

(Company No. 308035 U)

**The Bank of Nova Scotia Berhad**

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

**Basel II Pillar 3 Disclosures**  
**30 April 2017**

**CHIEF EXECUTIVE OFFICER'S ATTESTATION**

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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.

(Company No. 308035 U)

### **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 facilitate 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.

(Company No. 308035 U)

### Capital Adequacy Ratios

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 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:

	<b>Capital Ratio</b>
Common Equity Tier 1 ("CET 1")	4.5%
Tier 1	6.0%
Total	<u>8.0%</u>

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:

	<b>Group</b>	
	<b>30 April 2017 RM'000</b>	<b>31 October 2016 RM'000</b>
Common Equity Tier 1 ("CET 1") Capital Ratio	42.109%	40.303%
Tier 1 Capital Ratio	42.109%	40.303%
Total Capital Ratio	<u>42.812%</u>	<u>40.976%</u>

(Company No. 308035 U)

**Risk weighted assets and capital requirements**

<b>Item</b>	<b>Group 30 April 2017 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
1	<u>Credit risk</u> <i>On-balance sheet exposures:</i> Sovereigns/central banks Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs") Corporates Residential mortgages Other assets Defaulted exposures	1,068,761 328,941 1,443,933 191,518 74,500 74,248	1,068,761 328,941 1,443,933 191,518 74,500 74,248	- 215,992 1,444,004 125,838 73,499 72,560	- 17,279 115,520 10,067 5,880 5,805
	Total on-balance sheet exposures	3,181,901	3,181,901	1,931,893	154,551
	<i>Off-balance sheet exposures:</i> Credit-related off-balance sheet exposures OTC derivatives	43,620 30,544	43,620 30,544	39,522 12,652	3,162 1,012
	Total off-balance sheet exposures	74,164	74,164	52,174	4,174
	Total on and off-balance sheet exposures	3,256,065	3,256,065	1,984,067	158,725
2	Large exposures risk requirement	-	-	-	-
3	<u>Market risk</u> Foreign currency risk	Long Position 13,579	Short Position (94,910)	94,910	7,593
4	Operational risk			165,206	13,216
5	Total RWA and capital requirements			2,244,183	179,534

(Company No. 308035 U)

**Risk weighted assets and capital requirements**

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

(Company No. 308035 U)

### **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 27 to the interim financial statements for the half-year ended 30 April 2017.

### **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.

(Company No. 308035 U)

**(a) Credit Risk (contd.)****(i) Geographical distribution of credit risk exposures**

<b>Group</b> <b>30 April 2017</b>	<b>Malaysia</b> <b>RM'000</b>	<b>Others</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
Sovereigns/central banks	1,068,761	-	1,068,761
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	296,367	47,575	343,942
Corporates	1,378,703	184,001	1,562,704
Residential mortgages	177,566	28,592	206,158
Other assets	74,500	-	74,500
<b>Total credit risk exposures</b>	<b>2,995,897</b>	<b>260,168</b>	<b>3,256,065</b>

<b>Group</b> <b>31 October 2016</b>	<b>Malaysia</b> <b>RM'000</b>	<b>Others</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
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
<b>Total credit risk exposures</b>	<b>3,158,458</b>	<b>451,237</b>	<b>3,609,695</b>



(Company No. 308035 U)

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

(ii) Distribution of credit risk exposure by sector

Group	30 April 2017										
	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	-	-	-	-	-	-	-	-	-	1,068,761	1,068,761
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	-	-	-	-	-	-	-	-	-	-	-
Corporates	554,943	565,716	-	40,000	136,721	97,068	343,942	51,100	528	-	343,942
Residential mortgages	-	-	-	-	-	-	116,628	-	206,158	-	1,562,704
Other assets	-	-	-	-	-	-	-	-	-	74,500	206,158
<b>Total credit risk exposures</b>	<b>554,943</b>	<b>565,716</b>	<b>-</b>	<b>40,000</b>	<b>136,721</b>	<b>97,068</b>	<b>460,570</b>	<b>51,100</b>	<b>206,686</b>	<b>1,143,261</b>	<b>3,256,065</b>
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
<b>Total credit risk exposures</b>	<b>558,390</b>	<b>542,795</b>	<b>-</b>	<b>16,000</b>	<b>127,776</b>	<b>93,884</b>	<b>1,016,901</b>	<b>28,700</b>	<b>219,319</b>	<b>1,005,930</b>	<b>3,605,695</b>

(Company No. 308035 U)

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

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

<b>Group</b>	<b>Up to 6 months</b>	<b>&gt; 6 months - 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>30 April 2017</b>				
Sovereigns/central banks	965,436	-	103,325	1,068,761
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	313,243	30,499	200	343,942
Corporates	1,546,853	8,516	7,335	1,562,704
Residential mortgages	53,121	203	153,240	206,158
Other assets	74,500	-	-	74,500
<b>Total credit risk exposures</b>	<b>2,953,153</b>	<b>38,812</b>	<b>264,100</b>	<b>3,256,065</b>
<b>31 October 2016</b>				
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
<b>Total credit risk exposures</b>	<b>3,406,262</b>	<b>28,399</b>	<b>175,034</b>	<b>3,609,695</b>

(Company No. 308035 U)

**(a) Credit Risk (contd.)****(iv) Geographical distribution individual and collective impairment provisions****Group**

	<b>Collective impairment provisions as at 30 April 2017 RM'000</b>	<b>Individual impairment provisions as at 1 November 2016 RM'000</b>	<b>Net individual impairment charge for the year RM'000</b>	<b>Amount written off/ other movements RM'000</b>	<b>Individual impairment provisions as at 30 April 2017 RM'000</b>
Malaysia	18,504	45,299	4,665	(8,372)	41,592
Others	2,700	4,501	541	-	5,042
	<u>21,204</u>	<u>49,800</u>	<u>5,206</u>	<u>(8,372)</u>	<u>46,634</u>

**Group**

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

**(v) Geographical distribution of impaired and past due loans****Group****30 April 2017**

	<b>Loans and advances past due but not impaired RM'000</b>	<b>Impaired loans and advances RM'000</b>
Malaysia	53,975	110,331
Others	7,065	10,188
	<u>61,040</u>	<u>120,519</u>

**Group****31 October 2016**

	<b>Loans and advances past due but not impaired RM'000</b>	<b>Impaired loans and advances RM'000</b>
Malaysia	43,459	115,050
Others	4,638	9,505
	<u>48,097</u>	<u>124,555</u>

(Company No. 308035 U)

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

(vi) Impaired and past due loans by sector

<b>Group</b> <b>30 April 2017</b>	<b>Loans and advances past due but not impaired RM'000</b>	<b>Impaired loans and advances RM'000</b>
Agriculture	-	-
Manufacturing	-	87,018
Construction	-	-
Wholesale & retail trade and restaurants & hotels	-	-
Transport, storage and communication	-	-
Finance, insurance and business services	-	-
Education, health and others	-	-
Household	61,040	33,501
Others	-	-
	<u>61,040</u>	<u>120,519</u>
	<u>61,040</u>	<u>120,519</u>
<b>Group</b> <b>31 October 2016</b>	<b>Loans and advances past due but not impaired RM'000</b>	<b>Impaired loans and advances RM'000</b>
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	-	-
	<u>48,097</u>	<u>124,555</u>
	<u>48,097</u>	<u>124,555</u>

(Company No. 308035 U)

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

(vii) Reconciliation of changes to impairment provisions

	<b>Group</b>	
	<b>30 April 2017</b>	<b>31 October 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Collective impairment provisions</b>		
At beginning of financial period	21,204	28,564
Amount written back	-	(7,360)
	<u>21,204</u>	<u>21,204</u>
At end of financial period	<u>21,204</u>	<u>21,204</u>

	<b>Group</b>	
	<b>30 April 2017</b>	<b>31 October 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Individual impairment provisions</b>		
At beginning of financial period	49,800	24,550
Impairment made during the financial period	6,358	27,993
Impairment written back in respect of recoveries	(1,151)	(2,743)
Amount written off	(8,372)	-
	<u>46,635</u>	<u>49,800</u>
At end of financial period	<u>46,635</u>	<u>49,800</u>

(Company No. 308035 U)

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

(viii) Impairment provisions by sector

<b>Group</b>	<b>Collective impairment provisions as at 30 April 2017 RM'000</b>	<b>Individual impairment provisions as at 1 November 2016 RM'000</b>	<b>Net individual impairment charge for the year RM'000</b>	<b>Amount written off/ other movements RM'000</b>	<b>Individual impairment provisions as at 30 April 2017 RM'000</b>
Agriculture	6,127	-	-	-	-
Manufacturing	6,146	23,144	4,174	-	27,318
Construction	335	-	-	-	-
Wholesale & retail trade and restaurants & hotels	1,424	8,335	177	(8,372)	140
Transport, storage and communication	1,084	-	-	-	-
Finance, insurance and business services	3,274	-	-	-	-
Education, health and others	514	-	-	-	-
Household	2,300	18,321	855	-	19,176
Others	-	-	-	-	-
	<b>21,204</b>	<b>49,800</b>	<b>5,206</b>	<b>(8,372)</b>	<b>46,634</b>

<b>Group</b>	<b>Collective impairment provisions as at 31 October 2016 RM'000</b>	<b>Individual impairment provisions as at 1 November 2015 RM'000</b>	<b>Net individual impairment charge for the year RM'000</b>	<b>Amount written off/ other movements RM'000</b>	<b>Individual impairment provisions as at 31 October 2016 RM'000</b>
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	-	-	-	-	-
	<b>21,204</b>	<b>24,550</b>	<b>25,250</b>	<b>-</b>	<b>49,800</b>

(Company No. 308035 U)

**(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.

(Company No. 308035 U)

## (a) Credit Risk (contd.)

(ix) Use of External Ratings (contd.)

Credit exposures by risk weights under the Standardised Approach

Group	Exposures after Netting and Credit Risk Mitigation					Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks RM'000	Banks, MDBs and FDIs RM'000	Corporates RM'000	Residential Mortgages RM'000	Other Assets RM'000		
0%	1,068,761	-	-	-	914	1,069,675	-
20%	-	110,224	-	-	109	110,333	22,067
35%	-	-	-	99,335	-	99,335	34,767
50%	-	73,314	20,064	5,725	-	99,103	49,551
75%	-	-	-	4,448	-	4,448	3,336
100%	-	160,405	1,542,640	94,300	73,477	1,870,822	1,870,822
150%	-	-	-	2,349	-	2,349	3,524
Total Exposures	1,068,761	343,943	1,562,704	206,157	74,500	3,256,065	1,984,067
Risk-Weighted Assets by Exposures	-	219,107	1,552,672	138,789	73,499	1,984,067	-
Average Risk Weight	0.0%	63.7%	99.4%	67.3%	98.7%	60.9%	-
Deduction from Capital Base	-	-	-	-	-	-	-

Group	Exposures after Netting and Credit Risk Mitigation					Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Banks RM'000	Banks, MDBs and FDIs RM'000	Corporates RM'000	Residential Mortgages RM'000	Other Assets 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	-	-	-	-	-	-	-



(Company No. 308035 U)

**(a) Credit Risk (contd.)****(ix) Use of External Ratings (contd.)**

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

**Group**  
**30 April 2017**

Exposure Class	Ratings of Corporate by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Rated	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Rated	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Rated	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Rated	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Rated	Unrated	
<b>On and Off-Balance Sheet Exposures</b>							
Corporates		-	20,064	1,542,640	-	1,562,704	-
<b>Total (i)</b>		-	20,064	1,542,640	-	1,562,704	-

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Rated	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Rated	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Rated	Unrated
<b>On and Off-Balance Sheet Exposures</b>							
Sovereign and Central Banks		-	1,068,761	-	-	1,068,761	-
<b>Total (ii)</b>		-	1,068,761	-	-	1,068,761	-

Exposure Class	Short term Ratings of Banking Institutions by Approved ECAIs						
	Moody's	P-1	P-2	P-3	Others	Rated	Unrated
	S&P	A-1	A-2	A-3	Others	Rated	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Rated	Unrated
	RAM	P-1	P-2	P-3	NP	Rated	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Rated	Unrated
<b>On and Off-Balance Sheet Exposures</b>							
Banks, MDBs and FDIs		110,224	73,313	160,405	-	343,942	-
<b>Total (iii)</b>		110,224	73,313	160,405	-	343,942	-
<b>Total Exposure (i)+(ii)+(iii)</b>						2,975,407	-
Residential Mortgages		-	-	-	-	-	206,158
Other Assets		-	-	-	-	-	74,500
<b>Total Unrated Exposure</b>		-	-	-	-	-	280,658
<b>Total</b>						2,975,407	280,658

(Company No. 308035 U)

**(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						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Rated	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Rated	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Rated	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Rated	Unrated
MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Rated	Unrated	
<b>On and Off-Balance Sheet Exposures</b>							
Corporates		193	22,747	1,402,172	59,722	1,484,834	-
<b>Total (i)</b>		193	22,747	1,402,172	59,722	1,484,834	-

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

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

(Company No. 308035 U)

**(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-couponsing 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 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.

(Company No. 308035 U)

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

Exposures before and after credit risk mitigation

<b>Group 30 April 2017</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees or credit derivatives RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>	<b>Exposures covered by other eligible collateral RM'000</b>
<b>On-balance sheet exposures</b>				
Sovereigns/central banks	1,068,761	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	328,941	-	-	-
Corporates	1,443,933	157,890	86,890	-
Residential mortgages	191,518	-	-	-
Other assets	74,500	-	-	-
Defaulted exposures	74,248	-	-	-
<b>Total on-balance sheet exposures</b>	<b>3,181,901</b>	<b>157,890</b>	<b>86,890</b>	<b>-</b>
<b>Off-balance sheet exposures</b>				
Credit-related off-balance sheet exposures	43,620	-	-	-
OTC derivatives	30,544	-	-	-
<b>Total off-balance sheet exposures</b>	<b>74,164</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total credit risk exposures</b>	<b>3,256,065</b>	<b>157,890</b>	<b>86,890</b>	<b>-</b>
<b>Group 31 October 2016</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees or credit derivatives RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>	<b>Exposures covered by other eligible collateral RM'000</b>
<b>On-balance sheet exposures</b>				
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	-
Regulatory Retail	-	-	-	-
Residential mortgages	203,506	-	-	-
Other assets	89,870	-	-	-
Defaulted exposures	74,859	-	-	-
<b>Total on-balance sheet exposures</b>	<b>3,505,466</b>	<b>156,630</b>	<b>84,065</b>	<b>-</b>
<b>Off-balance sheet exposures</b>				
Credit-related off-balance sheet exposures	69,068	-	-	-
OTC derivatives	35,161	-	-	-
<b>Total off-balance sheet exposures</b>	<b>104,229</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total credit risk exposures</b>	<b>3,609,695</b>	<b>156,630</b>	<b>84,065</b>	<b>-</b>

(Company No. 308035 U)

**(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.

(Company No. 308035 U)

**(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 33 to the financial statements for the year ended 31 October 2016.

**(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:

	<b>Group</b>	
	<b>30 April 2017</b>	<b>31 October 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Capital charge requirement under standardised approach for</b>		
Foreign exchange risk	7,593	3,796
<b>Total risk weighted assets equivalent for market risk</b>	94,910	47,445

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.

(Company No. 308035 U)

**Equity Exposures in the Banking Book****Group****30 April 2017**

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

**Group****31 October 2016**

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

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**

	<b>Group</b>	
	<b>30 April 2017 RM'000</b>	<b>31 October 2016 RM'000</b>
Realised gains recognised in the income statement	<u>-</u>	<u>-</u>
Unrealised losses recognised in revaluation reserve	<u>-</u>	<u>-</u>

(Company No. 308035 U)

### 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 30 April 2017

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	1	8,324	8,324	(317)	(2,971)	(3,288)
100 bp decrease	-*	(8,324)	(8,324)	320	3,072	3,392

#### 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	419	8,353	8,771	(224)	(3,236)	(3,460)
100 bp decrease	(105)	(8,353)	(8,457)	226	3,364	3,590

\* amounts less than RM1,000

Based on a 100 bps parallel rise in yield curves on Malaysian Ringgit and US Dollar, Annual Income is expected to increase by MYR 8.32 million (Oct-16: increase MYR 8.77 million), or approximately +13.51% of annualised net interest income while the Economic Value is expected to decrease by MYR 3.29 million (Oct-16: decrease MYR 3.46 million).

The corresponding impact from a 100 bps parallel decrease is an estimated reduction of MYR 8.32 million (Oct-16: reduction MYR 8.46 million), or approximately -13.51% of annualised net interest income while the Economic Value is expected to increase by MYR 3.39 million (Oct-16: increase MYR 3.59 million).



(Company No. 308035 U)

### 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 30 April 2017

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	0.98	8,323.87	8,324.84	(316.64)	(2,971.24)	(3,287.88)
100 bp decrease	(0.24)	(8,323.87)	(8,324.11)	320.39	3,071.82	3,392.20

#### 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

Based on a 100 bps parallel rise in yield curves on Malaysian Ringgit and US Dollar, Annual Income is expected to increase by MYR 8.32 million (Oct-16: increase MYR 8.77 million), or approximately +13.51% of annualised net interest income while the Economic Value is expected to decrease by MYR 3.29 million (Oct-16: decrease MYR 3.46 million).

The corresponding impact from a 100 bps parallel decrease is an estimated reduction of MYR 8.32 million (Oct-16: reduction MYR 8.46 million), or approximately -13.51% of annualised net interest income while the Economic Value is expected to increase by MYR 3.39 million (Oct-16: increase MYR 3.59 million).