The Bank of Nova Scotia Berhad

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

Basel II Pillar 3 Disclosures
30 April 2018

CHIEF EXECUTIVE OFFICER'S ATTESTATION

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

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Scope of Application

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The Bank is principally engaged in banking and related financial services, and does not offer Islamic financial services nor is involved in Islamic banking operations. Information of its subsidiaries are disclosed in Note 9 to the audited financial statements for the year ended 31 October 2017. The Bank and its subsidiaries are herein referred to as "the Group" in this document.

For regulatory purpose, the investment in subsidiaries has been deducted from the Bank's regulatory capital. As the subsidiaries asset size is immaterial relative to the Bank's assets, the Bank's capital ratios and disclosures are deem to be representative of the Group's consolidated capital ratios and disclosures.

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 management and dividend policy is to maintain adequate capital support to its continuing operations, its future expectations for business growth and to withstand such market or economic shocks and/or counterparty failures as may potentially occur in a period of economic stress. The policy aims at ensuring that the Group is adequately capitalised for both regulatory and economic purposes on a forward-looking basis.

The Group is commmitted to avoid any possibility of breaching the regulatory minimum capital requirements and to maintain a solid capital base to support risk associated with its diverse businesses.

Approach for assessing the adequacy of internal capital levels

The approach is 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.

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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.

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 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; and

(ii) a Capital Conservation Buffer ("CCB") of up to 2.5%.

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	
	30 April 2018 RM'000	31 October 2017 RM'000
CET 1 Capital Ratio	67.361%	52.785%
Tier 1 Capital Ratio	67.361%	52.785%
Total Capital Ratio	67.884%	53.242%

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Risk weighted assets and capital requirements

Item	Group 30 April 2018 Exposure Class	Gross Exposures / EAD before CRM RM'000		Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
1	Credit risk					
	On-balance sheet exposures:					
	Sovereigns/central banks	558,540		558,540	-	-
	Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	131,151		131,151	32,147	2,572
	Corporates	1,081,279		1,081,279	1,081,279	86,502
	Residential mortgages	122,415		122,415	68,964	5,517
	Other assets	29,042		29,042	28,251	2,260
	Defaulted exposures	59,804		59,804	57,284	4,583
	Total on-balance sheet exposures	1,982,231		1,982,231	1,267,925	101,434
	Off-balance sheet exposures:					
	Credit-related off-balance sheet exposures	12,940		12,940	9,303	744
	OTC derivatives	29,056		20,274	19,144	1,532
	Total off-balance sheet exposures	41,996		33,214	28,447	2,276
	Total on and off-balance sheet exposures	2,024,227		2,015,445	1,296,372	103,710
2	Large exposures risk requirement	-		-	-	-
3	Market risk	Long Position	Short Position			
	Foreign currency risk	11,974	-		11,974	958
	Interest rate risk				1,960	157
4	Operational risk (Basic Indicator Approach)				140,669	11,254
5	Total RWA and capital requirements				1,450,975	116,079

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Risk weighted assets and capital requirements

Item	Group 31 October 2017 Exposure Class	Gross Exposures / EAD before CRM RM'000		Net Exposures / EAD after CRM RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirements at 8% RM'000
1	Credit risk					
	On-balance sheet exposures:					
	Sovereigns/central banks	660,836		660,836	-	-
	Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	168,876		168,876	67,135	5,371
	Corporates	1,417,537		1,417,537	1,393,537	111,483
	Residential mortgages	130,233		130,233	74,574	5,966
	Other assets	34,681		34,681	34,087	2,727
	Defaulted exposures	74,937		74,937	72,686	5,815
	Total on-balance sheet exposures	2,487,100		2,487,100	1,642,019	131,362
	Off-balance sheet exposures:					
	Credit-related off-balance sheet exposures	20,572		20,572	16,533	1,323
	OTC derivatives	41,735		41,735	24,246	1,940
	Total off-balance sheet exposures	62,307		62,307	40,779	3,263
	Total on and off-balance sheet exposures	2,549,407		2,549,407	1,682,798	134,625
2	Large exposures risk requirement	-		-	-	-
3	Market risk	Long Position	Short Position			
	Foreign currency risk	1,879	(4,187)		4,187	335
	Interest rate risk				14,023	1,122
4	Operational risk (Basic Indicator Approach)				149,956	11,996
5	Total RWA and capital requirements				1,850,964	148,078

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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, audited retained earnings,and reserves, less applicable regulatory adjustments.

(ii) Tier 2 capital, which includes regulatory reserves and collective impairment allowances (excluding impairment allowances attributable to loans classified as impaired), less investment in subsidiaries.

The breakdown of capital structure components are disclosed in Note 27 to the unaudited interim financial statements for the period ended 30 April 2018.

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 33 to the audited financial statements for the year ended 31 October 2017.

(a) Credit Risk

Refer to Note 33(a) to the audited financial statements for the year ended 31 October 2017 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 2017.

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(a) Credit Risk (contd.)

(i) Geographical distribution of credit risk exposures

Group **30 April 2018**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Sovereigns/central banks	558,540	-	558,540
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	110,397	35,673	146,070
Corporates	1,074,924	78,410	1,153,334
Residential mortgages	112,797	24,444	137,241
Other assets	29,042	-	29,042
Total credit risk exposures	1,885,700	138,527	2,024,227

Group **31 October 2017**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Sovereigns/central banks	660,836	-	660,836
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	172,241	23,512	195,753
Corporates	1,426,716	84,590	1,511,306
Residential mortgages	120,182	26,649	146,831
Other assets	34,681	-	34,681
Total credit risk exposures	2,414,656	134,751	2,549,407

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

(ii) Distribution of credit risk exposure by sector

Group **30 April 2018**	**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	-	-	-	-	-	-	-	-	-	558,540	558,540
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	-	-	-	-	-	-	146,070	-	-	-	146,070
Corporates	254,465	253,902	-	50,000	134,482	80,000	292,685	38,100	49,700	-	1,153,334
Residential mortgages	-	-	-	-	-	-	-	-	137,241	-	137,241
Other assets	-	-	-	-	-	-	-	-	-	29,042	29,042
Total credit risk exposures	254,465	253,902	-	50,000	134,482	80,000	438,755	38,100	186,941	587,582	2,024,227

Group **31 October 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	-	-	-	-	-	-	-	-	-	660,836	660,836
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	-	-	-	-	-	-	195,753	-	-	-	195,753
Corporates	495,128	345,191	-	50,000	129,086	90,000	311,328	40,100	50,473	-	1,511,306
Residential mortgages	-	-	-	-	-	-	-	-	146,831	-	146,831
Other assets	-	-	-	-	-	-	-	-	-	34,681	34,681
Total credit risk exposures	495,128	345,191	-	50,000	129,086	90,000	507,081	40,100	197,304	695,517	2,549,407

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(a) Credit Risk (contd.)

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

Group **30 April 2018**	**Up to 6 months** **RM'000**	**> 6 months - 1 year** **RM'000**	**Over 1 year** **RM'000**	**Total** **RM'000**
Sovereigns/central banks	456,779	60,442	41,319	558,540
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	135,386	8,778	1,906	146,070
Corporates	1,151,102	1,287	945	1,153,334
Residential mortgages	1,268	913	135,060	137,241
Other assets	29,042	-	-	29,042
Total credit risk exposures	1,773,577	71,420	179,230	2,024,227

Group **31 October 2017**	**Up to 6 months** **RM'000**	**> 6 months - 1 year** **RM'000**	**Over 1 year** **RM'000**	**Total** **RM'000**
Sovereigns/central banks	558,300	-	102,536	660,836
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	170,966	2,672	22,115	195,753
Corporates	1,501,886	5,399	4,021	1,511,306
Residential mortgages	1,842	1,006	143,983	146,831
Other assets	34,681	-	-	34,681
Total credit risk exposures	2,267,675	9,077	272,655	2,549,407

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(a) Credit Risk (contd.)

(iv) Geographical distribution individual and collective impairment provisions

Group

	Collective impairment provisions as at 30 April 2018 RM'000	Individual impairment provisions as at 1 November 2017 RM'000	Net individual impairment charge for the year RM'000	Amount written off/ other movements RM'000	Individual impairment provisions as at 30 April 2018 RM'000
Malaysia	17,142	46,221	13,492	(2,663)	57,050
Others	1,808	5,745	652	-	6,397
	18,950	51,966	14,144	(2,663)	63,447

Group

	Collective impairment provisions as at 31 October 2017 RM'000	Individual impairment provisions as at 1 November 2016 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 2017 RM'000
Malaysia	19,139	45,378	9,355	(8,512)	46,221
Others	1,542	4,422	1,323	-	5,745
	20,681	49,800	10,678	(8,512)	51,966

(v) Geographical distribution of impaired and past due loans

Group 30 April 2018	Loans and advances past due but not impaired RM'000	Impaired loans and advances RM'000
Malaysia	39,645	111,254
Others	4,660	11,977
	44,305	123,231

Group 31 October 2017	Loans and advances past due but not impaired RM'000	Impaired loans and advances RM'000
Malaysia	43,415	114,320
Others	1,933	11,745
	45,348	126,065

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(a) Credit Risk (contd.)

(vi) Impaired and past due loans by sector

Group 30 April 2018	**Loans and advances past due but not impaired RM'000**	**Impaired loans and advances RM'000**
Agriculture	-	-
Manufacturing	-	88,751
Construction	-	-
Wholesale & retail trade and restaurants & hotels	-	-
Transport, storage and communication	-	-
Finance, insurance and business services	-	-
Education, health and others	-	-
Household	44,305	34,480
Others	-	-
	44,305	123,231

Group 31 October 2017	**Loans and advances past due but not impaired RM'000**	**Impaired loans and advances RM'000**
Agriculture	-	-
Manufacturing	-	90,138
Construction	-	-
Wholesale & retail trade and restaurants & hotels	-	-
Transport, storage and communication	-	-
Finance, insurance and business services	-	-
Education, health and others	-	-
Household	45,348	35,927
Others	-	-
	45,348	126,065

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(a) Credit Risk (contd.)

(vii) Reconciliation of changes to impairment provisions

	Group	
	31 October 2018 RM'000	**31 October 2017 RM'000**
Collective impairment provisions		
At beginning of financial period	20,681	21,204
Amount written back	(1,731)	(523)
At end of financial period	18,950	20,681

	Group	
	31 October 2018 RM'000	**31 October 2017 RM'000**
Individual impairment provisions		
At beginning of financial period	51,966	49,800
Impairment made during the financial period	16,840	12,717
Impairment written back in respect of recoveries	(2,696)	(2,039)
Amount written off	-	(8,512)
Unwinding income	(2,663)	-
At end of financial period	63,447	51,966

(Company No. 308035 U)

(a) Credit Risk (contd.)

(viii) Impairment provisions by sector

Group

	Collective impairment provisions as at 30 April 2018 RM'000	Individual impairment provisions as at 1 November 2017 RM'000	Net individual impairment charge for the year RM'000	Amount written off/ other movements RM'000	Individual impairment provisions as at 30 April 2018 RM'000
Agriculture	3,700	-	-	-	-
Manufacturing	3,671	31,694	14,499	(2,663)	43,530
Construction	738	-	-	-	-
Wholesale & retail trade and restaurants & hotels	1,942	-	-	-	-
Transport, storage and communication	1,182	-	-	-	-
Finance, insurance and business services	4,399	-	-	-	-
Education, health and others	561	-	-	-	-
Household	2,757	20,272	(355)	-	19,917
Others	-	-	-	-	-
	18,950	51,966	14,144	(2,663)	63,447

Group

	Collective impairment provisions as at 31 October 2017 RM'000	Individual impairment provisions as at 1 November 2016 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 2017 RM'000
Agriculture	6,209	-	-	-	-
Manufacturing	4,163	23,144	8,550	-	31,694
Construction	633	-	-	-	-
Wholesale & retail trade and restaurants & hotels	1,594	-	-	-	-
Transport, storage and communication	1,140	-	-	-	-
Finance, insurance and business services	3,945	-	-	-	-
Education, health and others	506	-	-	-	-
Household	2,491	26,656	2,128	(8,512)	20,272
Others	-	-	-	-	-
	20,681	49,800	10,678	(8,512)	51,966

(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 Capital Adequacy Framework:

(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

In cases where counterparty is rated by more than one ECAI, all available external ratings of the counterparty are captured and the following rules observed :

(a) Where 2 recognised external ratings are available, the lower rating is to be applied; or

(b) Where 3 or more recognised external ratings are available, the lower of the highest 2 ratings will be used for the capital adequacy calculation purposes.

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 Capital Adequacy Framework.

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(a) Credit Risk (contd.)

(ix) Use of External Ratings (contd.)

Credit exposures by risk weights under the Standardised Approach

Group 30 April 2018 Risk Weights	Exposures after Netting and Credit Risk Mitigation					Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, MDBs and FDIs	Corporates	Residential Mortgages	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	558,540	-	-	-	791	559,331	-
20%	-	117,084	-	-	-	117,084	23,417
35%	-	-	-	52,942	-	52,942	18,530
50%	-	20,204	-	43,147	-	63,351	31,675
75%	-	-	-	3,092	-	3,092	2,319
100%	-	-	1,153,334	36,488	28,251	1,218,073	1,218,073
150%	-	-	-	1,572	-	1,572	2,358
Total Exposures	558,540	137,288	1,153,334	137,241	29,042	2,015,445	1,296,372
Risk-Weighted Assets by Exposures	-	33,519	1,153,334	81,268	28,251	1,296,372	
Average Risk Weight	0.0%	24.4%	100.0%	59.2%	97.3%	64.3%	
Deduction from Capital Base	-	-	-	-	-	-	

Group 31 October 2017 Risk Weights	Exposures after Netting and Credit Risk Mitigation					Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, MDBs and FDIs	Corporates	Residential Mortgages	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	660,836	-	-	-	507	661,343	-
20%	-	84,135	30,196	-	109	114,440	22,888
35%	-	-	-	54,725	-	54,725	19,154
50%	-	111,610	-	45,242	-	156,852	78,426
75%	-	-	-	3,963	-	3,963	2,972
100%	-	8	1,481,110	40,354	34,065	1,555,537	1,555,537
150%	-	-	-	2,547	-	2,547	3,821
Total Exposures	660,836	195,753	1,511,306	146,831	34,681	2,549,407	1,682,798
Risk-Weighted Assets by Exposures	-	72,640	1,487,149	88,922	34,087	1,682,798	
Average Risk Weight	0.0%	37.1%	98.4%	60.6%	98.3%	66.0%	
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
30 April 2018

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	Unrated	Total
On and Off-Balance Sheet Exposures							
Corporates		-	-	-	-	1,153,334	1,153,334
Total (i)		-	-	-	-	1,153,334	1,153,334

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	Unrated	Total
On and Off-Balance Sheet Exposures							
Sovereign and Central Banks		-	558,540	-	-	-	558,540
Total (ii)		-	558,540	-	-	-	558,540

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	Unrated	Total
On and Off-Balance Sheet Exposures							
Banks, MDBs and FDIs		125,866	19,771	-	-	433	146,070
Total (iii)		125,866	19,771	-	-	433	146,070
Total Exposure (i)+(ii)+(iii)		125,866	578,311	-	-	1,153,767	1,857,944
Residential Mortgages		-	-	-	-	137,241	137,241
Other Assets		-	-	-	-	29,042	29,042
Total Unrated Exposure		-	-	-	-	166,283	166,283
Total		**125,866**	**578,311**	-	-	**1,320,050**	**2,024,227**

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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 2017

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	Unrated	Total
On and Off-Balance Sheet Exposures							
Corporates		30,196	-	-	-	1,481,110	1,511,306
Total (i)		30,196	-	-	-	1,481,110	1,511,306

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	Unrated	Total
On and Off-Balance Sheet Exposures							
Sovereign and Central Banks		-	660,836	-	-	-	660,836
Total (ii)		-	660,836	-	-	-	660,836

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	Unrated	Total
On and Off-Balance Sheet Exposures							
Banks, MDBs and FDIs		84,135	100,344	8	-	11,266	195,753
Total (iii)		84,135	100,344	8	-	11,266	195,753
Total Exposure (i)+(ii)+(iii)		114,331	761,180	8	-	1,492,376	2,367,895
Residential Mortgages		-	-	-	-	146,831	146,831
Other Assets		-	-	-	-	34,681	34,681
Total Unrated Exposure		-	-	-	-	181,512	181,512
Total		**114,331**	**761,180**	**8**	**-**	**1,673,888**	**2,549,407**

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(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 30 April 2018	**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	558,540	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	131,151	-	8,782	-
Corporates	1,081,279	145,152	-	-
Residential mortgages	122,415	-	-	-
Other assets	29,042			
Defaulted exposures	59,804	-	-	-
Total on-balance sheet exposures	1,982,231	145,152	8,782	-
Off-balance sheet exposures				
Credit-related off-balance sheet exposures	12,940	-	-	-
OTC derivatives	29,056	-	-	-
Total off-balance sheet exposures	41,996	-	-	-
Total credit risk exposures	2,024,227	145,152	8,782	-

Group 31 October 2017	**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	660,836	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	168,876	-	-	-
Corporates	1,417,537	145,978	-	-
Regulatory Retail		-	-	-
Residential mortgages	130,233	-	-	-
Other assets	34,681			
Defaulted exposures	74,937	-	-	-
Total on-balance sheet exposures	2,487,100	145,978	-	-
Off-balance sheet exposures				
Credit-related off-balance sheet exposures	20,572	-	-	-
OTC derivatives	41,735	-	-	-
Total off-balance sheet exposures	62,307	-	-	-
Total credit risk exposures	2,549,407	145,978	-	-

(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 33(a) to the financial statements for the year ended 31 October 2017.

(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 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 32 to the financial statements for the year ended 31 October 2017.

(c) Liquidity Risk

The Group's liquidity risk management policies and approach are set out in Note 33(b) to the financial statements for the year ended 31 October 2017.

(d) Market Risk

The Group's market risk management policies and approach are set out in Note 33(c) to the financial statements for the year ended 31 October 2017.

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

	Group	
	30 April 2018 RM'000	**31 October 2017 RM'000**
Capital requirement under standardised approach for		
Foreign exchange risk	958	335
Interest rate risk	157	1,122
Total risk weighted assets equivalent for market risk	13,934	18,210

(e) Operational Risk

The Group's operational risk management policies and approach are set out in Note 33(d) to the financial statements for the year ended 31 October 2017.

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(f) Equity Exposures in the Banking Book

Group
30 April 2018

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

Group
31 October 2017

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

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 30 April 2018 RM'000	Group 31 October 2017 RM'000
Realised gains recognised in the income statement	-	-
Unrealised losses recognised in revaluation reserve	-	-

(g) Interest Rate Risk/Rate of Return Risk in the Banking Book

Interest Rate Risk in the banking book is a non-pillar 1 risk and considers the impact of interest rate fluctuatios on yields and earnings and is created when cash flows from principal and interest on assets and liabilities are not perfectly matched.

In addition, changes in interest rate can have adverse effects both on earnings and its economic value. This has given rise to two separate, but complementary perspectives for assessing interest rate risk exposure in the banking book :

i. Earnings Perspective (Annual Income Limit) - where analysis focuses on the impact of changes in interest rates on reported earnings. Variations in earnings is an important focal point for interest rate analysis because reduced earnings or outright losses may affect the financial stability of an institution by undermining its capital adequacy and by reducing market confidence; and

ii. Economic Value Perspective (Economic Value Limit) - where the analysis focuses on how variations in market interest rates affect the economic value of the Group's assets, liabilities and off-balance sheet positions. The economic value of the Group can be viewed as the present value of the Group's expected cash flows on liabilities, plus the expected net cash flows on off-balance sheet positions. Since the economic value perspective considers the potential impact of interest rate changes on the present value of all future cash flows, it provides a more comprehensive view of the potential long term effects of changes in interest rates than is offered by the earnings perspective.

(g) Interest Rate Risk/Rate of Return Risk in the Banking Book (contd.)

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 2018

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	49	8,432	8,481	(126)	(2,263)	(2,389)
100 bp decrease	(49)	(8,432)	(8,481)	114	2,828	2,942

Group
31 October 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	(3)	8,463	8,460	(174)	(2,674)	(2,848)
100 bp decrease	1	(8,463)	(8,462)	176	2,752	2,928

Based on a 100 bps parallel rise in yield curves on Malaysian Ringgit and US Dollar, Annual Income is expected to increase by MYR 8.48 million (Oct-17: increase MYR 8.46 million), while the Economic Value is expected to decrease by MYR 2.39 million (Oct-17: decrease MYR 2.85 million).

The corresponding impact from a 100 bps parallel decrease is an estimated reduction of MYR 8.48 million (Oct-17: reduction MYR 8.46 million), while the Economic Value is expected to increase by MYR 2.94 million (Oct-17: increase MYR 2.93 million).