202,475	58,626	323,237	122,486	4,142,129	-
Liabilities							
Deposits from customers	955,604	153,244	57,326	23	-	1,166,197	3.49
Deposits and placement of banks financial institutions	616,064	39,591	55,832	35,500	74	747,061	3.08
Bills and acceptance payables	-	25,612	18,234	-	-	43,846	2.81
Others	424,593	731,186	314,549	-	77,496	1,547,824	0.25
Total liabilities	1,996,261	949,633	445,941	35,523	77,570	3,504,928	-

(Company No. 308035-U)

27. Interest rate risk (contd.)

Bank 31 January 2011	Non-trading book				Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000			
Equity	-	-	-	-	-	637,201	-
Total liabilities and equity	1,996,261	949,633	445,941	35,523	-	-	4,142,129
On-balance sheet interest sensitivity gap	(556,028)	(1,552,842)	(387,315)	387,714	5,072	(592,285)	-
Off-balance sheet interest sensitivity gap	(9,650)	(156,729)	(8,590)	243,902	-	(941,734)	-
Total interest sensitivity gap	(575,678)	996,113	(395,905)	531,616	5,072	(1,534,019)	-

(Company No. 308035-U)

27. Interest rate risk (contd.)

Group	Non-trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	31 October 2010	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000			
Assets									
Cash and short-term funds	440,000	-	-	-	-	-	444,387	2.45	
Deposits and placement with financial institutions	-	190,000	-	-	-	-	190,000	2.91	
Securities:									
- available for sale	36,194	-	40,227	182,268	-	3,669	262,358	5.11	
Loans and advances:									
- performing	821,765	1,627,353	302,269	145,001	5,708	27	2,902,123	4.77	
- non-performing	-	-	-	-	-	15,134	15,434	-	
Others	-	-	-	-	-	91,068	91,068	-	
Total assets	1,297,959	1,817,353	342,496	327,269	5,708	114,585	3,905,370	-	
Liabilities									
Deposits from customers	978,607	117,225	85,261	16	-	-	1,181,109	3.26	
Deposits and placement of banks financial institutions	476,790	171,004	82,887	35,500	-	-	766,181	3.02	
Bills and acceptance payables	-	15,304	18,996	-	-	-	34,300	2.73	
Others	509,216	349,650	368,772	-	-	79,487	1,307,125	0.31	
Total liabilities	1,964,613	653,183	555,916	35,516	-	79,487	3,288,715	-	

(Company No. 308035 U)

27. Interest rate risk (contd.)

Group 31 October 2010	Non-trading book				Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000				
Equity	-	-	-	-	616,655	-	616,655	-
Total liabilities and equity	1,964,613	653,183	555,916	35,516	696,142	-	3,905,370	-
On-balance sheet interest sensitivity gap	(666,654)	1,164,170	(213,420)	291,753	5,708	(581,557)	-	-
Off-balance sheet interest sensitivity gap	7,268	(136,057)	(383)	120,000	(890,092)	-	-	-
Total interest sensitivity gap	(659,386)	1,028,113	(213,803)	411,753	5,708	(1,471,649)	-	-

(Company No. 308035 U)

27. Interest rate risk (contd.)

Bank	Non-trading book						Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
31 October 2010							
Assets							
Cash and short-term funds	440,000	-	-	-	-	4,357	2.45
Deposits and placement with financial institutions	-	190,000	-	-	-	-	
Securities:							
- available for sale	36,194	-	40,227	182,268	-	3,669	2.91
Loans and advances:							
- performing	821,765	1,627,353	302,269	145,001	5,708	27	5.11
- non-performing	-	-	-	-	-	15,434	4.77
Others	-	-	-	-	-	91,098	-
Total assets	1,297,959	1,817,353	342,496	327,269	5,708	114,585	3,905,370
Liabilities							
Deposits from customers	978,607	117,225	85,261	16	-	-	1,181,109
Deposits and placement of banks financial institutions	476,790	171,004	82,887	35,500	-	-	766,181
Bills and acceptance payables	-	15,304	18,996	-	-	-	34,300
Others	509,216	349,650	368,772	-	-	79,487	1,307,125
Total liabilities	1,964,613	653,183	555,916	35,516	-	79,487	3,288,715

(Company No. 308035 U)

27. Interest rate risk (contd.)

Bank 31 October 2010	Non-trading book					Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000			
Equity	-	-	-	-	-	-	616,655	-
Total liabilities and equity	1,964,613	653,183	555,916	35,516	-	-	616,655	-
On-balance sheet interest sensitivity gap	(666,654)	1,164,170	(213,420)	291,753	5,708	-	(581,557)	-
Off-balance sheet interest sensitivity gap	7,268	(136,057)	(383)	120,000	-	-	(890,092)	-
Total interest sensitivity gap	(659,386)	1,028,113	(213,803)	411,753	5,708	-	(1,471,649)	-

(Company No. 308035 U)

28. Fair values***Recognised financial instruments***

In respect of cash and short-term funds, deposits and placements with financial institutions, statutory deposit with Bank Negara Malaysia, bills and acceptances payable, obligation on securities sold under repurchase agreements, the carrying amounts approximate fair values due to the relatively short term nature of these financial instruments.

The fair values are estimated based on quoted or observable market prices as at the balance sheet date. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for similar instruments as at balance sheet date.

The estimated fair values of the other financial assets and financial liabilities carried on the balance sheet as at 31 January 2011 are shown below:

	31 January 2011 Carrying Value RM'000	31 January 2011 Fair Value RM'000	31 October 2010 Carrying Value RM'000	31 October 2010 Fair Value RM'000
Group and Bank				
Financial assets				
Securities available-for-sale	248,232	248,232	262,358	262,358
Loans and advances	3,252,703	3,241,202	2,917,557	2,902,975
Financial liabilities				
Deposits from customers	1,166,197	1,166,196	1,181,109	1,181,109
Deposits and placements of banks and other financial institutions	747,061	745,999	766,181	764,130

The fair value of the financial instruments listed above has been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.