(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 2019

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 Department and approved by the Chief Executive Officer. The information is not audited as there is no requirement for external auditing.

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 2018. 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 deemed 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 period end.

Capital Adequacy/Capital Management

The Group's capital management and dividend policy is to maintain adequate capital to support its continuing operations, its future expectations for business growth and to withstand 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 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. 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, 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 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 2019 RM'000	31 October 2018 RM'000
CET 1 Capital Ratio	71.458%	86.174%
Tier 1 Capital Ratio	71.458%	86.174%
Total Capital Ratio	72.328%	86.731%

(Company No. 308035 U)

Risk weighted assets and capital requirements

Item	Group 30 April 2019 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	535,002		535,002	-	-
	Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	116,338		116,338	41,434	3,315
	Corporates	1,069,380		1,069,380	1,069,380	85,550
	Residential mortgages	103,129		103,129	56,554	4,524
	Other assets	17,170		17,170	16,337	1,307
	Defaulted exposures	47,855		47,855	43,698	3,496
	Total on-balance sheet exposures	1,888,874		1,888,874	1,227,403	98,192
	Off-balance sheet exposures:					
	Credit-related off-balance sheet exposures	4,850		4,850	4,186	335
	OTC derivatives	8,281		7,391	7,391	591
	Total off-balance sheet exposures	13,131		12,241	11,577	926
	Total on and off-balance sheet exposures	1,902,005		1,901,115	1,238,980	99,118
2	Large exposures risk requirement	-		-	-	-
3	Market risk	Long Position	Short Position			
	Foreign currency risk	2,943	-		2,943	235
	Interest rate risk				9,899	792
4	Operational risk (Basic Indicator Approach)				127,121	10,170
5	Total RWA and capital requirements				1,378,943	110,315

(Company No. 308035 U)

Risk weighted assets and capital requirements (contd.)

<table>
<tr><th>Item</th><th>Group

31 October 2018
Exposure Class</th><th colspan="2">Gross Exposures / EAD before CRM RM'000</th><th>Net Exposures / EAD after CRM RM'000</th><th>Risk Weighted Assets RM'000</th><th>Minimum Capital Requirements at 8% RM'000</th></tr>
<tr><td>1</td><td><u>Credit risk</u></td><td colspan="2"></td><td></td><td></td><td></td></tr>
<tr><td></td><td>On-balance sheet exposures:</td><td colspan="2"></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Sovereigns/central banks</td><td colspan="2">409,532</td><td>409,532</td><td>-</td><td>-</td></tr>
<tr><td></td><td>Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")</td><td colspan="2">217,573</td><td>217,573</td><td>45,058</td><td>3,605</td></tr>
<tr><td></td><td>Corporates</td><td colspan="2">832,259</td><td>832,259</td><td>832,260</td><td>66,581</td></tr>
<tr><td></td><td>Residential mortgages</td><td colspan="2">112,041</td><td>112,041</td><td>62,325</td><td>4,986</td></tr>
<tr><td></td><td>Other assets</td><td colspan="2">20,906</td><td>20,906</td><td>20,092</td><td>1,607</td></tr>
<tr><td></td><td>Defaulted exposures</td><td colspan="2">53,932</td><td>53,932</td><td>50,455</td><td>4,036</td></tr>
<tr><td></td><td>Total on-balance sheet exposures</td><td colspan="2">1,646,243</td><td>1,646,243</td><td>1,010,190</td><td>80,815</td></tr>
<tr><td></td><td>Off-balance sheet exposures:</td><td colspan="2"></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Credit-related off-balance sheet exposures</td><td colspan="2">7,391</td><td>7,391</td><td>5,120</td><td>410</td></tr>
<tr><td></td><td>OTC derivatives</td><td colspan="2">8,404</td><td>3,195</td><td>2,383</td><td>191</td></tr>
<tr><td></td><td>Total off-balance sheet exposures</td><td colspan="2">15,795</td><td>10,586</td><td>7,503</td><td>601</td></tr>
<tr><td></td><td>Total on and off-balance sheet exposures</td><td colspan="2">1,662,038</td><td>1,656,829</td><td>1,017,693</td><td>81,416</td></tr>
<tr><td>2</td><td>Large exposures risk requirement</td><td colspan="2">-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>3</td><td><u>Market risk</u></td><td>Long Position</td><td>Short Position</td><td></td><td></td><td></td></tr>
<tr><td></td><td>Foreign currency risk</td><td>1,845</td><td>(1,334)</td><td></td><td>1,845</td><td>148</td></tr>
<tr><td></td><td>Interest rate risk</td><td></td><td></td><td></td><td>116</td><td>9</td></tr>
<tr><td>4</td><td>Operational risk (Basic Indicator Approach)</td><td colspan="2"></td><td></td><td>134,843</td><td>10,787</td></tr>
<tr><td>5</td><td>Total RWA and capital requirements</td><td colspan="2"></td><td></td><td>1,154,497</td><td>92,360</td></tr>
</table>

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 loss allowances ascribed to non-credit impaired exposures, less investment in subsidiaries.

The breakdown of capital structure components are disclosed in Note 30 to the unaudited interim financial statements for the period ended 30 April 2019.

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 2018.

(a) Credit Risk

Refer to Note 33(a) to the audited financial statements for the year ended 31 October 2018 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 2018.

The Group adopted MFRS 9, *Financial Instruments* ("MFRS 9") on 1 November 2019. MRFS 9 introduces a new Expected Credit Loss ("ECL") model for assessment of impairment. Changes to credit risk assessment on adoption of MFRS 9 are disclosed in Note 33 to the unaudited interim financial statements for the period ended 30 April 2019.

(Company No. 308035 U)

(a) Credit Risk (contd.)

(i) Geographical distribution of credit risk exposures

Group **30 April 2019**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Sovereigns/central banks	535,002	-	535,002
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	111,302	6,757	118,059
Corporates	1,029,270	82,740	1,112,010
Residential mortgages	98,889	20,875	119,764
Other assets	17,170	-	17,170
Total credit risk exposures	1,791,633	110,372	1,902,005

Group **31 October 2018**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Sovereigns/central banks	409,532	-	409,532
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	206,386	20,248	226,634
Corporates	793,550	83,700	877,250
Residential mortgages	105,281	22,435	127,716
Other assets	20,906	-	20,906
Total credit risk exposures	1,535,655	126,383	1,662,038

(Company No. 308035 U)

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

(ii) Distribution of credit risk exposure by sector

Group 30 April 2019	**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	-	-	-	-	-	-	-	-	-	535,002	535,002
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	-	-	-	-	-	-	118,059	-	-	-	118,059
Corporates	350,226	214,024	-	50,000	8,544	100,000	282,016	57,500	49,700	-	1,112,010
Residential mortgages	-	-	-	-	-	-	-	-	119,764	-	119,764
Other assets	-	-	-	-	-	-	-	-	-	17,170	17,170
Total credit risk exposures	350,226	214,024	-	50,000	8,544	100,000	400,075	57,500	169,464	552,172	1,902,005

Group 31 October 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	-	-	-	-	-	-	-	-	-	409,532	409,532
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	-	-	-	-	-	-	226,634	-	-	-	226,634
Corporates	217,516	223,549	-	50,000	40,711	80,000	179,274	36,500	49,700	-	877,250
Residential mortgages	-	-	-	-	-	-	-	-	127,716	-	127,716
Other assets	-	-	-	-	-	-	-	-	-	20,906	20,906
Total credit risk exposures	217,516	223,549	-	50,000	40,711	80,000	405,908	36,500	177,416	430,438	1,662,038

(Company No. 308035 U)

(a) Credit Risk (contd.)

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

Group 30 April 2019	Up to 6 months RM'000	> 6 months to 1 year RM'000	Over 1 year RM'000	Total RM'000
Sovereigns/central banks	474,290	-	60,712	535,002
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	117,404	455	200	118,059
Corporates	1,109,615	2,170	225	1,112,010
Residential mortgages	1,875	605	117,284	119,764
Other assets	17,170	-	-	17,170
Total credit risk exposures	1,720,354	3,230	178,421	1,902,005

Group 31 October 2018	Up to 6 months RM'000	> 6 months - 1 year RM'000	Over 1 year RM'000	Total RM'000
Sovereigns/central banks	368,879	40,653	-	409,532
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	225,410	1,224	-	226,634
Corporates	876,596	503	151	877,250
Residential mortgages	2,110	504	125,102	127,716
Other assets	20,906	-	-	20,906
Total credit risk exposures	1,493,901	42,884	125,253	1,662,038

(Company No. 308035 U)

(a) Credit Risk (contd.)

(iv) Geographical distribution of Expected Credit Losses ("ECL") allowance / individual and collective impairment provisions for loans and advances

Group

	12 months & Lifetime non-credit impaired ECL as at 30 April 2019 RM'000	Lifetime credit impaired ECL as at 1 November 2018 RM'000	Net lifetime credit impaired ECL made for the period RM'000	Amount written off/ other movements RM'000	Lifetime credit impaired ECL as at 30 April 2019 RM'000
Malaysia	1,225	59,335	6,048	(1,402)	63,981
Others	265	7,763	754	-	8,517
	1,490	67,098	6,802	(1,402)	72,498

Group

	Collective impairment provisions as at 31 October 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 31 October 2018 RM'000
Malaysia	15,167	46,221	19,904	(6,790)	59,335
Others	1,884	5,745	2,179	(161)	7,763
	17,051	51,966	22,083	(6,951)	67,098

(v) Geographical distribution of impaired and past due loans

	Group			
	30 April 2019		31 October 2018	
	Loans and advances past due but not impaired RM'000	Impaired loans and advances RM'000	Loans and advances past due but not impaired RM'000	Impaired loans and advances RM'000
Malaysia	33,377	106,093	56,526	107,919
Others	6,391	14,250	4,691	13,110
	39,768	120,343	61,217	121,029

(Company No. 308035 U)

(a) Credit Risk (contd.)

(vi) Impaired and past due loans by sector

Group 30 April 2019	**Loans and advances past due but not impaired RM'000**	**Impaired loans and advances RM'000**
Agriculture	-	-
Manufacturing	-	82,656
Construction	-	-
Wholesale & retail trade and restaurants & hotels	-	-
Transport, storage and communication	-	-
Finance, insurance and business services	-	-
Education, health and others	-	-
Household	39,768	37,687
Others	-	-
	39,768	120,343

Group 31 October 2018	**Loans and advances past due but not impaired RM'000**	**Impaired loans and advances RM'000**
Agriculture	-	-
Manufacturing	-	86,063
Construction	-	-
Wholesale & retail trade and restaurants & hotels	-	-
Transport, storage and communication	-	-
Finance, insurance and business services	25,117	-
Education, health and others	-	-
Household	36,100	34,966
Others	-	-
	61,217	121,029

(Company No. 308035 U)

(a) Credit Risk (contd.)

(vii) Reconciliation of changes to impairment provisions / ECL allowances for loans and advances

	Group	
	30 April 2019 RM'000	**31 October 2018 RM'000**
Collective impairment provisions		
At beginning of financial period/year, as previously stated	17,051	20,681
Effects of adoption of MFRS 9	(17,051)	-
At beginning of financial period/year, as restated	-	20,681
Amount written back	-	(3,630)
At end of financial period	-	17,051

	Group	
	30 April 2019 RM'000	**31 October 2018 RM'000**
Individual impairment provisions		
At beginning of financial period/year, as previously stated	67,098	51,966
Effects of adoption of MFRS 9	(67,098)	-
At beginning of financial period/year, as restated	-	51,966
Impairment made during the financial period	-	26,224
Impairment written back in respect of recoveries	-	(4,141)
Amount written off	-	(2,184)
Unwinding income	-	(4,767)
At end of financial period	-	67,098

(Company No. 308035 U)

(a) Credit Risk (contd.)

(vii) Reconciliation of changes to impairment provisions / ECL allowances for loans and advances (contd.)

ECL allowances

	12 months ECL (Stage 1) RM'000	Lifetime not Credit Impaired ECL (Stage 2) RM'000	Lifetime Credit Impaired ECL (Stage 3) RM'000	Total RM'000
Group				
At 1 November 2018, on adoption of MFRS 9	377	861	67,098	68,336
Transfer between stages	853	(840)	(13)	-
Changes due to change in credit risk:				
- Transfer to Stage 1	889	(610)	(279)	-
- Transfer to Stage 2	(35)	35	-	-
- Transfer to Stage 3	(1)	(265)	266	-
Loans derecognised during the period (other than write-offs)	(29)	(14)	(214)	(257)
New loans originated	28	-	-	28
Changes due to change in credit risk	(783)	1,037	7,029	7,283
Other adjustment:				
- Unwinding of discount	-	-	(1,402)	(1,402)
At end of financial period	446	1,044	72,498	73,988

(Company No. 308035 U)

(a) Credit Risk (contd.)

(viii) Expected credit loss on loans and advances / Impairment provisions by sector

Group

	12 months & Lifetime non-credit impaired ECL as at 30 April 2019 RM'000	Lifetime credit impaired ECL as at 1 November 2018 RM'000	Net lifetime credit impaired ECL made for the period RM'000	Amount written off/ other movements RM'000	Lifetime credit impaired ECL as at 30 April 2019 RM'000
Agriculture	71	-	-	-	-
Manufacturing	84	47,676	5,026	(1,402)	51,300
Construction	3	-	-	-	-
Wholesale & retail trade and restaurants & hotels	1	-	-	-	-
Transport, storage and communication	28	-	-	-	-
Finance, insurance and business services	60	-	-	-	-
Education, health and others	8	-	-	-	-
Household	1,235	19,422	1,776	-	21,198
	1,490	67,098	6,802	(1,402)	72,498

Group

	Collective impairment provisions as at 31 October 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 31 October 2018 RM'000
Agriculture	3,661	-	-	-	-
Manufacturing	3,791	31,694	20,748	(4,767)	47,675
Construction	850	-	-	-	-
Wholesale & retail trade and restaurants & hotels	658	-	-	-	-
Transport, storage and communication	1,360	-	-	-	-
Finance, insurance and business services	3,105	-	-	-	-
Education, health and others	612	-	-	-	-
Household	3,014	20,272	1,335	(2,184)	19,423
	17,051	51,966	22,083	(6,951)	67,098

(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.

(Company No. 308035 U)

(a) Credit Risk (contd.)

(ix) Use of External Ratings (contd.)

Credit exposures by risk weights under the Standardised Approach

Group 30 April 2019 Risk Weights	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%	535,002	-	-	-	833	535,835	-
20%	-	56,615	-	-	-	56,615	11,323
35%	-	-	-	48,356	-	48,356	16,925
50%	-	60,554	-	38,548	-	99,102	49,550
75%	-	-	-	1,751	-	1,751	1,313
100%	-	-	1,112,010	30,284	16,337	1,158,631	1,158,631
150%	-	-	-	825	-	825	1,238
Total Exposures	535,002	117,169	1,112,010	119,764	17,170	1,901,115	1,238,980
Risk-Weighted Assets by Exposures	-	41,600	1,112,010	69,033	16,337	1,238,980	
Average Risk Weight	0.0%	35.5%	100.0%	57.6%	95.1%	65.2%	
Deduction from Capital Base	-	-	-	-	-	-	

(Company No. 308035 U)

(a) Credit Risk (contd.)

(ix) Use of External Ratings (contd.)

Credit exposures by risk weights under the Standardised Approach (contd.)

	Exposures after Netting and Credit Risk Mitigation						
Group 31 October 2018 Risk Weights	**Sovereigns & Central Banks RM'000**	**Banks, MDBs and FDIs RM'000**	**Corporates RM'000**	**Residential Mortgages RM'000**	**Other Assets RM'000**	**Total Exposures after Netting & Credit Risk Mitigation RM'000**	**Total Risk Weighted Assets RM'000**
0%	409,532	-	-	-	814	410,346	-
20%	-	216,281	-	-	-	216,281	43,256
35%	-	-	-	50,180	-	50,180	17,563
50%	-	5,144	-	41,149	-	46,293	23,146
75%	-	-	-	2,306	-	2,306	1,730
100%	-	-	877,250	32,932	20,092	930,274	930,274
150%	-	-	-	1,149	-	1,149	1,724
Total Exposures	409,532	221,425	877,250	127,716	20,906	1,656,829	1,017,693
Risk-Weighted Assets by Exposures	-	45,828	877,250	74,523	20,092	1,017,693	
Average Risk Weight	0.0%	20.7%	100.0%	58.4%	96.1%	61.4%	
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

Group
30 April 2019

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		-	-	-	-	1,112,010	1,112,010
Total (i)		-	-	-	-	1,112,010	1,112,010

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		-	535,002	-	-	-	535,002
Total (ii)		-	535,002	-	-	-	535,002

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		57,505	60,174	-	-	380	118,059
Total (iii)		57,505	60,174	-	-	380	118,059
Total Exposure (i)+(ii)+(iii)		57,505	595,176	-	-	1,112,390	1,765,071
Residential Mortgages		-	-	-	-	119,764	119,764
Other Assets		-	-	-	-	17,170	17,170
Total Unrated Exposure		-	-	-	-	136,934	136,934
Total		**57,505**	**595,176**	**-**	**-**	**1,249,324**	**1,902,005**

(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 2018

Exposure Class	**Ratings of Corporate by Approved ECAIs**						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C		
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D		
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D		
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D		
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	Total
On and Off-Balance Sheet Exposures							
Corporates		-	-	-	-	877,250	877,250
Total (i)		-	-	-	-	877,250	877,250

Exposure Class	**Ratings of Sovereigns and Central Banks by Approved ECAIs**						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C		
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D		
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	Total
On and Off-Balance Sheet Exposures							
Sovereign and Central Banks		-	409,532	-	-	-	409,532
Total (ii)		-	409,532	-	-	-	409,532

Exposure Class	**Short term Ratings of Banking Institutions by Approved ECAIs**						
	Moodys	P-1	P-2	P-3	Others		
	S&P	A-1	A-2	A-3	Others		
	Fitch	F1+, F1	F2	F3	B to D		
	RAM	P-1	P-2	P-3	NP		
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated	Total
On and Off-Balance Sheet Exposures							
Banks, MDBs and FDIs		221,490	4,761	-	-	383	226,634
Total (iii)		221,490	4,761	-	-	383	226,634
Total Exposure (i)+(ii)+(iii)		221,490	414,293	-	-	877,633	1,513,416
Residential Mortgages		-	-	-	-	127,716	127,716
Other Assets		-	-	-	-	20,906	20,906
Total Unrated Exposure		-	-	-	-	148,622	148,622
Total		**221,490**	**414,293**	**-**	**-**	**1,026,255**	**1,662,038**

(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.

(Company No. 308035 U)

(a) Credit Risk (contd.)

(x) Credit Risk Mitigation (contd.)

Exposures before and after credit risk mitigation

Group **30 April 2019**	**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	535,002	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	116,338	-	-	-
Corporates	1,069,380	145,644	-	-
Residential mortgages	103,129	-	-	-
Other assets	17,170	-	-	-
Defaulted exposures	47,855	-	-	-
Total on-balance sheet exposures	1,888,874	145,644	-	-
Off-balance sheet exposures				
Credit-related off-balance sheet exposures	4,850	-	-	-
OTC derivatives	8,281	-	890	-
Total off-balance sheet exposures	13,131	-	890	-
Total credit risk exposures	1,902,005	145,644	890	-

Group **31 October 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	409,532	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	217,573	-	-	-
Corporates	832,259	145,561	-	-
Regulatory Retail		-	-	-
Residential mortgages	112,041	-	-	-
Other assets	20,906	-	-	-
Defaulted exposures	53,932	-	-	-
Total on-balance sheet exposures	1,646,243	145,561	-	-
Off-balance sheet exposures				
Credit-related off-balance sheet exposures	7,391	-	-	-
OTC derivatives	8,404	-	5,209	-
Total off-balance sheet exposures	15,795	-	5,209	-
Total credit risk exposures	1,662,038	145,561	5,209	-

(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 2018 .

(ii) Counterparty Credit Risk

Counterparty credit risk ("CCR") is the risk that the Group's counterparty in a foreign exchange and/or 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 by the Group 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 2018.

(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 2018.

(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 2018.

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

	Group	
	30 April 2019 RM'000	**31 October 2018 RM'000**
Capital requirement under standardised approach for		
Foreign exchange risk	235	148
Interest rate risk	792	9
Total risk weighted assets equivalent for market risk	12,842	1,961

(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 2018.

(Company No. 308035 U)

(f) Equity Exposures in the Banking Book

Group
30 April 2019

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

Group
31 October 2018

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

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 2019 RM'000	31 October 2018 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 impact 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 what 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 movements in yield curves on the annual income and economic value of the balance sheet.

The tables below represent the maximum before tax impact 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 2019

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	(613)	9,306	8,693	(594)	(2,534)	(3,128)
100 bp decrease	613	(9,306)	(8,693)	602	2,618	3,220

Group
31 October 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	148	9,041	9,189	67	(1,627)	(1,560)
100 bp decrease	(148)	(9,041)	(9,189)	(68)	2,134	2,066

Based on a 100 bps parallel rise in yield curves on Malaysian Ringgit and US Dollar, Annual Income is expected to increase by MYR 8.69 million (Oct-18: increase by MYR 9.19 million), or approximately 14% of net interest income while the Economic Value is expected to decrease by MYR 3.13 million (Oct-18: decrease by MYR 1.56 million).

The corresponding impact from a 100 bps parallel decrease is an estimated reduction of MYR 8.69 million, or approximately 14% of net interest income (Oct-18: reduction MYR 9.19 million), while the Economic Value is expected to increase by MYR 3.22 million (Oct-18: increase by MYR 2.07 million).