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## APPENDIX

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## SECTION A

### 1. Introduction

- 1.1 The Guidelines set out the minimum requirements on the classification of impaired loans/financing and provisioning for loan/financing impairment with the adoption of *FRS 139 – Financial Instruments: Recognition and Measurement* issued by the Malaysian Accounting Standards Board.
- 1.2 Banking institutions are expected to meet the expectations in these Guidelines with respect to impairment classification and provisioning practices and be able to demonstrate that internal policies and practices are consistent with the expectations.
- 1.3 The Guidelines shall be read together with the *Best Practices for the Management of Credit Risk* issued by Bank Negara Malaysia that are relevant to classification and provisioning practices. In particular, banking institutions shall refer to the best practices therein relating to the oversight functions of the board of directors, senior management, credit risk management committee and internal audit; maintenance of adequate policies and procedures; and maintenance of effective credit risk management processes.
- 1.4 Loans/financing for the purpose of these Guidelines includes all facilities<sup>1</sup> provided by the banking institution to a customer which give rise to a credit exposure to the customer.

### 2. Applicability

- 2.1 The Guidelines are applicable to all banking institutions (commercial banks and investment banks) licensed under the Banking and Financial Institutions Act 1989 (BAFIA) and Islamic banks licensed under the Islamic Banking Act 1983 (IBA).

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<sup>1</sup> Including but not limited to advances, trade-related receivables, credit card and block-discounting facilities.

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2.2 For Islamic banking institutions<sup>2</sup> (IBIs), the Guidelines shall only cover Shariah-based financing or receivables and provisioning for impaired financing.

### **3. Legal Provision**

3.1 The Guidelines are issued pursuant to Section 126 of the BAFIA and Section 53A of the IBA.

### **4. Effective Date**

4.1 The Guidelines are effective for financial years beginning on and after 1 January 2010.

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<sup>2</sup> Islamic banking institutions shall refer to both Islamic banks licensed under IBA and Islamic Banking Scheme of banking institution licensed under BAFIA.

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## SECTION B

### 5. Compliance with Accounting Standards

- 5.1 Banking institutions shall ensure that the loan/financing impairment assessment and provisioning comply with the requirements specified under *FRS 139 – Financial Instruments: Recognition and Measurement*, subject to the transitional provisions provided in paragraph 12 of these Guidelines.

### 6. Board and Senior Management Oversight

- 6.1 The board of directors and senior management of a banking institution are responsible to ensure that appropriate credit risk assessment, control and provisioning processes are in place and operating effectively to maintain impairment provisions for loans/financing at an appropriate level. The board must reasonably assure that the credit risk assessment processes and internal controls are appropriate to the size, nature and complexity of the banking institution's lending/financing operations. In particular, the credit risk assessment processes and controls should enable banking institutions to consistently determine impairment provisions for loans/financing in accordance with the banking institution's approved policies and procedures, applicable FRS and the Bank's expectations under these Guidelines.
- 6.2 The board shall be satisfied that:
- (i) the banking institution's internal control and loan/financing review function provides adequate assurance of internal compliance with the banking institution's internal policies and procedures on classification and provisioning for loans/financing;
  - (ii) the banking institution's processes and systems for identifying, classifying, monitoring and addressing loans/financing with credit quality problems in a timely manner are adequate;
  - (iii) appropriate information about the credit quality of the loan/financing portfolio and related provisions is provided to senior management and the board on a regular and timely basis; and

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- (iv) management judgment has been exercised in an appropriate manner and is reasonable.

The board of directors shall have policies that call for the review of the banking institution's lending/financing and credit risk assessment functions on a periodic basis, with recommendations for improvements, where appropriate.

6.3 In assessing the methods employed by the banking institution to calculate impairment provisions for loans/financing, the board shall be satisfied that:

- (i) the procedures used by the banking institution to establish impairment provisions on individually impaired loans/financing are prudent and based on cash flow projections that take into account economic conditions;
- (ii) the framework for establishing collectively assessed impairment provisions is adequate and that the methodology used is reasonable;
- (iii) aggregate (individual and collective) impairment provisions are appropriate in relation to total credit risk exposure in the loan/financing portfolio;
- (iv) loans/financing (or portions thereof) determined to be uncollectible have been recognised in a timely and appropriate manner through provisions or write-offs; and
- (v) the banking institution is following policies and practices that are consistent with the expectations of these Guidelines.

6.4 The board shall approve write-off policies for loans/financing and these policies shall include the circumstances, conditions and approving authority under which a loan/financing can be written-off. The policies should also address appropriate monitoring and reporting mechanisms on recovery efforts made and to be undertaken by the banking institution. The board may also consider requiring information on write-offs and recoveries of large loans/financing to be reported to the board.

6.5 Senior management is responsible for the development and effective implementation of the impairment provisions framework and policies on the write-off of loans/financing approved by the board. This includes ensuring that:

- (i) internal policies, procedures, and processes on provisioning are clearly communicated to all relevant personnel. There should be formal channels for

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communication and coordination among those involved in the credit risk assessment, measurement and control process, including the banking institution's credit administration, financial reporting, internal audit and risk management functions;

- (ii) an appropriate, systematic and consistently applied process is adopted to determine impairment provisions for loans/financing. Such a process should facilitate the timely capturing of new or additional information about the collectibility of loans/financing for the purpose of determining impairment provisions when such information becomes available; and
- (iii) prudent and proper monitoring of impaired loans/financing including the recovery of written-off loans/financing is enforced.

## **7. Credit Risk Grading**

- 7.1 Banking institutions shall have in place a systematic and consistently applied process to reliably classify loans/financing on the basis of credit risk. This should support the prudent valuation of loans/financing and determination of appropriate impairment provisions for loans/financing. For this purpose, banking institutions may adopt a credit risk grading system or categorisation based on repayment conduct (e.g. payment delinquency status) which must appropriately reflect the risks associated with loans/financing granted by the banking institution. The Bank expects that larger loans/financing would be classified on the basis of a credit risk grading system, while other smaller loans/financing or loans/financing with homogeneous characteristics and managed on a portfolio basis may be classified on the basis of either a credit risk grading system or repayment conduct.
- 7.2 The credit risk grading system should be able to differentiate at a sufficiently granular level, the degree of credit risk inherent in the various credit exposures of a banking institution. The level of granularity should facilitate a more accurate determination of the overall characteristics of the loan/financing portfolio, probability of default and ultimately the adequacy of impairment provisions for loans/financing. The grading system should address the definitions of each credit risk grade. The delineation of responsibilities for the design, implementation, operation and performance of the system should also be clearly defined and documented.

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- 7.3 A credit risk grading system should take into account a customer's current financial condition and paying capacity, and other customer and facility specific characteristics (which may include the current value and realisability of collateral) that affect the prospects for collection of outstanding debt/financing (including interest/profit). In general, the credit risk grading system should be consistently applied for credit risk assessment, financial reporting and capital adequacy<sup>3</sup> purposes, except in circumstances where regulatory requirements prescribe a more conservative treatment<sup>4</sup>.
- 7.4 Banking institutions shall exercise prudence in the upgrading of the status of any loans/financing. The upgrading of the status of any loans/financing should be supported by a clear demonstration of a sustained trend of improvement in the repayment capability, gearing, associated cash flows and financial position of the customer. A banking institution or other institutions in the same group should not grant new credit to a defaulting customer for the settlement of arrears in order to justify an improved credit risk grading<sup>5</sup>.
- 7.5 Credit risk grades should be reviewed and updated whenever relevant new information is obtained or received by banking institutions. Loans/financing to which credit risk grades are assigned should receive a periodic formal review to reasonably assure that those grades are accurate and up-to-date. Credit risk grades for individually assessed loans/financing shall be reviewed at least annually. Loans/financing that are either large, complex, higher risk or which are problem credits should be reviewed more frequently and as and when new information becomes available.

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<sup>3</sup> Applicable for banking institutions adopting the Internal Ratings-Based Approach.

<sup>4</sup> For example, Basel II allows a single event (i.e. 90 days past due) to determine the classification of 'non-performing' which then warrants a higher risk weight. Under FRS 139, such an event by itself may not provide sufficient evidence of impairment.

<sup>5</sup> Excluding rescheduled and restructured loans/financing, which are subject to the requirements specified under paragraph 8 of these Guidelines.

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## **8. Rescheduled and Restructured Loans/Financing**

- 8.1 Banking institutions must have in place policies approved by the board which define the circumstances and conditions under which a loan/financing may be rescheduled or restructured. The policies should address the following:
- (i) controls to avoid 'ever-greening' of loans/financing, including situations where loans/financing may be rescheduled or restructured more than once, and provisioning policies with respect to such loans/financing; and
  - (ii) compliance with Shariah rules and principles in rescheduling or restructuring of financing for IBIs. This may include administrative policies on the performance of a new agreement ('aqad) and the capitalisation of penalty amounts in relation to the restructured financing.
- 8.2 Banking institutions must reassess the customer's financial position, having regard to all relevant circumstances surrounding the customer's financial condition and prospects for repayment, before a loan/financing can be rescheduled or restructured. In addition, adequate resources must be allocated to closely monitor and follow up on the performance of rescheduled and restructured loans/financing.
- 8.3 A banking institution shall appropriately classify the rescheduled and restructured facilities based on the assessment of the financial condition of the customer and the ability of the customer to repay based on the restructured terms.
- 8.4 Senior management (or the Credit Committee) should receive periodic reports on the performance of rescheduled and restructured credit facilities. The reports should provide adequate information, including default status and the frequency of rescheduling or restructuring for the same customer, to facilitate management's (or the Committee's) oversight of compliance with the banking institution's internal policies on rescheduling and restructuring and assessment of risks associated with the loan/financing portfolio. Any material impact on the risk profile of the banking institution should be raised to the board's attention in a timely manner.



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- 8.5 The Bank may direct the board of a banking institution to take appropriate remedial actions to address any deficiencies in controls or provisions for rescheduled and/or restructured loans/financing if there is evidence of restructuring or rescheduling for the purpose of 'ever-greening' loans/financing.

## **9. Sound Loan/Financing Impairment Methodology**

- 9.1 Banking institutions shall develop and implement a sound loan/financing impairment methodology to identify, monitor, measure and report the quality of the loan/financing portfolio. The methodology should be supported by sound analysis, procedures and information systems, and should include criteria for the early identification and reporting of potential problem loans/financing to ensure that they are appropriately monitored, administered and provided for when required.
- 9.2 The loan/financing impairment methodologies employed must be systematic, applied consistently from period to period and incorporate a sufficient level of prudence. The methodologies must also be reviewed at regular intervals and any changes in the methodologies employed must be justified and approved at the appropriate management level. The same information should be utilised by management to monitor the condition of the loan/financing portfolio and in the banking institution's methodology for determining amount of loan/financing loss provisions for financial reporting and capital adequacy purposes.
- 9.3 The loan/financing impairment methodology should include, among others, the following:
- (i) written policies and procedures for the credit risk systems and controls inherent in the methodology, including roles and responsibilities of the board of directors and senior management;
  - (ii) a detailed analysis of the entire loan/financing portfolio, performed on a regular basis. This should be based on all available and reliable data, incorporate management's experienced judgment about the credit quality of the loan/financing portfolio and consider all known relevant internal and external factors that may affect loan/financing collectibility (such as industry, geographical, economic, and political factors);

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- (iii) the identification of loans/financing to be evaluated for impairment on an individual basis and the basis for segmentation of the remainder of the portfolio into groups of loans/financing with similar credit risk characteristics (such as loan/financing type, product type, market segment, credit risk grading and classification, collateral type, geographical location and past-due status) for evaluation and analysis on a collective basis;
- (iv) for individually assessed loans/financing that are impaired, the process for determining and measuring the amount of any impairment, including procedures on the appropriate impairment measurement techniques to be applied in a given situation;
- (v) how loss rates are determined (e.g. historical loss rates adjusted for environmental factors or migration analysis) and what factors are considered when establishing appropriate time frames over which to evaluate loss experience;
- (vi) the consideration of recoverable collateral values (less disposition costs associated with obtaining and selling collateral) and other credit risk mitigants, where applicable;
- (vii) policies and procedures for loan/financing write-offs and recoveries; and
- (viii) the methods used to validate models used for credit risk assessment and management (e.g. stress tests and back tests).

9.4 Functions associated with implementing the loan impairment methodology should be performed by competent and well-trained personnel and properly documented, with clear explanations of the supporting analyses, assumptions used and rationale.

9.5 Reviews of the loan/financing loss methodologies and application should be performed by an independent function (either an internal unit of the banking institution or external party) at regular intervals. The results of such reviews shall be reported to senior management and the board to provide reasonable assurance that the loan/financing loss provisions are reliable. The appropriateness of a banking institution's loan/financing methodologies, including any deficiencies identified by the independent function, shall also be subject to periodic reviews by internal audit. Banking institutions shall promptly address any deficiencies identified by the independent function and/or internal audit and report on remedial actions to the board.

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## 10. Use of Experienced Credit Judgment

10.1 Credit judgment used to complement historical loss experience or observable data in assessing the loan/financing impairment provisions shall be exercised by an appropriate level of management. Where experienced credit judgment is used, it shall be subject to:

- (i) a prudently limited scope for discretion;
- (ii) appropriate parameters established and approved by the board for the use of experienced credit judgment to enable an understanding and validation of the basis for the judgments made. Any deviation from these parameters, must be well justified and documented;
- (iii) the consistent application of an approved and documented analytical framework for assessing loan/financing quality to support the experienced judgment;
- (iv) the use of reasonable and supportable assumptions that are adequately documented. Assumptions concerning the impact on customers of changes in general economic activity, both favourable and unfavourable, should be made with sufficient prudence; and
- (v) the consistent use of a broad range of available and relevant data.

10.2 The method of determining impairment provisions for loans/financing should provide reasonable assurance of the timely recognition of loan/financing losses. Management shall consider all relevant factors that are likely to cause loan/financing losses to differ from historical loss experience. The factors include:

- (i) changes in credit/financing policies and procedures, including underwriting standards and collection, write-off, and recovery practices;
- (ii) changes in international, national and local economic and business conditions and developments, including the condition of various market segments;
- (iii) changes in the trend, volume and severity of past due loans/financing and loans/financing graded as low quality. This should include observations of trends in the volume of impaired loans/financing, troubled debt restructurings and other loan/financing modifications;
- (iv) changes in the experience, ability, and depth of management and staff involved in the credit/financing function;

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- (v) changes related to new market segments and products;
- (vi) changes in the quality of the banking institution's loan/financing review system and the degree of oversight by the banking institution's board of directors and senior management;
- (vii) the existence and effect of any concentrations of credit, and changes in the level of such concentrations;
- (viii) the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the banking institution's current portfolio; and
- (ix) changes in the credit risk profile of the loan/financing portfolio as a whole.

10.3 Provisions for collective impairment should be sufficiently prudent to absorb the inherent credit losses in the loan/financing portfolio. The Bank expects banking institutions to maintain sufficient loss data to support loan/financing loss estimates for the purpose of establishing the level of collective impairment provisions for groups of loan/financing with similar credit risk characteristics. Banking institutions shall ensure that the period for maintaining data is appropriate to yield reliable loss rates for a particular group of loans/financing. When using the historical loss rates to estimate the expected cash flows for groups of loan/financing, the historical loss experience shall be adjusted to reflect the current economic conditions (i.e. remove the effects of conditions in the historical period that do not exist currently on the basis of current observable data and developments).

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## SECTION C

### 11. Classification of Loans/Financing as Impaired

- 11.1 Banking institutions shall, in addition to the disclosure requirements under the applicable FRS<sup>6</sup>, based on repayment conduct, classify a loan/financing as impaired:
- (i) where the principal or interest/profit or both<sup>7</sup> is past due for more than 90 days or 3 months. In the case of revolving facilities (e.g. overdraft facilities), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months; or
  - (ii) where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, the loan/financing exhibits weaknesses<sup>8</sup> that render a classification appropriate according to the banking institution's credit risk grading framework.
- 11.2 Where repayments are scheduled on intervals of 3 months or longer, the loan/financing is classified as impaired as soon as a default<sup>9</sup> occurs, unless it does not exhibit any weakness that would render it classified according to the banking institution's credit risk grading framework.
- 11.3 For rescheduled and restructured facilities, the account shall be classified as impaired in accordance with paragraph 11.1 based on the revised or restructured terms.
- 11.4 Impairment provisions for loans classified as impaired shall be determined in accordance with FRS 139 subject to the transitional provisions set out in paragraph 12 of these Guidelines.

<sup>6</sup> FRS 7 *Financial Instruments: Disclosures*

<sup>7</sup> In the case of credit card facilities, the amount past due refers to the minimum monthly repayments.

<sup>8</sup> Banking institutions shall consider the loss events under paragraph 59 of FRS 139 *Financial Instruments: Recognition and Measurement*.

<sup>9</sup> A default is defined as the inability to meet the contractual repayment terms.

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## 12. Transitional Provisions

12.1 In view of the proposed changes to the impairment model under FRS 139 by the International Accounting Standards Board, the following transitional provisions shall apply.

### ***Individual Impairment Provisions***

12.2 For the purpose of complying with paragraph 58 of FRS 139, *objective evidence of impairment* is deemed to exist where the conditions under paragraphs 11.1 and 11.2 of these Guidelines have been met for loans/financing that are individually assessed for impairment.

12.3 Impairment provisions for a loan/financing that is individually assessed for impairment shall be based on reasonable and well-documented estimates of the net present value of the future cash flows<sup>10</sup> that the banking institution expects to recover on that loan/financing.

12.4 During the transition period, banking institutions are required to submit parallel report based on the parameters specified in Appendix I of these Guidelines. The parallel report shall apply to the financial year 2010 and be submitted to the Bank together with the financial reports in 2010<sup>11</sup>.

12.5 The provisions calculated in accordance with Appendix I are intended to inform banking institutions on the adequacy of individual impairment provisions made in accordance with FRS 139. Significant deviations between the provisions made under FRS 139 and Appendix I may warrant closer examination by banking institutions of the loan impairment methodologies employed.

<sup>10</sup> Refer to paragraph 63 of FRS 139 *Financial Instruments: Recognition and Measurement*.

<sup>11</sup> As an example, the parallel report shall be from the period July 2010 to June 2011 for a banking institution with the financial year ending on 30 June.

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### **Collective Impairment Provisions**

12.6 The Bank recognises that banking institutions may need to comprehensively review existing policies and procedures including ensuring that sound information and risk management systems (both within the financial reporting function, and across the finance, business and risk control functions) are in place to fully meet the expectations set out in these Guidelines, in particular expectations with respect to collective impairment provisions. The Audit Committee of the banking institution is therefore required to provide effective oversight of the banking institution's progress towards meeting these expectations. The Bank expects banking institutions to be able to fully meet the expectations set out in these Guidelines by financial year beginning on and after 1 January 2012.

12.7 As a transitional provision, banking institutions shall maintain collective impairment provisions<sup>12</sup> of **at least**:

$$1.5\% \times \left\{ \begin{array}{l} \text{Total outstanding} \\ \text{loans/financing}^{13} \end{array} - \begin{array}{l} \text{Individual impairment} \\ \text{provisions}^{14} \end{array} \right\}$$

12.8 Banking institutions applying the transitional provision shall continue to ensure that the overall level of provisions maintained for loans/financing is adequate in relation to the total credit risk exposure in the loans/financing portfolio. In particular, for loans/financing classified as impaired but which are not individually assessed for impairment, the Bank expects banking institutions to undertake an assessment on the adequacy of provisions for such loans/financing. Banking institutions shall provide additional collective impairment provisions for these loans/financing where the amount provided under the transitional provision is inadequate. The methodology applied to determine the amount of additional provision required for these loans/financing should be agreed between the banking institution and the external auditor.

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<sup>12</sup> In the case where the parent institution licensed under BAFIA provides for the collective impairment provisions for the financing extended by Islamic subsidiaries which is funded by Specific Investment Accounts (SIA) placed by the parent banking institution, the financing shall be included in the total outstanding financing base of the parent banking institution for the purpose of complying with this transitional provision.

<sup>13</sup> Excludes loans/financing with an explicit guarantee from the Federal Government of Malaysia.

<sup>14</sup> Calculated in accordance with paragraph 12.3 of these Guidelines.

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- 12.9 Subject to the prior written approval of the Bank, the Bank may allow banking institutions to maintain a lower level of collective impairment provisions from that specified under paragraph 12.7 where the Bank is satisfied that the institution has a loss estimation process that is sufficiently robust and supported by adequate historical loan loss data. The banking institution shall also demonstrate that it has satisfactorily met the expectations set out in these Guidelines. The Bank may require these banking institutions to maintain regulatory reserves for a period and in a manner determined by the Bank.
- 12.10 Banking institutions that apply the transitional provision under paragraph 12.7 for the assessment of collective impairment provisions shall disclose that fact in the financial statements.



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## SECTION D

### 13. Circulars and Guidelines Superseded

13.1 With the issuance of the Guidelines, the following guidelines are withdrawn:

<b>Circulars/Guidelines Number</b>	<b>Title</b>	<b>Date Issued</b>
BNM/RH/GL 001-29	Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts (BNM/GP3)	7 August 2008

## APPENDIX I

### REPORT ON INDIVIDUAL IMPAIRMENT PROVISIONS

- Pursuant to paragraph 12.4 of these Guidelines, banking institutions shall submit the following information:

	Amount outstanding	Individual impairment provisions	
		Calculated based on FRS 139	Calculated based on parameters in Table I
		RM million	
Up to 90 days/3 months			
90 days/3 months and less than 180 days/6 months			
180 days/6 months and less than 270 days/9 months			
270 days/9 months and above			
<b>Total</b>			

**Table I**

Days in arrears	Individual impairment provisions on the portion not covered by amount realisable from collateral (as detailed in paragraph 2 below, which is based on previous <i>BNM/GP3</i> )
Up to 90 days/3 months	0%
90 days/3 months and less than 180 days/6 months	20%
180 days/6 months and less than 270 days/9 months	50%
270 days/9 months and above	100%

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2. The amount realisable from collateral (refer to Table I above) shall be computed based on the following valuation requirements:

- (i) Charge or lienholder's caveat over property
  - (a) Where court proceedings are not yet instituted, forced sale value (FSV) is used. The FSV should be based on the existing use of the land as valued by professional valuers. However, under exceptional circumstances, fair market value (FMV) may be used, for example, where the banking institution feels strongly that the property charged is worth FMV and there is evidence to that effect.
  - (b) Where auction is pending and a reserve price (RP) has been fixed, RP is to be used.
  - (c) Where auction has been aborted and FSV of the property is lower than RP, and in the absence of new RP, FSV is to be used.
  - (d) Where aborted RP is based on FSV, and in the absence of new RP, a 10% discount should be made on the aborted RP.
  - (e) Banking institutions are required to use current valuation reports to value properties pledged as collateral. In the absence of current valuation reports, the full Property Market Report (PMR) may be used. Current valuation reports are defined as not more than two years old.

Note: The FSV should be based on the existing use of the land as valued by professional valuers.

- (ii) Deed of Assignment

In circumstances where the issued document of title is not available, Deed of Assignment and Charge-in-Escrow may collectively be accepted as collateral. The basis of valuation should be as in paragraph 1 of this Appendix. Private caveats generally have no value.
- (iii) Debenture

No value can be attached unless it is certified by a receiver/ liquidator/ auditor/ professional valuer.

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(iv) Assignment of book debts

No value unless the banking institution can prove that the borrowers are worth the value quoted.

(v) Assignment of shares

(a) Quoted

Normally, the latest market price. Appropriate discounts should be considered if the shares are thinly traded and/or comprise a large block of shares. Premiums may only be considered where there is a valid offer at the higher price as evidenced by a firm commitment, such as purchase contracts or undertaking letters provided by solicitors or brokers.

If trading in that counter has been suspended (other than temporary suspension), the net realisable tangible asset value, as per the latest audited financial statements (not more than 18 months old and taking into account the content of interim announcement), would be used. If appropriate financial statements are not available, normally no value is given. In the case of shares which are temporarily suspended, the last quoted price prior to suspension will be used. The determination of 'temporary' will be inferred from the reasons for suspension, for instance, shares which are temporarily suspended pending a takeover scheme.

(b) Unquoted

Value may be given provided the test of marketability is met. The condition of marketability would be considered based on the merit of each case. If it can be demonstrated that the shares are marketable, the basis of valuation applied should be the net tangible asset per share. Higher valuation may be considered if the financial institution is able to provide detailed valuation of net assets in support of the higher valuation or if there is a purchase offer for the shares evidenced by firm commitments such as purchase contracts or undertaking letters provided by solicitors or brokers.

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(vi) Plant, machinery and equipment

In the absence of professional valuation, the net book value would be applicable, using a 20% depreciation rate on a straight line basis on the acquisition price.

(vii) Guarantees

(a)	Personal	Generally no value
(b)	Banking institutions	Full value
(c)	Federal and State Government of Malaysia	Full value
(d)	Others	To be considered on a case-by-case basis

(viii) All other securities

To be considered on a case-by-case basis.