The Bank of Nova Scotia Berhad

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

Basel II Pillar 3 Disclosures
30 April 2022

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 2021. The Bank and its subsidiaries are herein referred to as "the Group" in this document.

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Scope of Application (contd.)

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.

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.

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Capital Adequacy Ratios (contd.)

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%

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 2.5%.

Capital adequacy ratios maintained by the Group are as follow:

	Group	
	30 April 2022 RM'000	**31 October 2021 RM'000**
CET 1 Capital Ratio	336.886%	275.939%
Tier 1 Capital Ratio	336.886%	275.939%
Total Capital Ratio	338.179%	276.681%

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Risk weighted assets and capital requirements

Item	Group 30 April 2022 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	411,882		411,882	-	-
	Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	1,635		1,635	785	63
	Corporates	-		-	-	-
	Residential mortgages	63,678		63,678	37,366	2,989
	Other assets	8,245		8,245	7,725	618
	Defaulted exposures	6,056		6,056	4,809	385
	Total on-balance sheet exposures	491,496		491,496	50,685	4,055
	Off-balance sheet exposures:					
	Credit-related off-balance sheet exposures	-		-	-	-
	OTC derivatives	-		-	-	-
	Total off-balance sheet exposures	-		-	-	-
	Total on and off-balance sheet exposures	491,496		491,496	50,685	4,055
2	Large exposures risk requirement	-		-	-	-
3	Market risk	Long Position	Short Position			
	Foreign currency risk	1,306	-		1,306	104
	Interest rate risk				-	-
4	Operational risk (Basic Indicator Approach)				85,379	6,830
5	Total RWA and capital requirements				137,370	10,989

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Risk weighted assets and capital requirements (contd.)

Item	Group 31 October 2021 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	822,346		822,346	-	-
	Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	53,411		53,411	11,676	934
	Corporates	175,454		175,454	175,454	14,036
	Residential mortgages	69,231		69,231	40,783	3,263
	Other assets	11,238		11,238	10,713	857
	Defaulted exposures	43,949		43,949	23,640	1,891
	Total on-balance sheet exposures	1,175,629		1,175,629	262,266	20,981
	Off-balance sheet exposures:					
	Credit-related off-balance sheet exposures	482		482	255	20
	OTC derivatives	4,758		4,758	3,199	256
	Total off-balance sheet exposures	5,240		5,240	3,454	276
	Total on and off-balance sheet exposures	1,180,869		1,180,869	265,720	21,257
2	Large exposures risk requirement	-		-	-	-
3	Market risk	Long Position	Short Position			
	Foreign currency risk	1,707	-		1,707	137
	Interest rate risk				983	79
4	Operational risk (Basic Indicator Approach)				99,718	7,977
5	Total RWA and capital requirements				368,128	29,450

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 29 to the unaudited interim financial statements for the period ended 30 April 2022.

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 2021.

(a) Credit Risk

Refer to Note 35(a) to the audited financial statements for the year ended 31 October 2021 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 2021.

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(a) Credit Risk (contd.)

(i) Geographical distribution of credit risk exposures

Group 30 April 2022	**Malaysia RM'000**	**Others RM'000**	**Total RM'000**
Sovereigns/central banks	411,882	-	411,882
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	336	1,299	1,635
Corporates	-	-	-
Residential mortgages	61,962	7,772	69,734
Other assets	8,245	-	8,245
Total credit risk exposures	482,425	9,071	491,496

Group 31 October 2021	**Malaysia RM'000**	**Others RM'000**	**Total RM'000**
Sovereigns/central banks	822,346	-	822,346
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	52,197	3,618	55,815
Corporates	216,563	-	216,563
Residential mortgages	66,767	8,140	74,907
Other assets	11,238	-	11,238
Total credit risk exposures	1,169,111	11,758	1,180,869

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(a) Credit Risk (contd.)

(ii) Distribution of credit risk exposure by sector

Group 30 April 2022	**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	-	-	-	-	-	-	-	-	-	411,882	411,882
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	-	-	-	-	-	-	1,635	-	-	-	1,635
Corporates	-	-	-	-	-	-	-	-	-	-	-
Residential mortgages	-	-	-	-	-	-	-	-	69,734	-	69,734
Other assets	-	-	-	-	-	-	-	-	-	8,245	8,245
Total credit risk exposures	-	-	-	-	-	-	1,635	-	69,734	420,127	491,496

Group 31 October 2021	**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	-	-	-	-	-	-	-	-	-	822,346	822,346
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	-	-	-	-	-	-	55,815	-	-	-	55,815
Corporates	-	81,161	-	50,000	-	-	85,402	-	-	-	216,563
Residential mortgages	-	-	-	-	-	-	-	-	74,907	-	74,907
Other assets	-	-	-	-	-	-	-	-	-	11,238	11,238
Total credit risk exposures	-	81,161	-	50,000	-	-	141,217	-	74,907	833,584	1,180,869

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(a) Credit Risk (contd.)

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

Group 30 April 2022	**Up to 6 months RM'000**	**> 6 months to 1 year RM'000**	**Over 1 year RM'000**	**Total RM'000**
Sovereigns/central banks	411,882	-	-	411,882
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	1,635	-	-	1,635
Corporates	-	-	-	-
Residential mortgages	2,788	499	66,447	69,734
Other assets	8,245	-	-	8,245
Total credit risk exposures	424,550	499	66,447	491,496

Group 31 October 2021	**Up to 6 months RM'000**	**> 6 months to 1 year RM'000**	**Over 1 year RM'000**	**Total RM'000**
Sovereigns/central banks	822,346	-	-	822,346
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	55,815	-	-	55,815
Corporates	216,563	-	-	216,563
Residential mortgages	2,455	954	71,498	74,907
Other assets	11,238	-	-	11,238
Total credit risk exposures	1,108,417	954	71,498	1,180,869

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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 2022 RM'000	Lifetime credit impaired ECL as at 1 November 2021 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 2022 RM'000
Malaysia	1,599	67,925	2,429	(56,244)	14,110
Others	197	19,484	292	(6)	19,770
	1,796	87,409	2,721	(56,250)	33,880

Group

	12 months & Lifetime non-credit impaired ECL as at 31 October 2021 RM'000	Lifetime credit impaired ECL as at 1 November 2020 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 2021 RM'000
Malaysia	1,659	86,214	(6,399)	(11,890)	67,925
Others	107	11,741	7,743	-	19,484
	1,766	97,955	1,344	(11,890)	87,409

(v) Geographical distribution of impaired and past due loans

	Group			
	30 April 2022		31 October 2021	
	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	23,148	19,896	22,177	111,568
Others	2,187	20,030	2,889	19,780
	25,335	39,926	25,066	131,348

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(a) Credit Risk (contd.)

(vi) Impaired and past due loans by sector

Group **30 April 2022**	**Loans and advances past due but not impaired** **RM'000**	**Impaired loans and advances** **RM'000**
Agriculture	-	-
Manufacturing	-	-
Construction	-	-
Wholesale & retail trade and restaurants & hotels	-	-
Transport, storage and communication	-	-
Finance, insurance and business services	-	-
Education, health and others	-	-
Household	25,335	39,926
Others	-	-
	25,335	39,926

Group **31 October 2021**	**Loans and advances past due but not impaired** **RM'000**	**Impaired loans and advances** **RM'000**
Agriculture	-	-
Manufacturing	-	92,876
Construction	-	-
Wholesale & retail trade and restaurants & hotels	-	-
Transport, storage and communication	-	-
Finance, insurance and business services	-	-
Education, health and others	-	-
Household	25,066	38,472
Others	-	-
	25,066	131,348

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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 2022				
Group				
At 1 November 2021	178	1,588	87,409	89,175
Transfer between stages				
Changes due to change in credit risk:				
- Transfer to Stage 1	1,655	(1,045)	(610)	-
- Transfer to Stage 2	(28)	45	(17)	-
- Transfer to Stage 3	(1)	(309)	310	-
	1,626	(1,309)	(317)	-
Loans derecognised during the period (other than write-offs)	(26)	(47)	(184)	(257)
New loans originated	-	-	-	-
Changes due to change in credit risk and remeasurement	(1,644)	1,430	3,222	3,008
Net ECL allowance (written back)/made	(1,670)	1,383	3,038	2,751
Amount written off	-	-	(56,250)	(56,250)
At 30 April 2022	134	1,662	33,880	35,676

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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 2021				
Group				
At 1 November 2020	315	1,412	97,955	99,682
Transfer between stages				
Changes due to change in credit risk:				
- Transfer to Stage 1	3,126	(2,693)	(433)	-
- Transfer to Stage 2	(69)	181	(112)	-
- Transfer to Stage 3	(2)	(531)	533	-
	3,055	(3,043)	(12)	-
Loans derecognised during the period (other than write-offs)	(61)	(76)	(133)	(270)
New loans originated	-	-	-	-
Changes due to change in credit risk and remeasurement	(3,131)	3,295	1,489	1,653
Net ECL allowance (written back)/made	(3,192)	3,219	1,356	1,383
Amount written off	-	-	(11,103)	(11,103)
Other adjustment:				
- Unwinding of discount	-	-	(787)	(787)
At 31 October 2021	178	1,588	87,409	89,175

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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 2022 RM'000	Lifetime credit impaired ECL as at 1 November 2021 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 2022 RM'000
Agriculture	-	-	-	-	-
Manufacturing	-	54,577	1,667	(56,244)	-
Construction	-	-	-	-	-
Transport, storage and communication	-	-	-	-	-
Finance, insurance and business services	-	-	-	-	-
Education, health and others	-	-	-	-	-
Household	1,796	32,832	1,054	(6)	33,880
	1,796	87,409	2,721	(56,250)	33,880

Group

	12 months & Lifetime non-credit impaired ECL as at 31 October 2021 RM'000	Lifetime credit impaired ECL as at 1 November 2020 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 2021 RM'000
Agriculture	-	-	-	-	-
Manufacturing	18	77,120	(10,733)	(11,810)	54,577
Construction	4	-	-	-	-
Transport, storage and communication	-	-	-	-	-
Finance, insurance and business services	8	-	-	-	-
Education, health and others	-	-	-	-	-
Household	1,736	20,835	12,077	(80)	32,832
	1,766	97,955	1,344	(11,890)	87,409

(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 2022 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%	411,882	-	-	-	520	412,402	-
20%	-	109	-	-	-	109	22
35%	-	-	-	34,416	-	34,416	12,046
50%	-	1,526	-	10,202	-	11,728	5,864
75%	-	-	-	716	-	716	537
100%	-	-	-	24,217	7,725	31,942	31,942
150%	-	-	-	183	-	183	274
Total Exposures	411,882	1,635	-	69,734	8,245	491,496	50,685
Risk-Weighted Assets by Exposures	-	785	-	42,175	7,725	50,685	
Average Risk Weight	0.0%	48.0%	-	60.5%	93.7%	10.3%	
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.)

Group 31 October 2021 Risk Weights	Exposures after Netting and Credit Risk Mitigation 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%	822,346	-	-	-	525	822,871	-
20%	-	52,046	-	-	-	52,046	10,409
35%	-	-	-	37,957	-	37,957	13,285
50%	-	3,769	38,299	9,296	-	51,364	25,681
75%	-	-	-	1,157	-	1,157	868
100%	-	-	178,264	26,492	10,713	215,469	215,469
150%	-	-	-	5	-	5	8
Total Exposures	822,346	55,815	216,563	74,907	11,238	1,180,869	265,720
Risk-Weighted Assets by Exposures	-	12,294	197,413	45,300	10,713	265,720	
Average Risk Weight	0.0%	22.0%	91.2%	60.5%	95.3%	22.5%	
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 2022

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		-	-	-	-		-	-
Total (i)		-	-	-	-		-	-

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		-	411,882	-	-		-	411,882
Total (ii)		-	411,882	-	-		-	411,882

Exposure Class	**Ratings of Banking Institutions 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 Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B-	Caa1 to C CCC+ to D CCC+ to D C1 to D C+ to D	Unrated	Total
On and Off-Balance Sheet Exposures								
Banks, MDBs and FDIs		109	1,254	227	-	-	45	1,635
Total (iii)		109	1,254	227	-	-	45	1,635
Total Exposure (i)+(ii)+(iii)		109	413,136	227	-	-	45	413,517
Residential Mortgages		-	-	-	-	-	69,734	69,734
Other Assets		-	-	-	-	-	8,245	8,245
Total Unrated Exposure		-	-	-	-	-	77,979	77,979
Total		**109**	**413,136**	**227**	-	-	**78,024**	**491,496**

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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 2021

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		-	-	-	-		216,563	216,563
Total (i)		-	-	-	-		216,563	216,563

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		-	822,346	-	-		-	822,346
Total (ii)		-	822,346	-	-		-	822,346

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		50,727	4,896	151	-	-	41	55,815
Total (iii)		50,727	4,896	151	-	-	41	55,815
Total Exposure (i)+(ii)+(iii)		50,727	827,242	151	-	-	216,604	1,094,724
Residential Mortgages		-	-	-	-	-	74,907	74,907
Other Assets		-	-	-	-	-	11,238	11,238
Total Unrated Exposure		-	-	-	-	-	86,145	86,145
Total		**50,727**	**827,242**	**151**	**-**	**-**	**302,749**	**1,180,869**

(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 with credit risk mitigation

Group **30 April 2022**	**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	411,882	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	1,635	-	-	-
Corporates	-	-	-	-
Residential mortgages	63,678	-	-	-
Other assets	8,245	-	-	-
Defaulted exposures	6,056	-	-	-
Total on-balance sheet exposures	491,496	-	-	-
Off-balance sheet exposures				
Credit-related off-balance sheet exposures	-	-	-	-
OTC derivatives	-	-	-	-
Total off-balance sheet exposures	-	-	-	-
Total credit risk exposures	491,496	-	-	-

Group **31 October 2021**	**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	822,346	-	-	-
Banks, development financial institutions ("DFI") and multilateral development banks ("MDBs")	53,411	-	-	-
Corporates	175,454	-	-	-
Residential mortgages	69,231	-	-	-
Other assets	11,238	-	-	-
Defaulted exposures	43,949	-	-	-
Total on-balance sheet exposures	1,175,629	-	-	-
Off-balance sheet exposures				
Credit-related off-balance sheet exposures	482	-	-	-
OTC derivatives	4,758	-	-	-
Total off-balance sheet exposures	5,240	-	-	-
Total credit risk exposures	1,180,869	-	-	-

(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 2021.

(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 31 to the unaudited interim financial statements for the period ended 30 April 2022.

(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 2021.

(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 2021.

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

	Group	
	30 April 2022 RM'000	**31 October 2021 RM'000**
Capital requirement under standardised approach for		
Foreign exchange risk	104	137
Interest rate risk	-	79
Total risk weighted assets equivalent for market risk	1,306	2,690

(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 2021.

(f) Equity Exposures in the Banking Book

The Bank holds unquoted equity shares in the banking book for socio-economic purpose. The accounting treatments and valuation methodology for these equity investments, including key assumptions affecting valuation are detailed in Note 1(d)(iii), Note 2(c)(ii)A, and Note 36 to the audited financial statements for the financial year ended 31 October 2021.

Group
30 April 2022

Equity Type	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000
Privately Held		
For socio-economic purposes	1,813	1,813

Group
31 October 2021

Equity Type	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000
Privately Held		
For socio-economic purposes	2,636	2,636

Gains and Losses on Equity Exposures in the Banking Book

	Group 30 April 2022 RM'000	Group 31 October 2021 RM'000
Realised gains recognised in the income statement	-	42
Unrealised (losses)/gains recognised in the income statement	(823)	90
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 2022

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	7	4,832	4,839	-	(353)	(353)
100 bp decrease	(7)	(4,832)	(4,839)	-	357	357

Group
31 October 2021

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	28	10,270	10,298	-	(1,005)	(1,005)
100 bp decrease	(28)	(10,270)	(10,298)	-	1,021	1,021

Based on a 100 bps parallel rise in yield curves on Malaysian Ringgit and US Dollar, Annual Income is expected to increase by RM4.84 million (Oct-21: increase by RM10.30 million), while the Economic Value is expected to decrease by RM0.35 million (Oct-21: decrease by RM 1.01 million).

The corresponding impact from a 100 bps parallel decrease is an estimated reduction of RM4.84 million, (Oct-21: reduction RM10.30 million), while the Economic Value is expected to increase by RM0.36 million (Oct-21: increase by RM1.02 million).