The Bank of Nova Scotia Berhad

(Company No. 308035 U)
(Incorporated in Malaysia)
and its subsidiaries

Basel II Pillar 3 Disclosures
31 October 2016

CHIEF EXECUTIVE OFFICER'S ATTESTATION

I, Sivadas Menon hereby state that, in my opinion, the Pillar 3 Disclosure Requirements have been prepared in accordance with the requirements of Bank Negara Malaysia's Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II), and are accurate and complete.

SIVADAS MENON
Chief Executive Officer

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

Pillar 3 disclosures

Overview

The Pillar 3 Disclosure for financial reporting beginning 1 January 2010 is introduced under the Bank Negara Malaysia ("BNM")'s Risk-Weighted Capital Adequacy Framework ("RWCAF"), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision. Basel II consists of 3 Pillars as follows:

(a) Pillar 1 stipulates the methodologies and parameters that must be applied to calculate minimum capital requirements.

(b) Pillar 2 introduces the requirement for internal assessment of capital adequacy in relation to strategies, risk appetite, and actual risk profile.

(c) Pillar 3 enhances public disclosure (both quantitative and qualitative) of specific details of risks being assumed, and how capital and risk are being managed under the Basel II framework.

The Bank of Nova Scotia Berhad ("the Bank") has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. Under the Standardised Approach, standard risk weights are used to assess the capital requirements for exposure to credit risk and market risk while the capital required for operational risk under the Basic Indicator Approach is computed based on a fixed percentage over the Bank's average gross income for a fixed number of quarterly periods.

This Pillar 3 disclosure is designed to comply with BNM's Pillar 3 Guidelines, and should be read in conjunction with the financial statements.

The Basel II Pillar 3 Disclosure information provided herein has been reviewed and verified by the Risk Management and approved by the Chief Executive Officer. The information is not audited as there is no requirement for external auditing.

Scope of Application

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on The Bank of Nova Scotia Berhad ("the Bank") and its subsidiaries. The subsidiaries of the Bank are listed in Note 10 to the audited financial statements for the year ended 31 October 2016. The Bank and its subsidiaries are herein referred to as "the Group" in this document.

The basis of consolidation for financial accounting purposes is disclosed in Note 2(a) to the audited financial statements for the year ended 31 October 2016 and is similarly used for regulatory purposes, except where the investment in subsidiaries are deducted from the regulatory capital.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiaries as at the financial year end.

Capital Adequacy/Capital Management

The Group's capital planning process must be dynamic and forward-looking in relation to the Group's risk profile. The Group has set the internal capital targets as follows:

- Minimum Internal Total Capital Ratio of 14.5%; and
- Minimum regulatory capital of 8% set by the Basel II Pillar 1 accord.

Approach for assessing the adequacy of internal capital levels

The approach has been to identify material risks in the business and to assess the adequacy of the Bank's capital required based upon Pillar 1 & 2 requirements, plus add-ons for relevant and material non-Pillar 1 & 2 risks; as well as actual results of the preceding financial year (as the base case). The Bank mitigates risks through policy and procedural controls, segregation of duties, insurance, continuous monitoring and reporting of risk to faciliate effective management oversight. Having determined the level of capital required, a number of future stress test scenarios were applied to assess the adequacy of future capital capacity.

Capital Adequacy Ratios

The total capital and capital adequacy ratios of the Group are computed in acordance with BNM's Capital Adequacy Framework (Capital Components and Basel II Risk Weighted Assets) Guidelines issued on 13 October 2015 and 2 March 2017 respectively.

The Group is required to hold and maintain, at all times, the following minimum capital adequacy ratios:

	Capital Ratio
Common Equity Tier 1 ("CET 1")	4.5%
Tier 1	6.0%
Total	8.0%

From 1 January 2016, the Group is also required to hold and maintain capital buffers as specified by BNM in the form of Common Equity Tier 1 ("CET 1") Capital, above the minimum capital adequacy levels. The capital buffers comprise of the following:

(i) a Capital Conservation Buffer ("CCB") of 2.5%; and

(ii) a Countercyclical Capital Buffer ("CCyB"), determined as the weighted average of the prevailing CCyB rates applied in the jurisdiction in which a financial institution has credit exposures.

The manner in which the Bank is required to hold and maintain CCB is phased-in as follow:

Calendar Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

Capital adequacy ratios maintained by the Group are as follow:

	Group	
	31 October 2016 RM'000	31 October 2015 RM'000
Common Equity Tier 1 ("CET 1) Capital Ratio	40.303%	29.107%
Tier 1 Capital Ratio	40.303%	29.107%
Total Capital Ratio	40.976%	29.864%

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Risk weighted assets and capital requirements

Item	Group 31 October 2016 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
1	Credit risk				
	On-balance sheet exposures:				
	Sovereigns/central banks	916,060	916,060	-	-
	Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	863,997	863,997	376,537	30,123
	Corporates	1,357,174	1,357,174	1,357,174	108,574
	Residential mortgages	203,506	203,506	132,156	10,572
	Other assets	89,870	89,870	89,165	7,133
	Defaulted exposures	74,859	74,859	103,214	8,257
	Total on-balance sheet exposures	3,505,466	3,505,466	2,058,246	164,659
	Off-balance sheet exposures:				
	Credit-related off-balance sheet exposures	69,068	69,068	50,030	4,002
	OTC derivatives	35,161	35,161	14,243	1,139
	Total off-balance sheet exposures	104,229	104,229	64,273	5,141
	Total on and off-balance sheet exposures	3,609,695	3,609,695	2,122,519	169,800
2	Large exposures risk requirement	-	-	-	-
3	Market risk	Long Position | Short Position			
	Foreign currency risk	47,445 | (2,962)		47,445	3,796
4	Operational risk			174,742	13,979
5	Total RWA and capital requirements			2,344,706	187,575

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Risk weighted assets and capital requirements

Item	Group 31 October 2015 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
1	Credit risk				
	On-balance sheet exposures:				
	Sovereigns/central banks	310,496	310,496	-	-
	Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	1,802,063	1,802,063	1,129,877	90,390
	Corporates	1,640,307	1,640,307	1,547,549	123,804
	Residential mortgages	181,340	181,340	98,914	7,913
	Other assets	28,595	28,595	27,278	2,182
	Defaulted exposures	109,983	109,983	17,683	1,415
	Total on-balance sheet exposures	4,072,784	4,072,784	2,821,301	225,704
	Off-balance sheet exposures:				
	Credit-related off-balance sheet exposures	125,461	125,461	69,951	5,596
	OTC derivatives	185,660	185,660	73,212	5,857
	Total off-balance sheet exposures	311,121	311,121	143,163	11,453
	Total on and off-balance sheet exposures	4,383,905	4,383,905	2,964,464	237,157
2	Large exposures risk requirement	-	-	-	-
3	Market risk	Long Position / Short Position			
	Foreign currency risk	17,687 / (4,817)		17,687	1,415
4	Operational risk			190,688	15,255
5	Total RWA and capital requirements			3,172,839	253,827

Capital Structure

For regulatory purposes, the Group's regulatory capital is divided into two tiers as follows:

(i) Tier 1 capital, which includes paid-up share capital, share premium, audited retained earnings,and statutory reserves, less applicable regulatory adjustments.

(ii) Tier 2 capital, which includes collective impairment allowances (excluding impairment allowances attributable to loans classified as impaired).

The breakdown of capital structure components are disclosed in Note 32 to the audited financial statements for the year ended 31 October 2016

Risk Management

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are predictable and consistent with the Group's strategies and risk appetite, and there is an appropriate balance between risk and reward in order to maximise shareholder returns.

The Group has exposure to the following risks from financial instruments:
- credit risk
- liquidity risk
- market risk
- operational risk

The Group's risk management policies have been disclosed in Note 34 to the audited financial statements for the year ended 31 October 2016.

(a) Credit Risk

Refer to Note 34(a) to the audited financial statements for the year ended 31 October 2016 for disclosures on credit risk and definitions of past due and impaired loans. The approaches for the determination of individual and collective impairment provisions are detailed in Note 2(c)(vii) to the audited financial statements for the year ended 31 October 2016.

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(a) Credit Risk (contd.)

(i) Geographical distribution of credit risk exposures

Group **31 October 2016**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Sovereigns/central banks	916,060	-	916,060
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	657,095	243,019	900,114
Corporates	1,306,685	178,149	1,484,834
Residential mortgages	188,748	30,069	218,817
Other assets	89,870	-	89,870
Total credit risk exposures	3,158,458	451,237	3,609,695

Group **31 October 2015**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Sovereigns/central banks	310,496	-	310,496
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	1,395,422	591,393	1,986,815
Corporates	1,501,428	360,209	1,861,637
Residential mortgages	162,281	34,081	196,362
Other assets	28,595	-	28,595
Total credit risk exposures	3,398,222	985,683	4,383,905

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(a) Credit Risk (contd.)

(ii) Distribution of credit risk exposure by sector

Group 31 October 2016	**Agriculture RM'000**	**Manufacturing RM'000**	**Electricity, gas and water supply RM'000**	**Construction RM'000**	**Wholesale & retail trade restaurants & hotels RM'000**	**Transport, storage and communication RM'000**	**Finance, insurance and business services RM'000**	**Education, health and others RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
Sovereigns/central banks	-	-	-	-	-	-	-	-	-	916,060	916,060
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	2,924	-	-	-	-	-	897,190	-	-	-	900,114
Corporates	555,466	542,795	-	16,000	127,776	93,884	119,711	28,700	502	-	1,484,834
Residential mortgages	-	-	-	-	-	-	-	-	218,817	-	218,817
Other assets	-	-	-	-	-	-	-	-	-	89,870	89,870
Total credit risk exposures	558,390	542,795	-	16,000	127,776	93,884	1,016,901	28,700	219,319	1,005,930	3,609,695

Group 31 October 2015	**Agriculture RM'000**	**Manufacturing RM'000**	**Electricity, gas and water supply RM'000**	**Construction RM'000**	**Wholesale & retail trade restaurants & hotels RM'000**	**Transport, storage and communication RM'000**	**Finance, insurance and business services RM'000**	**Education, health and others RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
Sovereigns/central banks	-	-	-	-	-	-	-	-	-	310,496	310,496
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	11,583	-	-	-	-	-	1,975,232	-	-	-	1,986,815
Corporates	507,198	842,952	-	80,000	72,952	96,073	163,850	24,173	74,439	-	1,861,637
Residential mortgages	-	-	-	-	-	-	-	-	196,362	-	196,362
Other assets	-	-	-	-	-	-	-	-	-	28,595	28,595
Total credit risk exposures	518,781	842,952	-	80,000	72,952	96,073	2,139,082	24,173	270,801	339,091	4,383,905

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(a) Credit Risk (contd.)

(iii) Residual contractual maturity breakdown by major type of credit risk exposures

Group **31 October 2016**	**Up to 6 months** **RM'000**	**> 6 months - 1 year** **RM'000**	**Over 1 year** **RM'000**	**Total** **RM'000**
Sovereigns/central banks	916,060	-	-	916,060
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	880,811	19,130	173	900,114
Corporates	1,466,994	8,271	9,569	1,484,834
Residential mortgages	52,527	998	165,292	218,817
Other assets	89,870	-	-	89,870
Total credit risk exposures	3,406,262	28,399	175,034	3,609,695

Group **31 October 2015**	**Up to 6 months** **RM'000**	**> 6 months - 1 year** **RM'000**	**Over 1 year** **RM'000**	**Total** **RM'000**
Sovereigns/central banks	209,380	101,116	-	310,496
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	1,871,652	50,158	65,005	1,986,815
Corporates	1,811,135	21,827	28,675	1,861,637
Residential mortgages	4,555	998	190,809	196,362
Other assets	28,595	-	-	28,595
Total credit risk exposures	3,925,317	174,099	284,489	4,383,905

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(a) Credit Risk (contd.)

(iv) Geographical distribution individual and collective impairment provisions

Group

	Collective impairment provisions as at 31 October 2016 RM'000	Individual impairment provisions as at 1 November 2015 RM'000	Net individual impairment charge for the year RM'000	Amount written off/ other movements RM'000	Individual impairment provisions as at 31 October 2016 RM'000
Malaysia	17,009	21,476	23,903	-	45,379
Others	4,195	3,074	1,347	-	4,421
	21,204	24,550	25,250	-	49,800

Group

	Collective impairment provisions as at 31 October 2015 RM'000	Individual impairment provisions as at 1 November 2014 RM'000	Net individual impairment charge for the year RM'000	Amount written off/ other movements RM'000	Individual impairment provisions as at 31 October 2015 RM'000
Malaysia	19,756	20,056	1,486	(66)	21,476
Others	8,808	2,066	1,008	-	3,074
	28,564	22,122	2,494	(66)	24,550

(v) Geographical distribution of impaired and past due loans

Group 31 October 2016	Loans and advances past due but not impaired RM'000	Impaired loans and advances RM'000
Malaysia	43,459	115,050
Others	4,638	9,505
	48,097	124,555

Group 31 October 2015	Loans and advances past due but not impaired RM'000	Impaired loans and advances RM'000
Malaysia	57,835	118,501
Others	6,445	7,722
	64,280	126,223

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(a) Credit Risk (contd.)

(vi) Impaired and past due loans by sector

Group **31 October 2016**	**Loans and advances past due but not impaired RM'000**	**Impaired loans and advances RM'000**
Agriculture	-	-
Manufacturing	-	82,866
Construction	-	-
Wholesale & retail trade and restaurants & hotels	-	8,248
Transport, storage and communication	-	-
Finance, insurance and business services	-	-
Education, health and others	-	-
Household	48,097	33,441
Others	-	-
	48,097	124,555

Group **31 October 2015**	**Loans and advances past due but not impaired RM'000**	**Impaired loans and advances RM'000**
Agriculture	-	-
Manufacturing	-	87,314
Construction	-	-
Wholesale & retail trade and restaurants & hotels	-	7,720
Transport, storage and communication	-	-
Finance, insurance and business services	-	-
Education, health and others	-	-
Household	64,280	31,189
Others	-	-
	64,280	126,223

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(a) Credit Risk (contd.)

(vii) Reconciliation of changes to impairment provisions

	Group	
	31 October 2016 RM'000	**31 October 2015 RM'000**
Collective impairment provisions		
At beginning of financial period	28,564	31,953
Amount written back	(7,360)	(3,389)
At end of financial period	21,204	28,564

	Group	
	31 October 2016 RM'000	**31 October 2015 RM'000**
Individual impairment provisions		
At beginning of financial period	24,550	22,122
Impairment made during the financial period	27,993	4,588
Impairment written back in respect of recoveries	(2,743)	(2,094)
Amount written off	-	(66)
At end of financial period	49,800	24,550

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(a) Credit Risk (contd.)

(viii) Impairment provisions by sector

Group

	Collective impairment provisions as at 31 October 2016 RM'000	Individual impairment provisions as at 1 November 2015 RM'000	Net individual impairment charge for the year RM'000	Amount written off/ other movements RM'000	Individual impairment provisions as at 31 October 2016 RM'000
Agriculture	5,583	-	-	-	-
Manufacturing	5,305	-	23,144	-	23,144
Construction	-	-	-	-	-
Wholesale & retail trade and restaurants & hotels	1,261	7,752	583	-	8,335
Transport, storage and communication	953	-	-	-	-
Finance, insurance and business services	5,658	-	-	-	-
Education, health and others	223	26	-	-	26
Household	2,221	16,772	1,523	-	18,295
Others	-	-	-	-	-
	21,204	24,550	25,250	-	49,800

Group

	Collective impairment provisions as at 31 October 2015 RM'000	Individual impairment provisions as at 1 November 2014 RM'000	Net individual impairment charge for the year RM'000	Amount written off/ other movements RM'000	Individual impairment provisions as at 31 October 2015 RM'000
Agriculture	4,842	-	-	-	-
Manufacturing	7,957	-	-	-	-
Construction	792	-	-	-	-
Wholesale & retail trade and restaurants & hotels	631	7,244	508	-	7,752
Transport, storage and communication	951	-	-	-	-
Finance, insurance and business services	10,577	-	-	-	-
Education, health and others	149	30	-	-	30
Household	2,665	14,848	1,986	(66)	16,768
Others	-	-	-	-	-
	28,564	22,122	2,494	(66)	24,550

(a) Credit Risk (contd.)

(ix) Use of External Ratings

The following are the rating agencies or Eligible Credit Assessment Institutions ("ECAI") ratings to determine risk-weighted assets, used by the Group and are in accordance with BNM's RWCAF:

(a) Standard & Poor's ("S&P")
(b) Moody's Investors Services ("Moody's")
(c) Fitch Ratings ("Fitch")
(d) Rating Agency Malaysia Berhad ("RAM")
(e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Sovereigns and central banks
(b) Banking institutions
(c) Corporates

Under the Standardised Approach, the Group assigns the appropriate risk weight for issue specific rating and non issue specific rating exposures as stipulated in BNM's RWCAF.

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(a) **Credit Risk (contd.)**

(ix) Use of External Ratings (contd.)

Credit exposures by risk weights under the Standardised Approach

Group 31 October 2016 Risk Weights	Exposures after Netting and Credit Risk Mitigation					Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks RM'000	Banks, MDBs and FDIs RM'000	Corporates RM'000	Residential Mortgages RM'000	Other Assets RM'000	RM'000	RM'000
0%	916,060	-	-	-	618	916,678	-
20%	-	603,331	193	-	109	603,633	120,727
35%	-	-	-	107,800	-	107,800	37,730
50%	-	66,881	22,166	5,641	-	94,688	47,344
75%	-	-	-	5,122	-	5,122	3,842
100%	-	229,902	1,402,753	97,769	89,143	1,819,567	1,819,567
150%	-	-	59,722	2,484	-	62,206	93,309
Total Exposures	916,060	900,114	1,484,834	218,816	89,870	3,609,694	2,122,519
Risk-Weighted Assets by Exposures	-	384,009	1,503,458	145,887	89,165	2,122,519	
Average Risk Weight	0.0%	42.7%	101.3%	66.7%	99.2%	58.8%	
Deduction from Capital Base	-	-	-	-	-	-	

Group 31 October 2015 Risk Weights	Exposures after Netting and Credit Risk Mitigation					Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks RM'000	Banks, MDBs and FDIs RM'000	Corporates RM'000	Residential Mortgages RM'000	Other Assets RM'000	RM'000	RM'000
0%	310,496	-	88,471	-	1,231	400,198	-
20%	-	581,054	114,761	-	109	695,924	139,185
35%	-	-	-	124,147	-	124,147	43,451
50%	-	670,448	87,391	5,473	-	763,312	381,656
75%	-	-	-	7,489	-	7,489	5,617
100%	-	735,312	1,570,949	55,879	27,255	2,389,395	2,389,395
150%	-	-	66	3,374	-	3,440	5,160
Total Exposures	310,496	1,986,814	1,861,638	196,362	28,595	4,383,905	2,964,464
Risk-Weighted Assets by Exposures	-	1,186,747	1,637,696	112,744	27,277	2,964,464	
Average Risk Weight	0.0%	59.7%	88.0%	57.4%	95.4%	67.6%	
Deduction from Capital Base	-	-	-	-	-	-	

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(a) Credit Risk (contd.)

(ix) Use of External Ratings (contd.)

Rated and unrated exposures according to ratings by ECAIs (contd.)

Group
31 October 2016

Exposure Class	Ratings of Corporate by Approved ECAIs						
	Moodys S&P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB-	B1 to C B+ to D B+ to D B to D B+ to D	Rated Rated Rated Rated Rated	Unrated Unrated Unrated Unrated Unrated
On and Off-Balance Sheet Exposures							
Corporates		193	22,747	1,402,172	59,722	1,484,834	-
Total (i)		193	22,747	1,402,172	59,722	1,484,834	-

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys S&P Fitch	Aaa to Aa3 AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB-	B1 to C B+ to D B+ to D	Rated Rated Rated	Unrated Unrated Unrated
On and Off-Balance Sheet Exposures							
Sovereign and Central Banks		-	916,060	-	-	916,060	-
Total (ii)		-	916,060	-	-	916,060	-

Exposure Class	Short term Ratings of Banking Institutions by Approved ECAIs						
	Moodys S&P Fitch RAM MARC	P-1 A-1 F1+, F1 P-1 MARC-1	P-2 A-2 F2 P-2 MARC-2	P-3 A-3 F3 P-3 MARC-3	Others Others B to D NP MARC-4	Rated Rated Rated Rated Rated	Unrated Unrated Unrated Unrated Unrated
On and Off-Balance Sheet Exposures							
Banks, MDBs and FDIs		603,331	66,881	229,902	-	900,114	-
Total (iii)		603,331	66,881	229,902	-	900,114	-
Total Exposure (i)+(ii)+(iii)						3,301,008	-
Residential Mortgages		-	-	-	-	-	218,817
Other Assets		-	-	-	-	-	89,870
Total Unrated Exposure		-	-	-	-	-	308,687
Total						3,301,008	308,687

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(a) Credit Risk (contd.)

(ix) Use of External Ratings (contd.)

Rated and unrated exposures according to ratings by ECAIs (contd.)

Group
31 October 2015

Exposure Class	Ratings of Corporate by Approved ECAIs						
	Moodys S&P Fitch RAM MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB-	B1 to C B+ to D B+ to D B to D B+ to D	Rated Rated Rated Rated Rated	Unrated Unrated Unrated Unrated Unrated
On and Off-Balance Sheet Exposures							
Corporates		259	87,391	1,773,921	66	1,861,637	-
Total (i)		259	87,391	1,773,921	66	1,861,637	-

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys S&P Fitch	Aaa to Aa3 AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB-	B1 to C B+ to D B+ to D	Rated Rated Rated	Unrated Unrated Unrated
On and Off-Balance Sheet Exposures							
Sovereign and Central Banks		-	210,496	-	-	210,496	100,000
Total (ii)		-	210,496	-	-	210,496	100,000

Exposure Class	Short term Ratings of Banking Institutions by Approved ECAIs						
	Moodys S&P Fitch RAM MARC	P-1 A-1 F1+, F1 P-1 MARC-1	P-2 A-2 F2 P-2 MARC-2	P-3 A-3 F3 P-3 MARC-3	Others Others B to D NP MARC-4	Rated Rated Rated Rated Rated	Unrated Unrated Unrated Unrated Unrated
On and Off-Balance Sheet Exposures							
Banks, MDBs and FDIs		581,054	670,449	735,312	-	1,986,815	-
Total (iii)		581,054	670,449	735,312	-	1,986,815	-
Total Exposure (i)+(ii)+(iii)						4,058,948	100,000
Residential Mortgages		-	-	-	-	-	196,362
Other Assets		-	-	-	-	-	28,595
Total Unrated Exposure		-	-	-	-	-	224,957
Total						4,058,948	324,957

(a) Credit Risk (contd.)

(x) Credit Risk Mitigation

The Group actively pursues opportunities to mitigate credit risk and reduce capital costs, in a sound and prudent manner, subject to internal controls and in accordance with both legal and regulatory requirements. Credit risk mitigation is achieved through techniques including bilateral close out netting, re-couponing clauses, portfolio hedging, and collateralization. These techniques are implemented through the negotiation of standard trading agreements.

Treasury back office is responsible for daily monitoring of mark-to-market values of applicable positions against the collateral call thresholds negotiated with each counterparty. When the values exceed such thresholds, they are responsible for making collateral calls. They are also responsible for escalating any fails and/or collateral valuation disputes to senior management (i.e. where collateral has not been received as anticipated and/or the the Group is required to post more collateral than calculated internally). Any decision to post excess collateral or receive less collateral or to invoke a dispute resolution procedure can be made by senior management.

The principal collateral types employed by the Group are as follows:

i) Cash and cash equivalents;

ii) Marketable securities;

iii) Mortgages over residential and non-residential properties;

iv) Charges over business assets such as premises, stocks and debtors;

v) Corporate and personal guarantees

The securing of collateral to minimize credit-related losses introduces various other material risks that need to be monitored and controlled. The Group actively manages and monitors these material risks as part of its collateral management program. Specifically, the Group's collateral management program comprises all systems, methods, processes, controls, data collection, and information technology systems that are used in the taking, management, valuation, maintenance and realization of collateral held for credit risk mitigation purposes. Individual business lines are responsible for ensuring that their processes to manage material collateral management risks are effective on an ongoing basis.

There is no material concentration on credit risk mitigation held.

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(a) Credit Risk (contd.)

(x) Credit Risk Mitigation (contd.)

Exposures before and after credit risk mitigation

Group 31 October 2016	**Exposures before CRM RM'000**	**Exposures covered by guarantees or credit derivatives RM'000**	**Exposures covered by eligible financial collateral RM'000**	**Exposures covered by other eligible collateral RM'000**
On-balance sheet exposures				
Sovereigns/central banks	916,060	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	863,997	-	-	-
Corporates	1,357,174	156,630	84,065	-
Residential mortgages	203,506	-	-	-
Other assets	89,870			
Defaulted exposures	74,859	-	-	-
Total on-balance sheet exposures	3,505,466	156,630	84,065	-
Off-balance sheet exposures				
Credit-related off-balance sheet exposures	69,068	-	-	-
OTC derivatives	35,161	-	-	-
Total off-balance sheet exposures	104,229	-	-	-
Total credit risk exposures	3,609,695	156,630	84,065	-

Group 31 October 2015	**Exposures before CRM RM'000**	**Exposures covered by guarantees or credit derivatives RM'000**	**Exposures covered by eligible financial collateral RM'000**	**Exposures covered by other eligible collateral RM'000**
On-balance sheet exposures				
Sovereigns/central banks	310,496	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	1,802,063	-	-	-
Corporates	1,640,307	114,501	1,156	-
Residential mortgages	181,340	-	-	-
Other assets	28,595			
Defaulted exposures	109,983	-	-	-
Total on-balance sheet exposures	4,072,784	114,501	1,156	-
Off-balance sheet exposures				
Credit-related off-balance sheet exposures	125,461	-	-	-
OTC derivatives	185,660	-	-	-
Total off-balance sheet exposures	311,121	-	-	-
Total credit risk exposures	4,383,905	114,501	1,156	-

(b) Off-Balance Sheet Exposures and Counterparty Credit Risk

The Group's risk exposures are adequately assessed, properly approved and actively managed in a consistent manner across all business lines including off-balance sheet exposures and counterparty credit risk.

(i) Off-Balance Sheet Exposures

Off-balance sheet exposures of the Group are mainly from the following:

- Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as loans although they are contingent in nature

- Documentary and commercial letters of credit, which are undertakings by the Group on behalf of the customer. These exposures are usually collateralised by the underlying shipment of goods to which they relate

- Commitments to extend credit including unutilised or undrawn portions of credit facilities

- Principal/notional amount of derivative financial instruments

The management of off-balance sheet exposures is in accordance to the credit risk management policies approach as set out in Note 34(a) to the financial statements for the year ended 31 October 2016 .

(ii) Counterparty Credit Risk

Counterparty credit risk ("CCR") is the risk that the Group's counterparty in a foreign exchange and interest rate contract defaults prior to maturity date of the contract and that the Group at the time has a claim on the counterparty. Derivative financial instruments are entered into primarily for hedging purposes. The Group may also take trading derivative positions, within pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

The Group applies The International Swaps and Derivatives Association ("ISDA") Master Agreement which allows for the close-out netting across all outstanding transactions covered by an agreement if either party defaults or another pre-agreed termination event occurs. Where possible, the Group settles its Over-the-Counter ("OTC") derivatives via the Delivery-versus-Payment settlement method to further reduce settlement risk.

(b) Off-Balance Sheet Exposures and Counterparty Credit Risk (contd.)

(ii) Counterparty Credit Risk (contd.)

The Group may apply credit rating downgrade clauses in ISDA Master Agreement which may include the termination of transactions by the non-affected party, or assignment by the affected party, if its credit rating falls below a specified level.

Principal amounts, gross positive fair values of contracts, credit equivalent amounts and risk weighted assets of derivative contracts and off-balance sheet items are disclosed in Note 29 to the interim financial statements for the half-year ended 30 April 2017.

(c) Liquidity Risk

The Group's liquidity risk management policies and approach are set out in Note 34(b) to the financial statements for the year ended 31 October 2016.

(d) Market Risk

The Group adopts the Standardised Approach in calculating market risk risk weighted assets. The market risk capital requirements is as follow:

	Group	
	31 October 2016 RM'000	**31 October 2015 RM'000**
Capital charge requirement under standardised approach for		
Foreign exchange risk	3,796	1,415
Total risk weighted assets equivalent for market misk	47,445	17,687

The Group's market risk management policies and approach are set out in Note 34(c) to the financial statements for the year ended 31 October 2016.

(e) Operational Risk

The Group's operational risk management policies and approach are set out in Note 34(d) to the financial statements for the year ended 31 October 2016.

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Equity Exposures in the Banking Book

Group
31 October 2016

Equity Type	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000
Privately Held		
For socio-economic purposes	1,754	1,667
	1,754	1,667

Group
31 October 2015

Equity Type	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000
Privately Held		
For socio-economic purposes	1,754	1,667
	1,754	1,667

Holdings of equity investments, primarily shares listed in an exchange are held due to debt conversion. These investments are stated at fair value.

The privately held equity investments are unquoted and stated at cost adjusted for impairment loss, if any.

Gains and Losses on Equity Exposures in the Banking Book

	Group	
	31 October 2016 RM'000	31 October 2015 RM'000
Realised gains recognised in the income statement	-	-
Unrealised losses recognised in revaluation reserve	-	-

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Disclosure for Interest Rate Risk/Rate of Return Risk in the Banking Book

The Group simulates and reports to the Asset and Liability Committee ("ALCO") the impact of yield curves moves on the annual income and economic value of the balance sheet.

The tables below represents the maximum before-tax effect of a +/- 100 basis point parallel shift in the yield curves on the net present value of the Group's assets and liabilities.

Group
31 October 2016

Impact to	Annual Income			Economic Value		
	USD	MYR	Total	USD	MYR	Total
Parallel Shift	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
100 bp increase	418.62	8,352.52	8,771.14	(223.53)	(3,236.27)	(3,459.80)
100 bp decrease	(104.66)	(8,352.52)	(8,457.17)	226.36	3,364.12	3,590.49

Group
31 October 2015

Impact to	Annual Income			Economic Value		
	USD	MYR	Total	USD	MYR	Total
Parallel Shift	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
100 bp increase	587.06	9,802.31	10,389.37	(469.15)	(197.53)	(666.69)
100 bp decrease	(146.76)	(9,802.31)	(9,949.07)	170.19	215.90	386.08

Based on a 100 bps parallel rise in yield curves on Malaysian Ringgit and US Dollar, Annual Income is expected to increase by MYR 8.77 million (Oct-2015: increase MYR 10.39 million), while the Economic Value is expected to decrease by MYR 3.46 million (Oct-2015: decrease MYR0.67 million).

The corresponding impact from a 100 bps parallel decrease is an estimated reduction of MYR 8.46 million (Oct-2015: reduction MYR 9.95 million), while the Economic Value is expected to increase by MYR 3.59 million (Oct-15: increase MYR 0.39 million).