The Bank of Nova Scotia Berhad

(Company No. 199401022356 (308035 U))
(Incorporated in Malaysia)
and its subsidiaries

Basel II Pillar 3 Disclosures
30 April 2020

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. 199401022356 (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 11 to the audited financial statements for the year ended 31 October 2019. 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.

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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%.

On 25 March 2020, BNM announced several regulatory relief measures to support banking institutions in provision of assistance to individuals and corporations to manage the impact of the novel conoravirus ("COVID-19") global pandemic. Consequently, the Group is allowed to drawdown on the CCB of 2.5% to support economic activities, and to gradually rebuild the buffer, after 31 December 2020, to the minimum requirement by 30 September 2021.

Capital adequacy ratios maintained by the Group are as follow:

	Group	
	30 April 2020 RM'000	31 October 2019 RM'000
CET 1 Capital Ratio	93.420%	72.384%
Tier 1 Capital Ratio	93.420%	72.384%
Total Capital Ratio	93.588%	73.271%

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Risk weighted assets and capital requirements

Item	**Group** **30 April 2020** **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	479,066		479,066	-	-
	Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	488,758		488,758	105,530	8,442
	Corporates	735,861		735,861	735,861	58,869
	Residential mortgages	83,781		83,781	44,406	3,552
	Other assets	26,309		26,309	25,395	2,032
	Defaulted exposures	43,773		43,773	26,999	2,160
	Total on-balance sheet exposures	1,857,548		1,857,548	938,191	75,055
	Off-balance sheet exposures:					
	Credit-related off-balance sheet exposures	8,834		8,834	7,208	577
	OTC derivatives	39,526		36,771	20,476	1,638
	Total off-balance sheet exposures	48,360		45,605	27,684	2,215
	Total on and off-balance sheet exposures	1,905,908		1,903,153	965,875	77,270
2	Large exposures risk requirement	-		-	-	-
3	Market risk	Long Position	Short Position			
	Foreign currency risk	1,673	(4,221)		4,221	338
	Interest rate risk				5,845	468
4	Operational risk (Basic Indicator Approach)				125,059	10,005
5	Total RWA and capital requirements				1,101,000	88,081

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Risk weighted assets and capital requirements (contd.)

Item	**Group** **31 October 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	487,434		487,434	-	-
	Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	75,251		75,251	16,410	1,313
	Corporates	1,122,797		1,122,797	1,122,797	89,824
	Residential mortgages	92,391		92,391	51,386	4,111
	Other assets	20,090		20,090	19,588	1,567
	Defaulted exposures	51,726		51,726	29,359	2,349
	Total on-balance sheet exposures	1,849,689		1,849,689	1,239,540	99,164
	Off-balance sheet exposures:					
	Credit-related off-balance sheet exposures	6,887		6,887	5,308	425
	OTC derivatives	13,612		13,612	12,086	967
	Total off-balance sheet exposures	20,499		20,499	17,394	1,392
	Total on and off-balance sheet exposures	1,870,188		1,870,188	1,256,934	100,556
2	Large exposures risk requirement	-		-	-	-
3	Market risk	Long Position	Short Position			
	Foreign currency risk	5,767	-		5,767	461
	Interest rate risk				13,492	1,079
4	Operational risk (Basic Indicator Approach)				127,443	10,195
5	Total RWA and capital requirements				1,403,636	112,291

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 32 to the unaudited interim financial statements for the period ended 30 April 2020.

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 35 to the audited financial statements for the year ended 31 October 2019.

(a) Credit Risk

Refer to Note 35(a) to the audited financial statements for the year ended 31 October 2019 for disclosures on credit risk and definitions of past due and impaired loans. The approaches for the determination of impairment are detailed in Note 2(c)(v) to the audited financial statements for the year ended 31 October 2019.

The Group adopted MFRS 9, *Financial Instruments* ("MFRS 9") on 1 November 2019. MFRS 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 2(c) and Note 35 to the audited financial statements for the year ended 31 October 2019.

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(a) Credit Risk (contd.)

(i) Geographical distribution of credit risk exposures

Group **30 April 2020**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Sovereigns/central banks	479,066	-	479,066
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	486,962	29,708	516,670
Corporates	783,475	-	783,475
Residential mortgages	82,903	17,485	100,388
Other assets	26,309	-	26,309
Total credit risk exposures	1,858,715	47,193	1,905,908

Group **31 October 2019**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Sovereigns/central banks	487,434	-	487,434
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	72,568	8,121	80,689
Corporates	1,087,209	83,510	1,170,719
Residential mortgages	92,284	18,972	111,256
Other assets	20,090	-	20,090
Total credit risk exposures	1,759,585	110,603	1,870,188

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(a) Credit Risk (contd.)

(ii) Distribution of credit risk exposure by sector

Group 30 April 2020	**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	-	-	-	-	-	-	-	-	-	479,066	479,066
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	-	-	-	-	-	-	516,670	-	-	-	516,670
Corporates	104,500	274,937	-	50,000	1,870	-	267,068	35,400	49,700	-	783,475
Residential mortgages	-	-	-	-	-	-	-	-	100,388	-	100,388
Other assets	-	-	-	-	-	-	-	-	-	26,309	26,309
Total credit risk exposures	104,500	274,937	-	50,000	1,870	-	783,738	35,400	150,088	505,375	1,905,908

Group 31 October 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	-	-	-	-	-	-	-	-	-	487,434	487,434
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	-	-	-	-	-	-	80,689	-	-	-	80,689
Corporates	395,936	246,119	-	50,000	8,141	100,000	271,423	49,400	49,700	-	1,170,719
Residential mortgages	-	-	-	-	-	-	-	-	111,256	-	111,256
Other assets	-	-	-	-	-	-	-	-	-	20,090	20,090
Total credit risk exposures	395,936	246,119	-	50,000	8,141	100,000	352,112	49,400	160,956	507,524	1,870,188

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(a) Credit Risk (contd.)

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

Group 30 April 2020	**Up to 6 months RM'000**	**> 6 months to 1 year RM'000**	**Over 1 year RM'000**	**Total RM'000**
Sovereigns/central banks	317,492	-	161,574	479,066
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	512,652	3,694	324	516,670
Corporates	781,608	1,867	-	783,475
Residential mortgages	1,641	988	97,759	100,388
Other assets	26,309	-	-	26,309
Total credit risk exposures	1,639,702	6,549	259,657	1,905,908

Group 31 October 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	325,312	-	162,122	487,434
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	80,322	200	167	80,689
Corporates	1,052,920	117,799	-	1,170,719
Residential mortgages	1,355	821	109,080	111,256
Other assets	20,090	-	-	20,090
Total credit risk exposures	1,479,999	118,820	271,369	1,870,188

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(a) Credit Risk (contd.)

(iv) Geographical distribution of Expected Credit Losses ("ECL") allowance for loans and advances

Group

	12 months & Lifetime non-credit impaired ECL as at 30 April 2020 RM'000	Lifetime credit impaired ECL as at 1 November 2019 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 2020 RM'000
Malaysia	1,678	77,404	11,343	(16,091)	72,656
Others	143	9,411	676	(39)	10,048
	1,821	86,815	12,019	(16,130)	82,704

Group

	12 months & Lifetime non-credit impaired ECL as at 31 October 2019 RM'000	Lifetime credit impaired ECL as at 1 November 2018 RM'000	Net lifetime credit impaired ECL made for the year RM'000	Amount written off/ other movements RM'000	Lifetime credit impaired ECL as at 31 October 2019 RM'000
Malaysia	1,328	59,335	20,973	(2,904)	77,404
Others	233	7,763	1,648	-	9,411
	1,561	67,098	22,621	(2,904)	86,815

(v) Geographical distribution of impaired and past due loans

	Group			
	30 April 2020		31 October 2019	
	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	24,997	109,708	30,749	122,539
Others	2,230	16,769	4,007	15,999
	27,227	126,477	34,756	138,538

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(a) Credit Risk (contd.)

(vi) Impaired and past due loans by sector

Group **30 April 2020**	**Loans and advances past due but not impaired** **RM'000**	**Impaired loans and advances** **RM'000**
Agriculture	-	-
Manufacturing	-	91,761
Construction	-	-
Wholesale & retail trade and restaurants & hotels	-	-
Transport, storage and communication	-	-
Finance, insurance and business services	-	-
Education, health and others	-	-
Household	27,227	34,716
Others	-	-
	27,227	126,477

Group **31 October 2019**	**Loans and advances past due but not impaired** **RM'000**	**Impaired loans and advances** **RM'000**
Agriculture	-	-
Manufacturing	-	97,151
Construction	-	-
Wholesale & retail trade and restaurants & hotels	-	-
Transport, storage and communication	-	-
Finance, insurance and business services	-	-
Education, health and others	-	-
Household	34,756	41,387
Others	-	-
	34,756	138,538

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(a) Credit Risk (contd.)

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

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
30 April 2020				
Group				
At 1 November 2019	427	1,134	86,815	88,376
Transfer between stages				
Changes due to change in credit risk:				
- Transfer to Stage 1	1,044	(730)	(314)	-
- Transfer to Stage 2	(27)	29	(2)	-
- Transfer to Stage 3	-	(288)	288	-
	1,017	(989)	(28)	-
Loans derecognised during the period (other than write-offs)	(139)	(20)	(363)	(522)
New loans originated	10	-	-	10
Changes due to change in credit risk	(697)	1,078	12,410	12,791
ECL allowance (written back)/made	(826)	1,058	12,047	12,279
Amount written off	-	-	(14,845)	(14,845)
Other adjustment:				
- Unwinding of discount	-	-	(1,285)	(1,285)
At end of financial period	618	1,203	82,704	84,525

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(a) Credit Risk (contd.)

(vii) Reconciliation of changes to 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**
31 October 2019				
Group				
At 1 November 2018, on adoption of MFRS 9	377	861	67,098	68,336
Transfer between stages				
Changes due to change in credit risk:				
- Transfer to Stage 1	1,785	(1,229)	(556)	-
- Transfer to Stage 2	(61)	171	(110)	-
- Transfer to Stage 3	(9)	(540)	549	-
	1,715	(1,598)	(117)	-
Loans derecognised during the period (other than write-offs)	(35)	(29)	(316)	(380)
New loans originated	31	-	-	31
Changes due to change in credit risk	(1,661)	1,900	23,054	23,293
Modifications to contractual cash flows o	-	-	-	-
Changes in model/risk parameters	-	-	-	-
Write offs	-	-	-	-
ECL allowance (written back)/made	(1,665)	1,871	22,738	22,944
Other adjustment:				
- Unwinding of discount	-	-	(2,904)	(2,904)
At end of financial year	427	1,134	86,815	88,376

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(a) Credit Risk (contd.)

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

Group

	12 months & Lifetime non-credit impaired ECL as at 30 April 2020 RM'000	Lifetime credit impaired ECL as at 1 November 2019 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 2020 RM'000
Agriculture	4	-	-	-	-
Manufacturing	237	64,265	11,652	(11,347)	64,570
Construction	10	-	-	-	-
Transport, storage and communication	-	-	-	-	-
Finance, insurance and business services	114	-	-	-	-
Education, health and others	9	-	-	-	-
Household	1,447	22,550	367	(4,783)	18,134
	1,821	86,815	12,019	(16,130)	82,704

Group

	12 months & Lifetime non-credit impaired ECL as at 31 October 2019 RM'000	Lifetime credit impaired ECL as at 1 November 2018 RM'000	Net lifetime credit impaired ECL made for the year RM'000	Amount written off/ other movements RM'000	Lifetime credit impaired ECL as at 31 October 2019 RM'000
Agriculture	68	-	-	-	-
Manufacturing	39	47,676	19,493	(2,904)	64,265
Construction	6	-	-	-	-
Transport, storage and communication	30	-	-	-	-
Finance, insurance and business services	86	-	-	-	-
Education, health and others	1	-	-	-	-
Household	1,331	19,422	3,128	-	22,550
	1,561	67,098	22,621	(2,904)	86,815

(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 2020 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%	479,066	-	-	-	914	479,980	-
20%	-	480,639	-	-	-	480,639	96,128
35%	-	-	-	43,809	-	43,809	15,333
50%	-	33,276	27,191	28,809	-	89,276	44,638
75%	-	-	-	1,135	-	1,135	851
100%	-	-	756,284	25,416	25,395	807,095	807,095
150%	-	-	-	1,219	-	1,219	1,830
Total Exposures	479,066	513,915	783,475	100,388	26,309	1,903,153	965,875
Risk-Weighted Assets by Exposures	-	112,766	769,880	57,834	25,395	965,875	
Average Risk Weight	0.0%	21.9%	98.3%	57.6%	96.5%	50.8%	
Deduction from Capital Base	-	-	-	-	-	-	

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(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					Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
Group 31 October 2019 Risk Weights	**Sovereigns & Central Banks RM'000**	**Banks, MDBs and FDIs RM'000**	**Corporates RM'000**	**Residential Mortgages RM'000**	**Other Assets RM'000**	**RM'000**	**RM'000**
0%	487,434	-	-	-	502	487,936	-
20%	-	71,999	-	-	-	71,999	14,400
35%	-	-	-	45,303	-	45,303	15,856
50%	-	8,690	32,886	35,493	-	77,069	38,534
75%	-	-	-	1,330	-	1,330	997
100%	-	-	1,137,833	27,939	19,588	1,185,360	1,185,360
150%	-	-	-	1,191	-	1,191	1,787
Total Exposures	487,434	80,689	1,170,719	111,256	20,090	1,870,188	1,256,934
Risk-Weighted Assets by Exposures	-	18,745	1,154,276	64,325	19,588	1,256,934	
Average Risk Weight	0.0%	23.2%	98.6%	57.8%	97.5%	67.2%	
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

Group
30 April 2020

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		-	-	-	-		783,475	783,475
Total (i)		-	-	-	-		783,475	783,475

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		-	479,066	-	-		-	479,066
Total (ii)		-	479,066	-	-		-	479,066

Exposure Class	**Ratings of Banking Institutions by Approved ECAIs**							
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C		
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D		
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D		
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D		
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated	Total
On and Off-Balance Sheet Exposures								
Banks, MDBs and FDIs		69,500	360,872	86,186	-	-	112	516,670
Total (iii)		69,500	360,872	86,186	-	-	112	516,670
Total Exposure (i)+(ii)+(iii)		69,500	839,938	86,186	-	-	783,587	1,779,211
Residential Mortgages		-	-	-	-	-	100,388	100,388
Other Assets		-	-	-	-	-	26,309	26,309
Total Unrated Exposure		-	-	-	-	-	126,697	126,697
Total		**69,500**	**839,938**	86,186	-	-	**910,284**	**1,905,908**

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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
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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		-	-	-	-		1,170,719	1,170,719
Total (i)		-	-	-	-		1,170,719	1,170,719

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		-	487,434	-	-		-	487,434
Total (ii)		-	487,434	-	-		-	487,434

Exposure Class	**Ratings of Banking Institutions by Approved ECAIs**							
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C		
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D		
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D		
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D		
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated	Total
On and Off-Balance Sheet Exposures								
Banks, MDBs and FDIs		1,975	78,012	295	-	-	407	80,689
Total (iii)		1,975	78,012	295	-	-	407	80,689
Total Exposure (i)+(ii)+(iii)		1,975	565,446	295	-	-	1,171,126	1,738,842
Residential Mortgages		-	-	-	-	-	111,256	111,256
Other Assets		-	-	-	-	-	20,090	20,090
Total Unrated Exposure		-	-	-	-	-	131,346	131,346
Total		**1,975**	**565,446**	295	-	-	**1,302,472**	**1,870,188**

(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 2020**	**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	479,066	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	488,758	-	-	-
Corporates	735,861	135,910	-	-
Residential mortgages	83,781	-	-	-
Other assets	26,309	-	-	-
Defaulted exposures	43,773	-	-	-
Total on-balance sheet exposures	1,857,548	135,910	-	-
Off-balance sheet exposures				
Credit-related off-balance sheet exposures	8,834	-	-	-
OTC derivatives	39,526	-	2,755	-
Total off-balance sheet exposures	48,360	-	2,755	-
Total credit risk exposures	1,905,908	135,910	2,755	-

Group **31 October 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	487,434	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	75,251	-	-	-
Corporates	1,122,797	139,206	-	-
Regulatory Retail		-	-	-
Residential mortgages	92,391	-	-	-
Other assets	20,090	-	-	-
Defaulted exposures	51,726	-	-	-
Total on-balance sheet exposures	1,849,689	139,206	-	-
Off-balance sheet exposures				
Credit-related off-balance sheet exposures	6,887	-	-	-
OTC derivatives	13,612	-	-	-
Total off-balance sheet exposures	20,499	-	-	-
Total credit risk exposures	1,870,188	139,206	-	-

(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 can arise 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 35(a) to the financial statements for the year ended 31 October 2019 .

(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 34 to the financial statements for the year ended 31 October 2019.

(c) Liquidity Risk

The Group's liquidity risk management policies and approach are set out in Note 35(b) to the financial statements for the year ended 31 October 2019.

(d) Market Risk

The Group's market risk management policies and approach are set out in Note 35(c) to the financial statements for the year ended 31 October 2019.

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

	Group	
	30 April 2020 RM'000	**31 October 2019 RM'000**
Capital requirement under standardised approach for		
Foreign exchange risk	338	461
Interest rate risk	468	1,079
Total risk weighted assets equivalent for market risk	10,066	19,259

(e) Operational Risk

The Group's operational risk management policies and approach are set out in Note 35(d) to the financial statements for the year ended 31 October 2019.

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(f) Equity Exposures in the Banking Book

Group
30 April 2020

Equity Type	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000
Privately Held		
For socio-economic purposes	2,338	2,338

Group
31 October 2019

Equity Type	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000
Privately Held		
For socio-economic purposes	2,338	2,338

The privately held equity investments are unquoted and are stated at fair value.

Gains and Losses on Equity Exposures in the Banking Book

	Group	
	30 April 2020 RM'000	31 October 2019 RM'000
Realised gains recognised in the income statement	-	2,145
Unrealised gains recognised in the income statement	-	162
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.

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(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 2020

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	7,329	7,477	(25)	(6,840)	(6,865)
100 bp decrease	(37)	(7,329)	(7,366)	14	7,061	7,075

Group
31 October 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	(513)	8,405	7,892	(485)	(4,454)	(4,939)
100 bp decrease	513	(8,405)	(7,892)	491	4,593	5,084

Based on a 100 bps parallel rise in yield curves on Malaysian Ringgit and US Dollar, Annual Income is expected to increase by RM 7.48 million (Oct-19: increase by RM 7.89 million), or approximately 11.8% of annualised net interest income while the Economic Value is expected to decrease by RM 6.86 million (Oct-19: decrease by RM 4.94 million).

The corresponding impact from a 100 bps parallel decrease is an estimated reduction of MYR 7.37 million, or approximately 11.6% of annualised net interest income (Oct-19: reduction MYR 7.89 million), while the Economic Value is expected to increase by MYR 7.08 million (Oct-19: increase by MYR 5.08 million).