Standard Chartered Bank Malaysia Berhad
and its subsidiaries

Pillar 3 Disclosures
31 December 2013

Incorporated in Malaysia with registered Company No. 115793P

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No. 30, Jalan Sultan Ismail 50250 Kuala Lumpur

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1. Overview

Basel II

The Basel Committee on Banking Supervision (“BCBS”) published a framework for International Convergence of Capital Measurement and Capital Standards (commonly referred to as ‘Basel II’), which replaced the original 1988 Basel I Accord. Basel II is structured around three ‘pillars’ which are outlined below:-

- Pillar 1 sets out minimum regulatory capital requirements – the minimum amount of regulatory capital banks must hold against the risks they assume;
- Pillar 2 sets out the key principles for supervisory review of a bank’s risk management framework and its capital adequacy. It sets out specific oversight responsibilities for the Board of Directors ("the Board") and senior management, thus reinforcing principles of internal control and other corporate governance practices; and
- Pillar 3, covered in the supplementary financial information (unaudited), aims to bolster market discipline through enhanced disclosure by banks.

Basel II provides three credit risk approaches of increasing sophistication, namely, The Standardised Approach (“TSA”), the Foundation Internal Ratings Based Approach (“FIRB”) and the Advanced Internal Ratings Based Approach (“AIRB”).

In Malaysia, the Capital Adequacy Framework (Basel II - Risk Weighted Assets) came into effect on 1 January 2013, last updated on 27 June 2013. The framework (previously known as Risk Weighted Capital Adequacy Framework (Basel II - Risk Weighted Assets Computation) sets out the requirements on the computation of the risk-weighted assets developed based on the Basel Committee on Banking Supervision (BCBS) and the Islamic Financial Services Board (IFSB) papers "International Convergence of Capital Measurement and Capital Standards: A Revised Frameworks" issued in June 2006 and the "Capital Adequacy Standard (CAS)" issued in December 2005, respectively. The framework forms part of the overall capital adequacy framework, hence should be read alongside the Capital Adequacy Framework (Capital Components).

BNM has formally approved Standard Chartered Bank Malaysia Berhad ("SCBMB") and Standard Chartered Saadiq Berhad ("SCSB") to use the AIRB approach for calculating and reporting credit risk regulatory capital in June 2010. As a result, since July 2010 regulatory capital submission, SCBMB and SCSB have been using AIRB approach for calculating and reporting the credit risk capital requirement. Formal approvals (SCBMB in Nov 2009 and SCSB in May 2013) were also obtained from BNM for the use of TSA approach for calculating and reporting operational risk. SCBMB and SCSB started to use TSA approach for calculating and reporting the operational risk capital requirement effective July 2010 and September 2013, respectively.

Scope of application

The Pillar 3 disclosures are prepared for the Standard Chartered Bank Malaysia Berhad and its subsidiaries ("the Group"). The Group offers Islamic banking financial services via the Bank's wholly owned subsidiary company, Standard Chartered Saadiq Berhad. The accounting policy for consolidation is provided in note 2(a) of the Group's financial statements for the financial year ended 31 December 2013 ("the financial statements"). All subsidiaries are fully consolidated and the treatment is the same for both regulatory and accounting purposes.

The Group is not aware of any material, practical impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of intercompany loans and advances.

2. Capital management

The Group's capital management approach is driven by its desire to maintain a strong capital base in support of its business development, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a three year horizon and approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:-

- regulatory capital requirements and assessment of future standards;
- forecast demand for capital to support the credit ratings;
- increases in demand for capital due to business growth, forecasts, loan impairment outlook and market shocks or stresses;
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Group's risk, performance and capital.

The Group uses internal models and other quantitative techniques in its internal risk management. Internal credit models are in use also to compute the amount of regulatory capital required.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. It is overseen by the Asset and Liability Committee ("ALCO"), which is responsible for managing the balance sheet, capital and liquidity. A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board.

ALCO is also responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios in all legal entities. These processes are designed to ensure that the Group has sufficient capital available to meet local regulatory requirements at all times.

The Group's Internal Capital Adequacy Assessment ("ICAAP") closely integrates the risk and capital assessment processes, and ensures that adequate levels of capital are maintained to support the Group's current and projected demand for capital under expected and stressed conditions. The Group's ICAAP, including methodologies in use for stress testing and economic capital calculations are aligned with those established at the Standard Chartered PLC Group level and has been designed to be applied consistently across the Group to meet the Pillar 2 requirements of BNM.

Details of regulatory capital structure and main features of capital instruments of the Group are disclosed in Note 46 and Note 19 of the financial statements. All ordinary shares in issue confer identical rights in respect of capital, dividends and voting.

3. Risk management

Risk management is the set of end-to-end activities through which we make risk-taking decisions and we control and optimize the risk-return profile of the Group. It is a Group-wide activity and starts right at the front-line. The management of risk lies at the heart of the Group's business. Effective risk management is a central part of the financial and operational management of the Group and fundamental to our ability to generate profits consistently and maximize the interests of shareholders and other stakeholders.

Through the Risk Management Framework, the Group manages enterprise-wide risks. One of the main risks incurred arises from extending credit to customers through lending and trading operations. Beyond credit risk, the Group is also exposed to a range of other risk types such as market, operational, liquidity, reputational and other risks which are inherent to the Group's strategy and the business the Group has chosen to participate in.

3. Risk management (continued)

As part of this framework, the Group uses a set of principles that describe the risk management culture it wishes to sustain:

- **Balancing risk and return**: risk is taken in support of the requirements of stakeholders, in line with the Group's strategy and within the Group's risk appetite;
- **Responsibility**: it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. The Group takes account of its social responsibilities and its commitments to customers in taking risk to produce a return;
- **Accountability**: risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported;
- **Anticipation**: seek to anticipate future risks and ensure awareness of all known risks;
- **Competitive advantage**: seek to achieve competitive advantage through efficient and effective risk management and control.

Risk Governance

Risk governance refers to those parts of the Group's overall governance mechanisms that relate to risk management and control. Risk governance is exercised through the decision making authority vested in individual managers and committees.

Ultimate responsibility for the effective management of risk rests with the Board. The Board delegates authority for the management of risk to several committees.

Acting with an authority delegated by the Board, the Board Risk Committee ("BRC") has oversight over risk management framework and senior management activities in managing and controlling all risks. BRC is chaired by and consists only of non-executive directors.

Executive Committee ("EXCO"), through its authority delegated by the Board, is responsible for executing strategy as approved by the Board and to ensure robust control environment. EXCO is also responsible for the management of pension and strategic risks.

ALCO, through its authority delegated by EXCO, is responsible for the management of capital ratios and the establishment of, and compliance with, policies relating to balance sheet management, including management of the Group's liquidity and capital adequacy.

The Risk Management Committee ("RMC") with its authority delegated by EXCO, shall hold executive responsibility for risk management and control of all risks, except those for which EXCO and ALCO have direct responsibilities. The RMC is also responsible for defining the Group's overall risk management framework.

RMC ensures the effective management of risk throughout the subsidiary and other Group's non banking entities incorporated and domiciled in Malaysia in support of business strategy. The RMC must ensure that risks within the country entities are managed effectively within the constraints set by Group and Business level risk committees. In addition, RMC has risk management oversight over entities and branch of Standard Chartered Bank, UK incorporated and domiciled in Malaysia.

Flow of Authority

Authority flows from the RMC and ALCO to their sub-committees and may be cascaded further from there. Reporting of material risk exposures, risk issues and assurance with policies and standards is communicated from the relevant risk type committees up to the RMC, in accordance with their degree of materiality to the Group. Line managers are also required to ensure that all risk exposures, risk issues and evidence of assurance with policy are classified in terms of the applicable risk control area, risk type and organizational levels.

3. Risk management (continued)

Three Lines of Defence

- The first line of defence is that all employees are required to ensure the effective management of risks within the scope of their direct organizational responsibilities.
- The second line of defence comprises the Risk Control Owners, supported by their respective control functions. Risk Control Owners are responsible for ensuring that the risks within the scope of their responsibilities remain within appetite. The second line is independent of the origination, trading and sales functions to ensure that the necessary balance and perspective is brought to risk/return decisions.
- The third line of defence comprises the independent assurance provided by the Internal Audit function of the Group Internal Audit ("GIA") which has no responsibilities for any of the activities it examines. GIA provides independent assurance of the effectiveness of the management's control of its own business activities (first line) and of the processes maintained by the Risk Control Functions (the second line). As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

Risk Function

The role of the risk function led by the Country Chief Risk Officer is:

- To maintain the Risk Management Framework, ensuring it remains appropriate to the Group's activities, is effectively communicated and implemented across the Group and for administering related governance and reporting processes.
- To uphold the overall integrity of the Group's risk/return decisions, and in particular for ensuring that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and are controlled in accordance with the Group's standards.
- To exercise direct risk control ownership for credit, market, country cross-border, short-term liquidity and operational risk types.

Risk Appetite

The Standard Chartered PLC Group's Risk Appetite Statement (RAS) is the Standard Chartered PLC's Board of Directors' articulation of the amount of risk that the Standard Chartered PLC Group is willing to take in the pursuit of its strategic goals. When setting the risk appetite, it considers overall risk management strategy and approach and appropriate margin between actual risk exposure and its risk capacity. At country level, a detailed annual risk appetite assessment is performed, where its portfolio is assessed for how it contributes towards upholding the Standard Chartered PLC Group's risk appetite statement and to assess key issues and potential concerns around the country's business strategy and portfolio composition.

Stress Testing

Stress testing and scenario analysis are used to assess the capability of the Group to continue operating effectively under extreme but plausible trading conditions. Stress testing activities are performed as necessary, to evaluate the impact on the portfolio or on certain customer segments, as a result of developments in the market.

Stress Testing Committee ("STC") is led by the Risk function. The STC comprises senior management from risk, Country Finance and Standard Chartered PLC Group Research. Business Heads are invited to attend. STC discusses and decides on all matters pertinent to stress testing including scenario selection, sensitivity analysis, impact assessment and development of management actions. STC makes recommendation to RMC for approval.

4 Regulatory capital requirement

Disclosure on capital adequacy under the Standardised and IRB approach

Group **31 December 2013** **Exposure class**	**Gross exposures RM'000**	**Net exposures RM'000**	**Risk weighted assets RM'000**	**Minimum capital requirement at 8% RM'000**
(a) Credit risk				
Exposures under the Standardised approach				
On-balance sheet exposures:-				
Corporates	158,645	147,874	148,185	11,855
Regulatory retail	152,295	85,925	66,535	5,323
Residential mortgages	14,869	14,869	5,440	435
Higher risk assets	33,468	33,468	50,203	4,016
Other assets	754,967	753,746	635,005	50,800
Defaulted exposures	71,973	71,540	122,494	9,800
Total on-balance sheet exposures	1,186,217	1,107,422	1,027,862	82,229
Off-balance sheet exposures:-				
OTC derivatives	3,551	3,163	3,133	251
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	128,873	86,547	86,481	6,918
Defaulted exposures	246	246	370	30
Total off-balance sheet exposures	132,670	89,956	89,984	7,199
Total on and off-balance sheet exposures	1,318,887	1,197,378	1,117,846	89,428
Exposures under the IRB approach				
On-balance sheet exposures:-				
Sovereigns/Central banks	9,969,697	9,994,482	570,392	45,631
Banks, development financial institutions & multilateral development banks ("MDBs")	4,755,962	4,754,144	568,404	45,472
Insurance companies, securities firms & fund managers	430,026	499,511	105,222	8,418
Corporates	10,977,271	10,894,622	9,168,081	733,446
Residential mortgages	12,798,587	12,798,587	2,279,571	182,366
Qualifying revolving retail exposures	1,887,696	1,887,695	1,323,198	105,856
Other retail	6,323,330	6,313,530	4,022,232	321,779
Defaulted exposures	1,385,382	1,385,382	4,302,345	344,188
Total on-balance sheet exposures	48,527,951	48,527,953	22,339,445	1,787,156
Off-balance sheet exposures:-				
OTC derivatives	5,981,957	5,981,957	1,476,002	118,080
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	13,884,919	13,884,919	4,372,366	349,789
Defaulted exposures	27,165	27,165	31,012	2,481
Total off-balance sheet exposures	19,894,041	19,894,041	5,879,380	470,350
Total on and off-balance sheet exposures	68,421,992	68,421,994	28,218,825	2,257,506
(b) Large exposures risk requirement			623	50
(c) Market risk (Standardised approach)	**Long position**	**Short position**		
Interest rate risk	31,746,873	31,361,067	979,382	78,351
Foreign currency risk	52,763,098	52,655,779	28,053	2,244
Options risk	5,209,210	3,247,859	359,810	28,785
(d) Operational risk (Standardised approach)			3,596,736	287,739
Total RWA and capital requirements			**34,301,275**	**2,744,103**

CET1, Tier 1 and Risk-Weighted Capital ratios

	Before proposed dividend	After proposed dividend
CET 1 capital ratio	9.58%	9.58%
Tier 1 capital ratio	10.57%	10.57%
Risk-weighted capital ratio	13.52%	13.52%

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4. Regulatory capital requirement (continued)

Disclosure on capital adequacy under the Standardised and IRB approach (continued)

Group **31 December 2012** **Exposure class**	**Gross exposures RM'000**	**Net exposures RM'000**	**Risk weighted assets RM'000**	**Minimum capital requirement at 8% RM'000**
(a) Credit risk				
Exposures under the Standardised approach				
On-balance sheet exposures:-				
Corporates	2,834,747	2,686,556	2,612,899	209,032
Regulatory retail	1,598,182	1,244,045	935,286	74,823
Residential mortgages	17,372	17,372	6,190	495
Higher risk assets	25,255	25,255	37,883	3,031
Other assets	768,028	930,289	653,956	52,316
Defaulted exposures	55,602	47,862	83,834	6,707
Total on-balance sheet exposures	5,299,186	4,951,379	4,330,048	346,404
Off-balance sheet exposures:-				
OTC derivatives	11,631	11,631	11,571	926
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	1,341,160	1,233,048	1,135,919	90,874
Defaulted exposures	235	235	352	28
Total off-balance sheet exposures	1,353,026	1,244,914	1,147,842	91,828
Total on and off-balance sheet exposures	6,652,212	6,196,293	5,477,890	438,232
Exposures under the IRB approach				
On-balance sheet exposures:-				
Sovereigns/Central banks	9,380,071	9,404,071	566,012	45,281
Banks, development financial institutions & MDBs	4,250,224	4,815,818	660,592	52,847
Insurance companies, securities firms & fund managers	254,417	254,417	65,420	5,234
Corporates	7,669,240	7,079,646	4,946,476	395,718
Residential mortgages	12,140,534	12,140,534	2,099,170	167,934
Qualifying revolving retail exposures	1,907,489	1,907,489	1,312,754	105,020
Other retail	5,364,174	5,364,174	3,896,982	311,759
Defaulted exposures	747,021	747,021	1,395,038	111,603
Total on-balance sheet exposures	41,713,170	41,713,170	14,942,444	1,195,396
Off-balance sheet exposures:-				
OTC derivatives	5,129,577	5,129,577	1,302,062	104,165
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	11,164,160	11,164,160	3,105,704	248,456
Defaulted exposures	27,186	27,186	15,238	1,219
Total off-balance sheet exposures	16,320,923	16,320,923	4,423,004	353,840
Total on and off-balance sheet exposures	58,034,093	58,034,093	19,365,448	1,549,236
(b) Large exposures risk requirement			568	45
(c) Market risk (Standardised approach)	**Long position**	**Short position**		
Interest rate risk	34,243,653	36,972,114	1,052,896	84,232
Foreign currency risk	62,366,863	62,262,920	112,977	9,038
Options risk	6,663,759	4,382,293	257,898	20,632
(d) Operational risk (Standardised approach)			3,189,623	255,170
Total RWA and capital requirements			**29,457,300**	**2,356,585**

CET 1, Tier 1 and Risk-Weighted Capital ratios

	Before proposed dividend	After proposed dividend	
CET 1 capital ratio	10.57%	10.06%	**
Tier 1 capital ratio	11.86%	11.35%	
Risk-weighted capital ratio	13.50%	12.99%	

4. Regulatory capital requirement (continued)

Disclosure on capital adequacy under the Standardised and IRB approach (continued)

Bank **31 December 2013** **Exposure class**	**Gross exposures RM'000**	**Net exposures RM'000**	**Risk weighted assets RM'000**	**Minimum capital requirement at 8% RM'000**
(a) Credit risk				
Exposures under the Standardised approach				
On-balance sheet exposures:-				
Corporates	139,092	128,321	128,632	10,291
Regulatory retail	151,127	84,757	65,604	5,248
Residential mortgages	14,869	14,869	5,440	435
Higher risk assets	95	95	143	11
Other assets	567,990	566,769	462,036	36,963
Defaulted exposures	71,948	71,515	122,456	9,796
Total on-balance sheet exposures	945,121	866,326	784,311	62,744
Off-balance sheet exposures:-				
OTC derivatives	3,551	3,163	3,133	251
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	110,737	69,600	69,534	5,563
Defaulted exposures	246	246	370	30
Total off-balance sheet exposures	114,534	73,009	73,037	5,844
Total on and off-balance sheet exposures	1,059,655	939,335	857,348	68,588
Exposures under the IRB approach				
On-balance sheet exposures:-				
Sovereigns/Central banks	7,727,525	7,734,784	463,838	37,107
Banks, development financial institutions & MDBs	7,404,706	7,402,886	935,681	74,854
Insurance companies, securities firms & fund managers	430,034	499,519	105,199	8,416
Corporates	9,938,466	9,873,767	8,379,964	670,397
Residential mortgages	11,190,869	11,190,869	1,820,953	145,676
Qualifying revolving retail exposures	1,887,696	1,887,695	1,323,198	105,856
Other retail	4,943,934	4,933,710	2,590,651	207,252
Defaulted exposures	1,278,671	1,278,671	4,030,014	322,401
Total on-balance sheet exposures	44,801,901	44,801,901	19,649,498	1,571,959
Off-balance sheet exposures:-				
OTC derivatives	5,983,064	5,983,064	1,469,458	117,557
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	12,172,468	12,172,468	3,805,995	304,480
Defaulted exposures	27,165	27,165	31,012	2,481
Total off-balance sheet exposures	18,182,697	18,182,697	5,306,465	424,518
Total on and off-balance sheet exposures	62,984,598	62,984,598	24,955,963	1,996,477
(b) Large exposures risk requirement			623	50
(c) Market risk (Standardised approach)	**Long position**	**Short position**		
Interest rate risk	31,746,873	31,361,067	979,382	78,351
Foreign currency risk	52,763,098	52,655,779	28,053	2,244
Options risk	5,209,210	3,247,859	359,810	28,785
(d) Operational risk (Standardised approach)			3,343,551	267,484
Total RWA and capital requirements			**30,524,730**	**2,441,979**

CET1, Tier 1 and Risk-Weighted Capital ratios

	Before proposed dividend	After proposed dividend
CET 1 capital ratio	10.33%	10.33%
Tier 1 capital ratio	11.45%	11.45%
Risk-weighted capital ratio	13.25%	13.25%

4. Regulatory capital requirement (continued)

Disclosure on capital adequacy under the Standardised and IRB approach (continued)

Bank 31 December 2012 Exposure class	**Gross exposures RM'000**	**Net exposures RM'000**	**Risk weighted assets RM'000**	**Minimum capital requirement at 8% RM'000**
(a) Credit risk				
Exposures under the Standardised approach				
On-balance sheet exposures:-				
Corporates	2,615,859	2,469,168	2,395,511	191,641
Regulatory retail	1,236,172	882,035	663,717	53,097
Residential mortgages	17,372	17,372	6,190	495
Higher risk assets	25,255	25,255	37,883	3,031
Other assets	615,265	777,526	517,276	41,382
Defaulted exposures	54,685	46,945	82,742	6,619
Total on-balance sheet exposures	4,564,608	4,218,301	3,703,319	296,265
Off-balance sheet exposures:-				
OTC derivatives	11,631	11,631	11,571	926
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	1,235,392	1,127,280	1,041,949	83,356
Defaulted exposures	235	235	352	28
Total off-balance sheet exposures	1,247,258	1,139,146	1,053,872	84,310
Total on and off-balance sheet exposures	5,811,866	5,357,447	4,757,191	380,575
Exposures under the IRB approach				
On-balance sheet exposures:-				
Sovereigns/Central banks	6,582,392	6,582,392	427,417	34,193
Banks, development financial institutions & MDBs	5,411,934	5,977,528	824,783	65,983
Insurance companies, securities firms & fund managers	252,244	252,244	65,516	5,241
Corporates	7,867,146	7,301,552	5,071,102	405,688
Residential mortgages	11,550,804	11,550,804	1,944,571	155,566
Qualifying revolving retail exposures	1,907,489	1,907,489	1,312,754	105,020
Other retail	4,065,230	4,065,230	2,002,789	160,223
Defaulted exposures	658,319	658,319	1,188,828	95,106
Total on-balance sheet exposures	38,295,558	38,295,558	12,837,760	1,027,020
Off-balance sheet exposures:-				
OTC derivatives	5,120,502	5,120,502	1,274,471	101,958
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	10,607,911	10,607,911	2,922,323	233,786
Defaulted exposures	27,186	27,186	15,238	1,219
Total off-balance sheet exposures	15,755,599	15,755,599	4,212,032	336,963
Total on and off-balance sheet exposures	54,051,157	54,051,157	17,049,792	1,363,983
(b) Large exposures risk requirement			568	45
(c) Market risk (Standardised approach)	**Long position**	**Short position**		
Interest rate risk	34,243,653	36,972,114	1,052,896	84,232
Foreign currency risk	62,366,863	62,262,920	112,977	9,038
Options risk	6,663,759	4,382,293	257,898	20,632
(d) Operational risk (Standardised approach)			2,918,198	233,456
Total RWA and capital requirements			**26,149,520**	**2,091,961**

CET1, Tier 1 and Risk-Weighted Capital ratios:

	Before proposed dividend	After proposed dividend
CET 1 capital ratio	11.58%	11.01% **
Tier 1 capital ratio	13.03%	12.46%
Risk-weighted capital ratio	13.47%	12.89%

With effect from 1 January 2013, the capital ratios have been computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II Risk Weighted Assets).

Comparative figures computed based on Risk-Weighted Capital Adequacy Framework (RWCAF) and Capital Adequacy Framework for Islamic Banks (CAFIB) have not been restated. However, CET 1 ratios (**) have been presented for comparative purpose.

5. Credit risk

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the bank in accordance with agreed terms. Credit exposures may arise from both the banking and trading book. Credit risk is managed through a framework which sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and the approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework.

Credit policies

The Group adopts credit policies and standards issued by Standard Chartered Bank PLC Group. Standard Chartered PLC Group-wide credit policies and standards are considered and approved by its Standard Chartered PLC Group's Risk Committee ("GRC"), which also oversees the delegation of credit approval and loan impairment provisioning authorities. Policies and procedures that are specific to each business are established by authorised risk committees within Wholesale and Consumer Banking. These are consistent with the Standard Chartered PLC Group-wide credit policies, but are more detailed and adapted to reflect the different risk environments and portfolio characteristics.

Risk reporting and measurement

Risk measurement plays a central role, along with judgment and experience, in informing risk-taking and portfolio management decisions. It is a primary area for sustained investment and senior management attention.

Various risk measurement systems are available to risk officers to enable them to assess and manage the credit portfolio. These include systems to calculate Probability of Default (“PD”), Loss Given Default (“LGD”) and Exposure at Default (“EAD”), Risk-Weighted Assets ("RWA") and capital requirements on a transaction, counterparty and portfolio basis. The Group has implemented a single risk reporting system to aggregate risk data. This is used to generate regulatory returns and management information to assist Business and Risk users with risk monitoring and management.

A number of internal risk management reports are produced on a regular basis, providing information on individual counterparty, group of connected counterparty, portfolio exposure, credit grade migration, the status of accounts or portfolios showing signs of weakness or financial deterioration, models performance and updates on credit markets. Internal Ratings Based ("IRB") portfolio metrics are widely used in these reports. Regular portfolio risk reports are made available at senior management committee meetings including RMC and BRC.

All IRB models are validated annually by an independent Standard Chartered PLC Group's Model Validation team with findings presented to the Standard Chartered PLC Group's Model Assessment Committee ("GMAC"), which in turn makes recommendations to the Standard Chartered PLC Group's WB Risk Committee and Standard Chartered PLC Group's CB Risk Committee for approval. The GMAC supports risk committees in ensuring risk identification and measurement capabilities are objective and consistent, so that risk control and risk origination decisions are properly informed. As part of local governance, IRB model development and validation findings are subjected to local Model Assessment Committee (“MAC”), local RMC and local BRC review, endorsement and recommendation to the Board for approval. Reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process.

Credit approval

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by Standard Chartered PLC Group’s Credit Committee (“GCC”). The GCC derives its authority from the GRC.

All other credit approval authorities are delegated by GRC and Country RMC to individuals at Country level based on their judgment and experience, and a risk adjusted scale which takes account of the estimated maximum potential loss from a given customer or portfolio. Credit origination and approval roles are segregated in all except for a few authorised cases. In those very few exceptions where they are not, originators can only approve limited exposures within defined risk parameters.

5. Credit risk (continued)

Credit Concentration risk

Credit concentration risk is managed within concentration caps set by counterparty or groups of connected counterparties and by industry sector in Wholesale Banking; and by product in Consumer Banking. Additional targets are set and monitored for concentrations by credit rating. Credit concentrations are monitored by the RMC and concentration limits that are material to Standard Chartered PLC Group are reviewed and approved at least annually by the GCC at Standard Chartered PLC Group level.

Section 5.1 provides further analysis on the Group's and the Bank's credit risk exposures.

Credit monitoring

The Group regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are presented to RMC, containing information on key economic trends, portfolio delinquency and loan impairment performance, as well as IRB portfolio metrics including credit grade migration. Within CB Credit Risk, the CB Credit Governance Committee ("CB CGC") oversees senior management's activities in managing Consumer Banking credit risk to ensure that an effective risk management process is in place and functioning; and to review and direct the management of the credit portfolio in country to ensure that systems and controls are in place and operating effectively such that earnings from the portfolio meet expectations.

Clients or portfolios are placed on Early Alert when they display signs of weakness or financial deterioration, for example, where there is a decline in the customer's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management. Such accounts and portfolios are subjected to a dedicated process overseen by Early Alert Committee ("EAC"). Account plans are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of Group Special Assets Management ("GSAM"), the specialist recovery unit.

In Consumer Banking, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and is considered lending decisions. Accounts which are past due are subject to a collections process, managed independently by the Risk function. Charged-off accounts are managed by a specialised recovery team.

The Small and Medium Enterprise ("SME") business is managed within Consumer Banking in two distinct segments: Discretionary Lending and Programme Lending, differentiated by the annual turnover of the counterparty. Accounts under Discretionary Lending are monitored in line with Wholesale Banking procedures, while accounts under Programme Lending are monitored in line with other Consumer Banking accounts. Past due accounts under Discretionary Lending that meet the agreed criteria for management by GSAM are managed by GSAM.

(i) Internal Ratings Based approach to credit risk

The Group uses the IRB approach to manage credit risk for its portfolios. This allows the Group to use its own internal estimates of PD, LGD, EAD and Credit Conversion Factor ("CCF") to determine an asset risk weighting.

PD is the likelihood that an obligor will default on an obligation. It is the Group's internal estimate of PD for all borrowers in each borrower grade. EAD is the expected amount of exposure to a particular obligor at the point of default. CCF is an internally modeled parameter based on historical experience to determine the amount that is expected to be further drawn down from the undrawn portion in a committed facility. LGD is the percentage of EAD that the Group expects to lose in the event of obligor default.

All assets under the IRB approach have sophisticated PD, LGD and EAD/CCF models developed to support the credit decision making process. RWA under the IRB approach is determined by BNM's specified formulae dependent on the Group's estimates of PD, LGD, EAD and CCF. The development, use and governance of models under the IRB approach is covered in more detail in Section 5 (iv).

BNM Capital Adequacy Framework (Basel II - Risk Weighted Assets) allows banks to elect to permanently exclude certain exposures from the IRB approach and use the standardised approach. These are known as permanent exemptions, and are required to be no greater than 15 per cent of the Group's credit risk-weighted assets.

5. Credit risk (continued)

Credit monitoring (continued)

(ii) Standardised approach to credit risk

The Standardised approach is applied to portfolios that are classified as permanently exempt from the IRB approach, and those portfolios that are currently under transition to the IRB approach or too small an exposure for IRB model built.

The Standardised approach to credit risk measures credit risk pursuant to fixed risk weights and is the least sophisticated of the capital calculation methodologies. The risk weight applied under the Standardised approach is given by BNM and is based on the asset class to which the exposure is assigned. External Credit Assessment Institutions ("ECAI") rating is used to assign risk weight if available, otherwise, exposures treated as unrated.

(iii) Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, credit insurance, credit derivatives and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include cash, residential, commercial and industrial properties, marketable securities, bank guarantees and letters of credit.

Where guarantees or credit derivatives are used as Credit Risk Mitigation (“CRM”) the creditworthiness of the guarantor is assessed and established using the credit approval process in addition to that of the obligor or main counterparty. The main types of guarantors include bank guarantees, insurance companies, parent companies, shareholders and Credit Guarantee Corporation ("CGC"). Credit derivatives, due to their potential impact on income volatility are used in a controlled manner with reference to their expected volatility.

Collateral is valued in accordance with the risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired loans is maintained at fair value.

For further information regarding credit risk mitigation in the trading book see Section 5 (vii).

<u>Wholesale Banking</u>

The process of managing and recognising credit risk mitigation is governed by policies which set out the eligibility criteria that must be met. The credit risk mitigation policy sets out clear criteria that must be satisfied if the mitigation is to be considered effective:-

- Excessive exposure to any particular risk mitigants or counterparties should be avoided. Collateral concentration mitigation standards are maintained at both the portfolio and counterparty level;
- Risk mitigants should not be correlated with the underlying assets such that default would coincide with a lowering of the Forced Sale Value (“FSV”) of the collateral;
- Where there is a currency mismatch, haircuts should be applied to protect against currency fluctuations;
- Legal opinions and documentation must be in place; and
- Ongoing review and controls exist where there is a maturity mismatch between the collateral and exposure.

For all credit risk mitigants that meet the policy criteria, a clear set of procedures are applied to ensure that the value of the underlying collateral is appropriately recorded and updated regularly.

5. Credit risk (continued)

Credit monitoring (continued)

(iii) Credit risk mitigation (continued)

Consumer Banking

The effective use of collateral is a key tool by which credit risk is mitigated in Consumer Banking. All eligible collateral accepted by Consumer Banking is covered by a product proposal approved by senior credit officers delegated with the relevant authority. New collateral types have to be vetted through a stringent 'New Business Approval' process and approved by the Group Consumer Banking Risk Committee.

In order to be recognised as security and for the loan to be classified as secured, all items pledged must be valued and there must exist an active secondary resale market for the collateral. Documentation must be held to enable Consumer Banking to realise the asset without the cooperation of the asset owner in the event that this is necessary.

Regular valuation of collateral is required in accordance with Standard Chartered PLC Group's risk mitigation policy, which prescribes both the process of valuation and the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Stress tests are performed on changes in collateral values for key portfolios to assist senior management in managing the risks in those portfolios. Physical collateral is required to be insured at all times and against all risks, with the Group and the Bank as the loss payee under the insurance policy.

Detailed procedures over collateral management are in place for each business within the Group and the Bank.

Section 5.2 provides further analysis on the Group's and the Bank's credit risk exposures after the effect of CRM.

(iv) Internal Ratings Based models

The overall governance and development process for the Group's IRB models are consistent across all Wholesale Banking and Consumer Banking portfolios.

The table below provides the Group's and the Bank's portfolio under IRB models:

Portfolio	**Exposure**
Sovereign and Central Bank	Central Government, Central Government department, Central banks, Entities owned or guaranteed by Central Government.
Bank, DFIs and MDBs	Bank, Finance & Leasing, Life insurance, Non-life insurance, Broker dealer, Funds managers
Corporates	Large Coporate, Middle market, Emerging Market, Commodity Corporate
Residential Mortgages	CB Mortgage
Qualifying revolving retail exposures	CB credit card
Other retail exposures	SME mortgage, SME lending, Personal term loan / financing, and residential properties under construction.

5. Credit risk (continued)

Credit monitoring (continued)

(iv) Internal Ratings Based models (continued)

Model governance

The IRB models used by the Group calculate a conservative PD, LGD and EAD, as borne out by the model performance data. The product of this is a conservative view of Regulatory Expected Loss, which is considered necessary for the calculation of regulatory capital.

Models are developed by Standard Chartered PLC Group's Analytics teams within the Consumer Banking and Wholesale Banking risk functions. The model development process is conducted and documented in line with specific criteria setting out the minimum standards for model development. All IRB models are validated annually by a model validation team reporting to Standard Chartered PLC Group's Chief Credit Officer, thereby maintaining independence from the model building processes. Model validation findings are presented to GMAC which in turn makes approval recommendations to the Consumer Banking and Wholesale Banking Risk Committees. These decision making bodies are comprised of divisional senior management whose role is to challenge model assumptions and performance and agree on appropriate model use for business decision making. The GRC and Standard Chartered PLC Group's Business Risk Committee periodically review overall model performance. As part of local governance, IRB model development and validation findings are subjected to local MAC, local RMC and local BRC review, endorsement and recommendation to the Board for approval or adoption.

Model validation

The model validation process involves a qualitative and quantitative assessment of the model, data, systems and governance. This would typically include an assessment of the:-

- Model assumptions;
- Validity of the technical approach used;
- Statistical and empirical measures of performance;
- Appropriateness of intended model use;
- Model application and infrastructure;
- Data integrity and history;
- Model response to changes in internal and external environment - the extent to which the model provides point in time or through the cycle measures of risk;
- Model monitoring standards and triggers; and
- Levels of conservatism applied.

Statistical testing is used to determine a model's discriminatory power, predicted versus realised performance and stability over time with pre-defined thresholds for passing such tests. The model development teams also conduct annual model reviews, which are informed by regular monitoring, to ascertain whether the model is fit for purpose and performing within acceptable boundaries or whether there are potential improvements in performance.

Locally, models are tabled with the local MAC, local RMC and local BRC for review, endorsement and recommendation to the Board for approval. These decision making bodies are comprised of senior management whose role is to review model assumptions, performance, local regulatory requirements, agree on appropriate model use for local business decision making and capital reporting.

5. Credit risk (continued)

Credit monitoring (continued)

(iv) Internal Ratings Based models (continued)

<u>PD model development</u>

Standard Chartered PLC Group employs a variety of techniques to develop its PD models. In each case the appropriate approach is dictated by the availability and appropriateness of both internal and external data.

If there is a perceived weakness in the data, for example shorter histories or fewer instances of default, an appropriate amount of conservatism is applied to predicted default rates.

The general approaches fall into three categories:-

Default History Based ('Good-Bad') – where a sufficient number of defaults are available, Standard Chartered PLC Group deploys a variety of statistical methods to determine the likelihood of default on existing exposures. These methods afford very high discriminatory power by identifying exposure characteristics that have a significant predictive ability. The majority of the Group's consumer and corporate exposures are rated under such approach.

Shadow Rating Approach – if it is determined that Standard Chartered PLC Group's internal data does not provide a sufficient default history (for example, so called 'low default portfolios'), then Standard Chartered PLC Group develops models which are designed to be comparable to the ranking of issuer ratings assigned by ECAIs, where those agencies have access to large databases of defaults over a long time period on a variety of credit obligations.

Constrained Expert Judgement – for certain types of exposure there is little or no internal or external default history, and therefore no reliable external ratings. In such rare cases, Standard Chartered PLC Group develops quantitative frameworks which include the expert opinions of Standard Chartered PLC Group's credit risk management personnel. These frameworks are called 'knowledge based systems' and are regularly reviewed with respect to historical outcomes.

<u>LGD model development</u>

Standard Chartered PLC Group develops LGD models by assessing recoveries and the forced sale value of collateral together with the economic costs in securing these recoveries, and the timing with which such cash flows occur. All such cash flows are then measured at net present value using a suitable discount rate to derive a recovery rate. LGD is therefore the EAD less these estimated recoveries.

Recoveries are estimated based upon empirical evidence which has shown that factors such as customer segment and product have predictive content.

All LGD models are conservatively calibrated to a 'downturn' – with lower assumed collateral values and lower recoveries on unsecured exposures, compared to those estimated over the long run.

<u>EAD model development</u>

An EAD model is developed for exposures such as lines of credit, credit cards, overdrafts and other commitments. Based on Standard Chartered PLC Group's experience (and supplemented by external data), EAD models assess changes to limits and the likely draw-down of committed and uncommitted limits as an exposure approaches default. The factor generated by the model and applied to the undrawn limit is referred to as the Credit Conversion Factor (CCF).

Standard Chartered PLC Group has used conservative assumptions in assessing EAD, in keeping with the expected experience in an economic downturn.

5. Credit risk (continued)

Credit monitoring (continued)

(iv) Internal Ratings Based models (continued)

Model use

In addition to supporting credit decisions, IRB models also support risk-based pricing methodologies and measures used to assess business performance.

The use of models is governed by a suite of policies:

- The credit grading policy and procedure which defines the applicability of each model, details the procedure for use and sets the conditions and approval authority required to override model output; and
- The Standard Chartered PLC Group's Model Risk Policy - IRB Models specifies that models are subject to regular monitoring and review with underlying Standard Chartered PLC Group's Model Standards for IRB Credit Risk Models specifying statistical thresholds and other triggers which determine when models need to be redeveloped.

Section 5.3 provides further analysis on the Group's and the Bank's credit risk exposures under the IRB approach.

5. Credit risk (continued)

Credit monitoring (continued)

(iv) Internal Ratings Based models (continued)

Wholesale Banking model results

Wholesale Banking models have been developed from a dataset which runs to over a decade, including default and recovery experience from the 1997 Asian financial crisis. This data has been used to calibrate estimates of PD to the Group's long run experience. Actual ('point in time') default rates will typically differ from this 'through the cycle' experience as economies move above or below cyclical norms.

IRB PD estimates are computed as of 1 January 2013 and are compared with default observations through 31 December 2013. The actual default rates in Corporate exposures in 2013 are higher than the IRB model predictions as at the beginning of 2013 due to a few large default exposures of accounts which were identified and actively monitored during the year.

In past disclosures, the realised LGD was computed based on the long run average realisations from 1995 to 2013, instead of restricting its computation to 2013 defaults only. Therefore, the predicted LGD, which was based on a single year predicted values, was not directly comparable to the realised LGD.

In this disclosure, we have therefore adopted a different approach based on a four-year rolling period of predicted and realised LGD, which for the current reporting year includes 2010 to 2013 defaults, which have completed their workout process as at the end of 2013. However, there were no defaulted cases in 2010-2013 which were resolved in 2013, making it therefore not meaningful to compute the realised versus predicted outcomes for this period.

EAD takes into consideration the potential drawdown of a commitment as a counterparty defaults by estimating the Credit Conversion Factor (CCF, also known as the k-factor) of undrawn commitments.

For assets which defaulted in 2013, the comparison of realised versus predicted EAD is summarised in the ratio of the EAD one year prior to default to the outstanding amount at time of default. A ratio of larger than one indicates that the predicted EAD is higher than the realised outstanding amount at default. This is explained by the regulatory guidance to assign conservatism to the CCF of certain exposure types.

Group

	Predicted PD %	Observed PD %	Predicted LGD %	Realised LGD %	Predicted EAD/ Realised EAD
IRB exposures					
Central governments or central banks	0.0%	0.0%	NA	NA	-
Institutions	0.2%	0.0%	NA	NA	-
Corporates	0.9%	5.9%	NA	NA	1.28

Bank

	Predicted PD %	Observed PD %	Predicted LGD %	Realised LGD %	Predicted EAD/ Realised EAD
IRB exposures					
Central governments or central banks	0.0%	0.0%	NA	NA	-
Institutions	0.2%	0.0%	NA	NA	-
Corporates	0.8%	6.0%	NA	NA	1.28

5. Credit risk (continued)

Credit monitoring (continued)

(iv) Internal Ratings Based models (continued)

Consumer Banking model results

Consumer Banking models have been developed for majority of its portfolios. Predicted PD was computed as at 31 December 2012 and compared to the actual default observations over a one year period ending 31 December 2013.

The observed default rate for all asset classes is lower than the predicted PD with the exception of Other Retail asset class, the latter comprising SME mortgages, residential properties under construction and personal term loan/financing. The higher observed default rate for Other Retail asset class as compared to predicted PD was attributed primarily to personal loans exposures, for which a series of ongoing portfolio initiatives had been implemented to manage this exposure. New Basel model and scorecards are being redeveloped to avoid the under-prediction issue for personal loans exposures.

The realised LGD is calculated based on 12 months default window based on recoveries over a 24 months workout period and compared to the predicted LGD. Realised LGDs are lower than the predicted values for all asset classes, primarily due to the models using "downturn" parameter settings to predict LGD.

No material difference between predicted EAD as compared to realised EAD.

Group

	Predicted PD %	Observed PD %	Predicted LGD %	Realised LGD %	Predicted EAD/ Realised EAD
IRB exposures					
Residential mortgages	3.9%	1.9%	15.3%	14.5%	1.0
Qualifying revolving retail exposures	3.6%	2.5%	64.2%	59.2%	1.1
Other retail exposures *	8.8%	9.9%	78.6%	61.4%	1.1

Bank

	Predicted PD %	Observed PD %	Predicted LGD %	Realised LGD %	Predicted EAD/ Realised EAD
IRB exposures					
Residential mortgages	3.8%	1.9%	15.3%	14.3%	1.0
Qualifying revolving retail exposures	3.6%	2.5%	64.2%	59.2%	1.1
Other retail exposures *	7.9%	8.4%	75.3%	57.6%	1.0

** Observed default rate excluding small balance defaults in personal loan exposures*

5. Credit risk (continued)

Credit monitoring

(iv) Actual losses

The tables below show net individual impairment charges versus net individual impairment charges raised during the financial year of 2013 and 2012 for IRB exposure classes. The net individual impairment charge is a point in time actual charge raised in accordance with accounting standards that require the Bank to either provide for or write-off debts when certain conditions are met.

Group

	31 Dec 2013 Net individual impairment charges RM'000	31 Dec 2012 Net individual impairment charges RM'000
Corporates	20,981	2,102
Residential Mortgages	42,457	48,747
Qualifying Revolving Retail Exposures	123,605	108,593
Other Retail	275,525	158,219
	462,568	**317,661**

Bank

	31 Dec 2013 Net individual impairment charges RM'000	31 Dec 2012 Net individual impairment charges RM'000
Corporates	20,981	2,102
Residential Mortgages	41,722	47,160
Qualifying Revolving Retail Exposures	123,605	108,593
Other Retail	173,877	91,084
	360,185	**248,939**

The higher actual loss as compared to the corresponding period was mainly due to a one-off corporate provision made during the period and as a result of changes in impairment provision methodology for Consumer Banking loans under Debt Restructuring Programs. The increase was also due to the shift of most of the SME exposures from standardised approach to IRB approach since July 2013.

5. Credit risk (continued)

Credit monitoring (continued)

(v) Risk grade profile

Exposures by internal credit grading

For IRB portfolios, a standard alphanumeric credit risk-grading system is used in both Wholesale and Consumer Banking. The grading is based on Standard Chartered PLC Group's internal estimate of PD over a one-year horizon, with customers or portfolios assessed against a range of quantitative and qualitative factors. The numeric grades run from 1 to 14 and some of the grades are sub-classified A, B or C. Lower credit grades are indicative of a lower likelihood of default.

In Wholesale Banking, credit grades 1A to 12C are assigned to performing customers or accounts, while credit grades 13 and 14 are assigned to non-performing or defaulted customers. In Consumer Banking, credit grades 1A to 12D are assigned to performing customers or accounts. Non-performing accounts are treated as Default whilst debt relief accounts are treated as "DRP" (restructured accounts under the Group's Debt Relief Program).

The Group's credit grades in Wholesale Banking are not intended to replicate external credit grades, and ratings assigned by external ratings agencies are not used in determining internal credit grades. Nonetheless, as the factors used to grade a borrower may be similar, a borrower rated poorly by an ECAI is typically assigned a worse internal credit grade.

As a guide, the table below presents the Group's credit grades corresponding to that of Standard and Poor's credit ratings.

	Standard and Poor's Mapping	
Credit Grade	Corp/NBFIs *	Banks
1A	AAA	AAA/ AA+
1B	AA+	AA/ AA–
2A	AA	A+
2B	AA–	A
3A	AA–	A/A–
3B	A+	A–/BBB+
4A	A/A–	BBB+
4B	A–/BBB+	BBB
5A	BBB	BBB/BBB–
5B	BBB–	BBB–/BB+
6A	BB+	BB+
6B	BB+	BB
7A	BB	BB/ BB–
7B	BB	BB–
8A	BB–	BB–/B+
8B	BB–	B+
9A	B+	B
9B	B+	B/B–
10A	B	B–
10B	B	B–/CCC
11A/B/C	B–	CCC
12A/B/C/D	N/A	N/A

* Represents corporates/non-bank financial institutions.

5. Credit risk (continued)

Credit monitoring (continued)

(v) Risk grade profile (continued)

Credit grades for Consumer Banking accounts covered by IRB models are based on a probability of default. These models are based on application and behavioural scorecards which make use of credit bureau information as well as the Group's own data.

IRB models cover a substantial majority of the Group's loans and are used extensively in assessing risks at customer and portfolio level, setting strategy and optimising the Group’s risk-return decisions.

The Group makes use of internal risk estimates of PD, LGD and EAD in the areas of:-

- Credit Approval and Decision – The level of authority required for the sanctioning of credit requests and the decision made is based on PD, LGD and EAD of the obligor with reference to the nominal exposure;
- Pricing – In Wholesale Banking a pre-deal pricing calculator is used which takes into consideration PD, LGD and EAD in the calculation of expected loss and economic capital for the proposed transactions to ensure appropriate return. Consumer Banking pricing considers obligor's risk profile (as it takes into account the loan size and customer segment), pricing regulations if any, and competition in the market place;
- Limit Setting – In Wholesale Banking concentration limits for some portfolios, as counterparty limits are determined by PD, LGD and EAD. The limits operate on a sliding scale to ensure that the Group does not have over concentration of low credit quality assets. The Group’s concentration risk monitoring dashboard utilises IRB Model output such as credit grades, PD, LGD and EADs. In Consumer Banking, portfolio limits are based on recession loss;
- Provisioning – Collective Impairment Provision (CIP) are raised at the portfolio level and are set with reference to expected loss which is based on PD, LGD and EAD amongst other qualitative and quantitative factors;
- Risk Appetite assessment – PD, LGD and EAD models provide some of the key inputs into the risk-based methodologies used in the assessment of business and market variables which in turn are key components in the approach taken in setting Risk Appetite assessment; and
- Economic Capital – PD, LGD and EAD are key components of the model in credit risk economic capital calculation.

(vi) Problem credit management and provisioning

<u>Consumer Banking</u>

In Consumer Banking, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. Within Consumer Banking an account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes the Group measures delinquency as of 1, 30, 60, 90, 120 and 150+ days past due. Accounts that are overdue by more than 30 days are more closely monitored and subject to specific collections processes.

5. Credit risk (continued)

Credit monitoring (continued)

(vi) Problem credit management and provisioning (continued)

Provisioning within Consumer Banking reflects the fact that the product portfolios (excluding medium enterprises among SME customers) consist of a large number of comparatively small exposures. A CIP is raised on a portfolio basis, however loss recognition / provisioning is done at account level for problem credit within each product. CIP is set using expected loss rates, based on past experience supplemented by an assessment of specific factors affecting the relevant portfolio. These include an assessment of the impact of economic conditions, regulatory changes and portfolio characteristics such as delinquency trends and early alert trends. The CIP methodology provides for accounts for which an individual impairment provision ("IIP") has not been raised.

For unsecured products, the entire outstanding amount is generally written off at 150 days past due. Secured loans IIP are raised at 150 days past due.

The provisions are based on the estimated present values of future cash flows, in particular those resulting from the realisation of security. Following such realisations any remaining amount will be written off. The days past due used to trigger write offs and IIP are broadly driven by past experience, which shows that once an account reaches the relevant number of days past due, the probability of recovery (other than by realising security where appropriate) is low. For all products, there are certain situations where the individual impairment provisioning or write off process is accelerated, such as in cases involving bankruptcy, fraud and death. Write off is accelerated for all restructured accounts to 90 days past due (unsecured) and 120 days past due (secured), respectively.

The procedures for managing problem credits for medium enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking.

<u>Wholesale Banking</u>

Loans are classified as impaired and considered impaired where analysis and review indicates that full payment of either interest or principal is questionable, or as soon as payment of interest or principal is 90 days overdue. Impaired accounts are managed by GSAM, which is separate from the main businesses. Where any amount is considered irrecoverable, an IIP is raised. This provision is the difference between the loan carrying amount and the present value of estimated future cash flows.

The individual circumstances of each customer are taken into account when GSAM estimates future cash flow. In any decision relating to the raising of provisions, the Group attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

Where it is considered that there is no realistic prospect of recovering a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

As with Consumer Banking, a CIP is held to cover the inherent risk of losses which, although not identified, are known through experience to be present in any loan portfolio. In Wholesale Banking, this is set with reference to historic loss rates and subjective factors such as the economic environment and the trends in key portfolio indicators. The CIP methodology provides for accounts for which an IIP has not been raised.

Section 5.5 provides further analysis on the Group's and the Bank's exposures on problem credit management and provisioning.

5. Credit risk (continued)

Credit monitoring (continued)

(vii) Counterparty credit risk in the trading book

Counterparty credit risk ("CCR") is the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity or credit derivative contract defaults prior to maturity date of the contract and that the Group at the time has a claim on the counterparty. CCR arises predominantly in the trading book, but also arises in the non-trading book due to hedging of external funding.

The credit risk arising from all financial derivatives is managed as part of the overall lending limits to banks and customers.

The Group will seek to negotiate Credit Support Annexes ("CSA") with counterparties on a case by case basis, where collateral is deemed a necessary or desirable mitigant to the exposure. The credit terms of the CSA are specific to each legal document and determined by the credit risk approval unit responsible for the counterparty. The nature of the collateral will be specified in the legal document and will typically be cash or highly liquid securities.

A daily operational process takes place to calculate the MTM on all trades captured under the CSA. Additional collateral will be called from the counterparty if total uncollateralised MTM exposure exceeds the threshold and minimum transfer amount specified in the CSA to provide an extra buffer to the daily variation margin process.

<u>Credit reserves</u>

Using risk factors such as PD and LGD, a Regulatory Expected Loss is calculated for each counterparty across the CCR portfolio, and based on this calculation, credit reserves are set aside for traded products. The reserve is a dynamic calculation based on the EAD risk profile for each counterparty, alongside PD and LGD factors.

In line with market convention, the Group negotiates CSA terms for certain counterparties where the thresholds related to each party are dependent on their internal rating model. Such clauses are typically mutual in nature. It is therefore recognised that a downgrade in the Group's rating could result in counterparties seeking additional collateral calls to cover negative MTM portfolios where thresholds are lowered.

<u>Wrong way risk</u>

Wrong way risk occurs when either the EAD or LGD increases as the credit quality of an obligor decreases. For example, as the MTM on a derivative contract increases in favour of the Group, this can correspond to a higher replacement cost (EAD), and the counterparty may increasingly be unable to meet its obligations. Furthermore the EAD may become larger as the counterparty finds it harder to meet its payment, margin call or collateral posting requirements. The Group employs various policies and procedures to ensure that deterioration in credit grading is alerted to management.

<u>Exposure value calculation</u>

Exposure values for regulatory capital purposes on over the counter traded products are calculated according to the CCR MTM method. This is calculated as a sum of the current replacement cost and the potential future credit exposure. The current replacement cost is the Ringgit equivalent amount owed by the counterparty to the Group for various financial derivative transactions. The potential future credit exposure is an add-on based on a percentage of the notional principal of each transaction. Such percentages vary according to the underlying asset class and tenor of each trade.

Section 5.6 provides further analysis on the Group's off-balance sheet and counterparty credit risk.

5. Credit risk

5.1 Exposure values

The following tables detail the Group's and the Bank's Exposure at Default ("EAD") before the effect of credit risk mitigation, broken down by the relevant exposure class against the relevant industry, maturity and geography. EAD is based on the current outstanding and accrued interest and fees, plus a proportion of the undrawn component of the facility. The amount of the undrawn facility included is dependant on the credit conversion factor of respective product type, and for IRB exposure classes, this amount is modeled internally.

Geographical analysis

The below tables provide the Group's and the Bank's EAD analysed by location of the exposures.

Group **31 December 2013**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
IRB exposures			
Sovereigns/Central banks	9,978,242	5,000	9,983,242
Banks, development financial institutions & MDBs	6,371,428	4,866,220	11,237,648
Insurance companies, securities firms & fund managers	456,677	193,856	650,533
Corporate exposures (excluding specialised lending and firm-size adjustment)	15,128,724	538,106	15,666,830
Corporate exposures (with firm-size adjustment)	2,875,546	-	2,875,546
Specialised lending	290,096	79,210	369,306
Retail exposures	27,638,743	144	27,638,887
Residential mortgages	*15,842,005*	-	*15,842,005*
Qualifying revolving retail exposures	*4,229,023*	-	*4,229,023*
Other retail exposures	*7,567,715*	*144*	*7,567,859*
Total IRB exposures	62,739,456	5,682,536	68,421,992
Standardised exposures			
Corporates	303,011	13,390	316,401
Regulatory retail	168,975	-	168,975
Residential mortgages	15,673	-	15,673
Higher risk assets	59,393	-	59,393
Other assets	754,127	4,318	758,445
Total Standardised exposures	1,301,179	17,708	1,318,887
Total credit risk exposures	**64,040,635**	**5,700,244**	**69,740,879**

5. Credit risk (continued)

5.1 Exposure values (continued)

Geographical analysis (continued)

Group **31 December 2012**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
IRB exposures			
Sovereigns/Central banks	9,445,870	5,005	9,450,875
Banks, development financial institutions & MDBs	4,462,556	5,298,287	9,760,843
Insurance companies, securities firms & fund managers	256,845	79,278	336,123
Corporate exposures (excluding specialised lending and firm-size adjustment)	12,336,847	743,182	13,080,029
Corporate exposures (with firm-size adjustment)	384,699	3,097	387,796
Specialised lending	117,613	-	117,613
Retail exposures	24,900,814	-	24,900,814
Residential mortgages	*14,011,400*	-	*14,011,400*
Qualifying revolving retail exposures	*4,742,144*	-	*4,742,144*
Other retail exposures	*6,147,270*	-	*6,147,270*
Total IRB exposures	51,905,244	6,128,849	58,034,093
Standardised exposures			
Corporates	3,667,192	93,715	3,760,907
Regulatory retail	2,075,625	-	2,075,625
Residential mortgages	19,631	-	19,631
Higher risk assets	25,484	-	25,484
Other assets	770,565	-	770,565
Total Standardised exposures	6,558,497	93,715	6,652,212
Total credit risk exposures	**58,463,741**	**6,222,564**	**64,686,305**

5. Credit risk (continued)

5.1 Exposure values (continued)

Geographical analysis (continued)

Bank **31 December 2013**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
IRB exposures			
Sovereigns/Central banks	7,736,070	5,000	7,741,070
Banks, development financial institutions & MDBs	9,031,441	4,866,220	13,897,661
Insurance companies, securities firms & fund managers	450,397	193,856	644,253
Corporate exposures (excluding specialised lending and firm-size adjustment)	14,565,346	507,714	15,073,060
Corporate exposures (with firm-size adjustment)	2,245,024	-	2,245,024
Specialised lending	179,168	79,210	258,378
Retail exposures	23,125,008	144	23,125,152
Residential mortgages	*13,059,682*	-	*13,059,682*
Qualifying revolving retail exposures	*4,229,023*	-	*4,229,023*
Other retail exposures	*5,836,303*	*144*	*5,836,447*
Total IRB exposures	57,332,454	5,652,144	62,984,598
Standardised exposures			
Corporates	265,797	12,914	278,711
Regulatory retail	167,782	-	167,782
Residential mortgages	15,673	-	15,673
Higher risk assets	26,020	-	26,020
Other assets	567,151	4,318	571,469
Total Standardised exposures	1,042,423	17,232	1,059,655
Total credit risk exposures	**58,374,877**	**5,669,376**	**64,044,253**

5. Credit risk (continued)

5.1 Exposure values (continued)

Geographical analysis (continued)

Bank **31 December 2012**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
IRB exposures			
Sovereigns/Central banks	6,648,191	5,005	6,653,196
Banks, development financial institutions & MDBs	5,631,518	5,298,287	10,929,805
Insurance companies, securities firms & fund managers	254,051	79,278	333,329
Corporate exposures (excluding specialised lending and firm-size adjustment)	12,223,345	736,362	12,959,707
Corporate exposures (with firm-size adjustment)	373,614	3,097	376,711
Specialised lending	168,347	-	168,347
Retail exposures	22,630,062	-	22,630,062
Residential mortgages	*13,137,210*	-	*13,137,210*
Qualifying revolving retail exposures	*4,742,144*	-	*4,742,144*
Other retail exposures	*4,750,708*	-	*4,750,708*
Total IRB exposures	47,929,128	6,122,029	54,051,157
Standardised exposures			
Corporates	3,389,488	93,715	3,483,203
Regulatory retail	1,665,746	-	1,665,746
Residential mortgages	19,631	-	19,631
Higher risk assets	25,484	-	25,484
Other assets	617,802	-	617,802
Total Standardised exposures	5,718,151	93,715	5,811,866
Total credit risk exposures	**53,647,279**	**6,215,744**	**59,863,023**

5. Credit risk (continued)

5.1 Exposure values (continued)

Sector or economic purpose analysis

The below tables provide the Group's and the Bank's EAD analysed by sector or economic purpose of the exposure.

Group 31 December 2013	Agricultural, hunting, forestry and fishing RM'000	Mining and quarrying RM'000	Manufacturing RM'000	Electricity, gas and water RM'000	Construction RM'000	Wholesale & retail trade and restaurants & hotels RM'000	Transportation storage and communication RM'000	Finance, insurance and business services RM'000	Real estate RM'000	Household RM'000	Others RM'000	Total RM'000
IRB exposures												
Sovereigns/Central banks	-	-	-	-	-	-	-	9,983,242	-	-	-	9,983,242
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	11,237,648	-	-	-	11,237,648
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	650,533	-	-	-	650,533
Corporate exposures (excluding specialised lending and firm-size adjustment)	650,545	927,372	5,338,544	97,123	1,868,338	2,509,445	1,580,056	1,037,931	886,428	-	771,048	15,666,830
Corporate exposures (with firm-size adjustment)	1,513	53,410	522,155	-	14,516	632,842	189,799	23,517	468,784	-	969,010	2,875,546
Specialised lending	-	9,725	68,029	111,140	-	-	-	69,484	110,928	-	-	369,306
Retail exposures	5,255	4,380	297,772	2,048	97,163	609,597	55,262	60,987	6,934	22,798,761	3,700,728	27,638,887
Residential mortgages	-	-	-	-	-	-	-	-	-	*15,842,005*	-	*15,842,005*
Qualifying revolving retail exposures	-	-	-	-	-	-	-	-	-	*4,229,023*	-	*4,229,023*
Other retail exposures	*5,255*	*4,380*	*297,772*	*2,048*	*97,163*	*609,597*	*55,262*	*60,987*	*6,934*	*2,727,733*	*3,700,728*	*7,567,859*
Total IRB exposures	657,313	994,887	6,226,500	210,311	1,980,017	3,751,884	1,825,117	23,063,342	1,473,074	22,798,761	5,440,786	68,421,992
Standardised exposures												
Corporates	4,184	-	28,248	-	240,497	21,085	259	14	-	-	22,114	316,401
Regulatory retail	-	-	85	-	3,523	128	-	-	-	164,492	747	168,975
Residential mortgages	-	-	-	-	-	-	-	-	-	15,673	-	15,673
Higher risk assets	-	-	25,748	-	-	-	-	-	-	33,645	-	59,393
Other assets	-	-	-	-	-	-	-	-	-	2,082	756,363	758,445
Total Standardised exposures	4,184	-	54,081	-	244,020	21,213	259	14	-	215,892	779,224	1,318,887
Total credit risk exposures	**661,497**	**994,887**	**6,280,581**	**210,311**	**2,224,037**	**3,773,097**	**1,825,376**	**23,063,356**	**1,473,074**	**23,014,653**	**6,220,010**	**69,740,879**

5. Credit risk (continued)

5.1 Exposure values (continued)

Sector or economic purpose analysis (continued)

Group 31 December 2012	**Agricultural, hunting, forestry and fishing RM'000**	**Mining and quarrying RM'000**	**Manufacturing RM'000**	**Electricity, gas and water RM'000**	**Construction RM'000**	**Wholesale & retail trade and restaurants & hotels RM'000**	**Transportation storage and communication RM'000**	**Finance, insurance and business services RM'000**	**Real estate RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
IRB exposures												
Sovereigns/Central banks	-	-	-	-	-	-	-	9,450,875	-	-	-	9,450,875
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	9,735,336	-	-	25,507	9,760,843
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	333,553	-	-	2,570	336,123
Corporate exposures (excluding specialised lending and firm-size adjustment)	369,967	988,654	4,528,026	115,129	1,451,191	1,409,527	1,468,452	2,025,103	599,667	-	124,313	13,080,029
Corporate exposures (with firm-size adjustment)	-	-	41,385	-	3,000	25,948	23,148	31,375	-	-	262,940	387,796
Specialised lending	-	-	-	-	-	-	-	-	117,613	-	-	117,613
Retail exposures	130	-	18,596	320	40,875	57,894	11,841	59,200	10,878	21,960,442	2,740,638	24,900,814
Residential mortgages	-	-	-	-	-	-	-	-	-	*14,011,400*	-	*14,011,400*
Qualifying revolving retail exposures	-	-	-	-	-	-	-	-	-	*4,742,144*	-	*4,742,144*
Other retail exposures	*130*	-	*18,596*	*320*	*40,875*	*57,894*	*11,841*	*59,200*	*10,878*	*3,206,898*	*2,740,638*	*6,147,270*
Total IRB exposures	370,097	988,654	4,588,007	115,449	1,495,066	1,493,369	1,503,441	21,635,442	728,158	21,960,442	3,155,968	58,034,093
Standardised exposures												
Corporates	57,735	12,026	422,546	-	69,324	617,202	90,275	197,435	204,858	-	2,089,506	3,760,907
Regulatory retail	3,604	12,778	363,161	5,618	131,744	589,685	61,348	144,694	28,305	225,610	509,078	2,075,625
Residential mortgages	-	-	-	-	-	-	-	-	-	19,631	-	19,631
Higher risk assets	-	-	-	-	-	-	-	-	-	443	25,041	25,484
Other assets	-	-	-	-	-	-	-	-	-	-	770,565	770,565
Total Standardised exposures	61,339	24,804	785,707	5,618	201,068	1,206,887	151,623	342,129	233,163	245,684	3,394,190	6,652,212
Total credit risk exposures	**431,436**	**1,013,458**	**5,373,714**	**121,067**	**1,696,134**	**2,700,256**	**1,655,064**	**21,977,571**	**961,321**	**22,206,126**	**6,550,158**	**64,686,305**

5. Credit risk (continued)

5.1 Exposure values (continued)

Sector or economic purpose analysis (continued)

Bank 31 December 2013	**Agricultural, hunting, forestry and fishing RM'000**	**Mining and quarrying RM'000**	**Manufacturing RM'000**	**Electricity, gas and water RM'000**	**Construction RM'000**	**Wholesale & retail trade and restaurants & hotels RM'000**	**Transportation storage and communication RM'000**	**Finance, insurance and business services RM'000**	**Real estate RM'000**	**Household RM'000**	**Others RM'000**	**Total RM'000**
IRB exposures												
Sovereigns/Central banks	-	-	-	-	-	-	-	7,741,070	-	-	-	7,741,070
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	13,897,661	-	-	-	13,897,661
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	644,253	-	-	-	644,253
Corporate exposures (excluding specialised lending and firm-size adjustment)	660,366	852,876	5,208,487	97,123	1,829,644	2,344,326	1,563,785	1,029,312	754,423	-	732,718	15,073,060
Corporate exposures (with firm-size adjustment)	1,513	53,410	476,198	-	14,516	626,191	31,482	8,718	451,291	-	581,705	2,245,024
Specialised lending	-	9,725	68,029	111,140	-	-	-	69,484	-	-	-	258,378
Retail exposures	3,626	4,081	244,452	1,825	75,216	539,402	36,506	46,035	6,802	19,194,291	2,972,916	23,125,152
Residential mortgages	-	-	-	-	-	-	-	-	-	*13,059,682*	-	*13,059,682*
Qualifying revolving retail exposures	-	-	-	-	-	-	-	-	-	*4,229,023*	-	*4,229,023*
Other retail exposures	*3,626*	*4,081*	*244,452*	*1,825*	*75,216*	*539,402*	*36,506*	*46,035*	*6,802*	*1,905,586*	*2,972,916*	*5,836,447*
Total IRB exposures	665,505	920,092	5,997,166	210,088	1,919,376	3,509,919	1,631,773	23,436,533	1,212,516	19,194,291	4,287,339	62,984,598
Standardised exposures												
Corporates	4,184	-	28,248	-	203,284	21,085	259	14	-	-	21,637	278,711
Regulatory retail	-	-	85	-	3,077	128	-	-	-	164,492	-	167,782
Residential mortgages	-	-	-	-	-	-	-	-	-	15,673	-	15,673
Higher risk assets	-	-	25,748	-	-	-	-	-	-	272	-	26,020
Other assets	-	-	-	-	-	-	-	-	-	2,082	569,387	571,469
Total Standardised exposures	4,184	-	54,081	-	206,361	21,213	259	14	-	182,519	591,024	1,059,655
Total credit risk exposures	**669,689**	**920,092**	**6,051,247**	**210,088**	**2,125,737**	**3,531,132**	**1,632,032**	**23,436,547**	**1,212,516**	**19,376,810**	**4,878,363**	**64,044,253**

5. Credit risk (continued)

5.1 Exposure values (continued)

Sector or economic purpose analysis (continued)

Bank **31 December 2012**	**Agricultural, hunting, forestry and fishing** **RM'000**	**Mining and quarrying** **RM'000**	**Manufacturing** **RM'000**	**Electricity, gas and water** **RM'000**	**Construction** **RM'000**	**Wholesale & retail trade and restaurants & hotels** **RM'000**	**Transportation storage and communication** **RM'000**	**Finance, insurance and business services** **RM'000**	**Real estate** **RM'000**	**Household** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
IRB exposures												
Sovereigns/Central banks	-	-	-	-	-	-	-	6,653,196	-	-	-	6,653,196
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	10,912,572	-	-	17,233	10,929,805
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	331,197	-	-	2,132	333,329
Corporate exposures (excluding specialised lending and firm-size adjustment)	368,810	971,789	4,331,699	115,129	1,432,689	1,480,796	1,442,806	2,105,705	599,667	-	110,617	12,959,707
Corporate exposures (with firm-size adjustment)	-	-	41,385	-	-	22,940	21,644	27,802	-	-	262,940	376,711
Specialised lending	-	-	-	-	-	-	-	-	168,347	-	-	168,347
Retail exposures	130	-	18,596	320	40,431	56,525	11,841	59,029	10,878	19,736,348	2,695,964	22,630,062
Residential mortgages	-	-	-	-	-	-	-	-	-	*13,137,210*	-	*13,137,210*
Qualifying revolving retail exposures	-	-	-	-	-	-	-	-	-	*4,742,144*	-	*4,742,144*
Other retail exposures	*130*	-	*18,596*	*320*	*40,431*	*56,525*	*11,841*	*59,029*	*10,878*	*1,856,994*	*2,695,964*	*4,750,708*
Total IRB exposures	368,940	971,789	4,391,680	115,449	1,473,120	1,560,261	1,476,291	20,089,501	778,892	19,736,348	3,088,886	54,051,157
Standardised exposures												
Corporates	56,422	12,026	376,793	-	48,091	579,287	69,865	185,527	182,579	-	1,972,613	3,483,203
Regulatory retail	1,468	10,876	260,729	3,393	88,773	473,337	37,884	116,214	22,835	221,986	428,251	1,665,746
Residential mortgages	-	-	-	-	-	-	-	-	-	19,631	-	19,631
Higher risk assets	-	-	-	-	-	-	-	-	-	443	25,041	25,484
Other assets	-	-	-	-	-	-	-	-	-	-	617,802	617,802
Total Standardised exposures	57,890	22,902	637,522	3,393	136,864	1,052,624	107,749	301,741	205,414	242,060	3,043,707	5,811,866
Total credit risk exposures	**426,830**	**994,691**	**5,029,202**	**118,842**	**1,609,984**	**2,612,885**	**1,584,040**	**20,391,242**	**984,306**	**19,978,408**	**6,132,593**	**59,863,023**

5. Credit risk (continued)

5.1 Exposure values (continued)

Residual contractual maturity analysis

The following tables show the Group's and the Bank's residual maturity of EAD by each principal category of exposure class.

Group **31 December 2013**	**Up to 1 year** **RM'000**	**> 1 - 5 years** **RM'000**	**Over 5 years** **RM'000**	**Total** **RM'000**
IRB exposures				
Sovereigns/Central banks	7,909,936	2,073,063	243	9,983,242
Banks, development financial institutions & MDBs	6,473,546	4,038,785	725,317	11,237,648
Insurance companies, securities firms & fund managers	371,197	220,880	58,456	650,533
Corporate exposures (excluding specialised lending and firm-size adjustment)	10,769,157	4,187,230	710,443	15,666,830
Corporate exposures (with firm-size adjustment)	1,494,592	302,398	1,078,556	2,875,546
Specialised lending	50,011	136,200	183,095	369,306
Retail exposures	5,573,651	6,651,272	15,413,964	27,638,887
Residential mortgages	*3,597,277*	*370,148*	*11,874,580*	*15,842,005*
Qualifying revolving retail exposures	*885,417*	*3,159,983*	*183,623*	*4,229,023*
Other retail exposures	*1,090,957*	*3,121,141*	*3,355,761*	*7,567,859*
Total IRB exposures	32,642,090	17,609,828	18,170,074	68,421,992
Corporates	206,265	93,980	16,156	316,401
Regulatory retail	62,609	15,026	91,340	168,975
Residential mortgages	193	781	14,699	15,673
Higher risk assets	59,121	10	262	59,393
Other assets	641,873	8,676	107,896	758,445
Total Standardised exposures	970,061	118,473	230,353	1,318,887
Total credit risk exposures	**33,612,151**	**17,728,301**	**18,400,427**	**69,740,879**

Note: The above table shows that exposures with residual contractual maturity more than 5 years amounted to RM18,400,427,000. Of this amount, 63% are collateralized.

5. Credit risk (continued)

5.1 Exposure values (continued)

Residual contractual maturity analysis (continued)

Group **31 December 2012**	**Up to 1 year** **RM'000**	**> 1 - 5 years** **RM'000**	**Over 5 years** **RM'000**	**Total** **RM'000**
IRB exposures				
Sovereigns/Central banks	7,732,756	1,584,302	133,817	9,450,875
Banks, development financial institutions & MDBs	5,533,008	3,576,492	651,343	9,760,843
Insurance companies, securities firms & fund managers	104,876	203,963	27,284	336,123
Corporate exposures (excluding specialised lending and firm-size adjustment)	9,083,636	3,284,124	712,269	13,080,029
Corporate exposures (with firm-size adjustment)	191,633	8,660	187,503	387,796
Specialised lending	56,346	61,267	-	117,613
Retail exposures	2,644,487	7,328,550	14,927,777	24,900,814
Residential mortgages	*1,431,937*	*392,087*	*12,187,376*	*14,011,400*
Qualifying revolving retail exposures	*861,203*	*3,845,139*	*35,802*	*4,742,144*
Other retail exposures	*351,347*	*3,091,324*	*2,704,599*	*6,147,270*
Total IRB exposures	25,346,742	16,047,358	16,639,993	58,034,093
Standardised exposures				
Corporates	2,502,266	275,666	982,975	3,760,907
Regulatory retail	590,109	791,217	694,299	2,075,625
Residential mortgages	440	1,602	17,589	19,631
Higher risk assets	25,040	24	420	25,484
Other assets	545,848	74,655	150,062	770,565
Total Standardised exposures	3,663,703	1,143,164	1,845,345	6,652,212
Total credit risk exposures	**29,010,445**	**17,190,522**	**18,485,338**	**64,686,305**

Note: The above table shows that exposures with residual contractual maturity more than 5 years amounted to RM18,485,338,000. Of this amount, 64% are collateralized.

5. Credit risk (continued)

5.1 Exposure values (continued)

Residual contractual maturity analysis (continued)

Bank **31 December 2013**	**Up to 1 year** **RM'000**	**> 1 - 5 years** **RM'000**	**Over 5 years** **RM'000**	**Total** **RM'000**
IRB exposures				
Sovereigns/Central banks	5,667,764	2,073,063	243	7,741,070
Banks, development financial institutions & MDBs	9,129,374	4,040,466	727,821	13,897,661
Insurance companies, securities firms & fund managers	364,916	220,888	58,449	644,253
Corporate exposures (excluding specialised lending and firm-size adjustment)	10,427,717	3,937,605	707,738	15,073,060
Corporate exposures (with firm-size adjustment)	1,300,349	218,885	725,790	2,245,024
Specialised lending	-	75,283	183,095	258,378
Retail exposures	2,820,247	5,768,991	14,535,914	23,125,152
Residential mortgages	*1,119,826*	*363,617*	*11,576,239*	*13,059,682*
Qualifying revolving retail exposures	*885,417*	*3,159,983*	*183,623*	*4,229,023*
Other retail exposures	*815,004*	*2,245,391*	*2,776,052*	*5,836,447*
Total IRB exposures	29,710,367	16,335,181	16,939,050	62,984,598
Standardised exposures				
Corporates	200,104	62,588	16,019	278,711
Regulatory retail	62,493	14,528	90,761	167,782
Residential mortgages	193	781	14,699	15,673
Higher risk assets	25,748	10	262	26,020
Other assets	454,897	8,676	107,896	571,469
Total Standardised exposures	743,435	86,583	229,637	1,059,655
Total credit risk exposures	**30,453,802**	**16,421,764**	**17,168,687**	**64,044,253**

Note: The above table shows that exposures with residual contractual maturity more than 5 years amounted to RM17,168,687,000. Of this amount, 65% are collateralized.

5. Credit risk (continued)

5.1 Exposure values (continued)

Residual contractual maturity analysis (continued)

Bank **31 December 2012**	**Up to 1 year** **RM'000**	**> 1 - 5 years** **RM'000**	**Over 5 years** **RM'000**	**Total** **RM'000**
IRB exposures				
Sovereigns/Central banks	4,935,077	1,584,302	133,817	6,653,196
Banks, development financial institutions & MDBs	6,792,981	3,578,929	557,895	10,929,805
Insurance companies, securities firms & fund managers	104,263	201,790	27,276	333,329
Corporate exposures (excluding specialised lending and firm-size adjustment)	9,100,694	3,138,925	720,088	12,959,707
Corporate exposures (with firm-size adjustment)	180,548	8,660	187,503	376,711
Specialised lending	107,388	60,959	-	168,347
Retail exposures	2,047,590	6,083,347	14,499,125	22,630,062
Residential mortgages	*903,059*	*385,262*	*11,848,889*	*13,137,210*
Qualifying revolving retail exposures	*861,203*	*3,845,139*	*35,802*	*4,742,144*
Other retail exposures	*283,328*	*1,852,946*	*2,614,434*	*4,750,708*
Total IRB exposures	23,268,541	14,656,912	16,125,704	54,051,157
Standardised exposures				
Corporates	2,487,272	160,211	835,720	3,483,203
Regulatory retail	584,975	490,732	590,039	1,665,746
Residential mortgages	440	1,602	17,589	19,631
Higher risk assets	25,040	24	420	25,484
Other assets	393,085	74,655	150,062	617,802
Total Standardised exposures	3,490,812	727,224	1,593,830	5,811,866
Total credit risk exposures	**26,759,353**	**15,384,136**	**17,719,534**	**59,863,023**

Note: The above table shows that exposures with residual contractual maturity more than 5 years amounted to RM17,719,534,000. Of this amount, 65% are collateralized.

5. Credit risk (continued)

5.2 Credit risk mitigation

The following tables disclose the total exposure before the effect of Credit Risk Mitigation ("CRM") and the exposures covered by guarantees/credit derivatives, eligible financial collateral and other eligible collateral shown by exposure class.

Group **31 December 2013**	**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	9,969,697	-	-	-
Banks, development financial institutions & MDBs	4,755,962	3,361	-	-
Insurance companies, securities firms & fund managers	430,026	214,828	2,592	-
Corporates	10,870,085	111,241	707,106	1,415,554
Regulatory retail	8,363,321	8,218	175,066	60,940
Residential mortgages	12,813,456	-	-	12,046,443
Higher risk assets	33,468	-	-	-
Other assets	754,967	4,316	1,221	-
Specialised financing/investment	265,831	69,485	20	-
Defaulted exposures	1,457,355	-	7,125	380,896
Total on-balance sheet exposures	49,714,168	411,449	893,130	13,903,833
Off-balance sheet exposures				
OTC derivatives	5,985,508	9	388	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	14,013,792	7,707	691,099	790,872
Defaulted exposures	27,411	-	846	1,569
Total off-balance sheet exposures	20,026,711	7,716	692,333	792,441
Total on and off-balance sheet exposures	**69,740,879**	**419,165**	**1,585,463**	**14,696,274**

5. Credit risk (continued)

5.2 Credit risk mitigation (continued)

Group **31 December 2012**	**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	9,380,071	-	-	-
Banks, development financial institutions & MDBs	4,250,224	23,948	-	-
Insurance companies, securities firms & fund managers	254,417	53,728	2,592	-
Corporates	10,392,679	747,257	228,463	1,042,738
Regulatory retail	8,869,845	181,448	199,150	-
Residential mortgages	12,157,906	-	-	11,683,746
Higher risk assets	25,255	-	-	-
Other assets	768,028	-	-	-
Specialised financing/investment	111,308	-	-	-
Defaulted exposures	802,623	-	13,459	278,000
Total on-balance sheet exposures	47,012,356	1,006,381	443,664	13,004,484
Off-balance sheet exposures				
OTC derivatives	5,141,208	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	12,505,320	7,896	673,506	493,815
Defaulted exposures	27,421	-	-	4,225
Total off-balance sheet exposures	17,673,949	7,896	673,506	498,040
Total on and off-balance sheet exposures	**64,686,305**	**1,014,277**	**1,117,170**	**13,502,524**

5. Credit risk (continued)

5.2 Credit risk mitigation (continued)

Bank **31 December 2013**	**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	7,727,525	-	-	-
Banks, development financial institutions & MDBs	7,404,706	3,361	-	-
Insurance companies, securities firms & fund managers	430,034	214,828	2,592	-
Corporates	9,922,655	93,293	542,975	1,184,772
Regulatory retail	6,982,757	8,218	175,027	55,271
Residential mortgages	11,205,738	-	-	10,686,364
Higher risk assets	95	-	-	-
Other assets	567,990	4,316	1,221	-
Specialised financing/investment	154,903	69,485	20	-
Defaulted exposures	1,350,619	-	7,125	379,214
Total on-balance sheet exposures	45,747,022	393,501	728,960	12,305,621
Off-balance sheet exposures				
OTC derivatives	5,986,615	9	388	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	12,283,205	7,632	685,845	360,671
Defaulted exposures	27,411	-	846	1,569
Total off-balance sheet exposures	18,297,231	7,641	687,079	362,240
Total on and off-balance sheet exposures	**64,044,253**	**401,142**	**1,416,039**	**12,667,861**

5. Credit risk (continued)

5.2 Credit risk mitigation (continued)

Bank **31 December 2012**	**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	6,582,392	-	-	-
Banks, development financial institutions & MDBs	5,411,934	23,948	-	-
Insurance companies, securities firms & fund managers	252,244	53,728	-	-
Corporates	10,315,205	724,191	188,151	986,137
Regulatory retail	7,208,891	181,448	199,150	-
Residential mortgages	11,568,176	-	-	11,147,186
Higher risk assets	25,255	-	-	-
Other assets	615,265	-	-	-
Specialised financing/investment	167,800	-	-	-
Defaulted exposures	713,004	-	13,459	274,856
Total on-balance sheet exposures	42,860,166	983,315	400,760	12,408,179
Off-balance sheet exposures				
OTC derivatives	5,132,133	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	11,843,303	7,896	673,506	332,035
Defaulted exposures	27,421	-	-	4,225
Total off-balance sheet exposures	17,002,857	7,896	673,506	336,260
Total on and off-balance sheet exposures	**59,863,023**	**991,211**	**1,074,266**	**12,744,439**

5. Credit risk (continued)

5.3 Exposures under IRB approach

Exposures under the IRB approach by risk grade or PD band for non-retail exposures

The below tables analyse the Group's and the Bank's PD range or internal risk grading of non-retail exposures.

Group 31 December 2013	0<0.04% RM'000	0.04<0.17% RM'000	0.17<0.59% RM'000	0.59<3.05% RM'000	3.05<12.00% RM'000	12.00<100% RM'000	Default or 100% RM'000
Non-retail exposures (EAD)							
On balance sheet exposures							
Sovereign	9,969,697	-	-	-	-	-	-
Bank	1,748,037	2,529,801	286,079	135,721	56,015	309	-
Corporate	35,115	1,944,718	2,768,201	5,674,986	578,385	405,892	750,935
Total on-balance sheet exposures	11,752,849	4,474,519	3,054,280	5,810,707	634,400	406,201	750,935
Undrawn commitments							
Sovereign	5,000	-	-	-	-	-	-
Bank	65,668	150,833	6,621	400	-	-	-
Corporate	46,160	60,853	206,578	481,926	8,573	13,399	708
Total undrawn commitments	116,828	211,686	213,199	482,326	8,573	13,399	708
Derivatives							
Sovereign	8,525	-	-	-	-	-	-
Bank	2,128,046	2,585,497	256,038	11,101	-	-	-
Corporate	46,634	373,442	370,422	199,384	2,212	656	13
Total derivatives	2,183,205	2,958,939	626,460	210,485	2,212	656	13
Contingent							
Sovereign	20	-	-	-	-	-	-
Bank	672,608	358,949	90,240	51,249	104,436	-	-
Corporate	52,087	1,009,976	3,052,143	1,348,842	108,338	4,439	17,198
Total contingent	724,715	1,368,925	3,142,383	1,400,091	212,774	4,439	17,198
Exposure weighted average LGD (%)							
Sovereign	26.21%	-	-	-	-	-	-
Bank	26.23%	26.08%	29.65%	40.33%	41.20%	41.20%	-
Corporate	32.37%	41.72%	33.86%	45.24%	49.34%	64.66%	41.21%
Exposure weighted average risk weight (%)							
Sovereign	5.70%	-	-	-	-	-	-
Bank	7.93%	12.97%	35.02%	80.62%	111.51%	182.73%	-
Corporate	6.59%	18.09%	35.97%	92.53%	154.16%	242.93%	381.96%

5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

Exposures under the IRB approach by risk grade or PD band for non-retail exposures (continued)

Group 31 December 2012	0<0.04% RM'000	0.04<0.17% RM'000	0.17<0.59% RM'000	0.59<3.05% RM'000	3.05<12.00% RM'000	12.00<100% RM'000	Default or 100% RM'000
Non-retail exposures (EAD)							
On balance sheet exposures							
Sovereign	9,380,071	-	-	-	-	-	-
Bank	2,212,344	1,365,738	310,240	336,210	23,446	2,246	-
Corporate	650,410	1,694,995	1,619,517	3,813,821	126,055	18,859	140,133
Total on-balance sheet exposures	12,242,825	3,060,733	1,929,757	4,150,031	149,501	21,105	140,133
Undrawn commitments							
Sovereign	5,000	-	-	-	-	-	-
Bank	61,261	142,298	6,704	-	-	-	-
Corporate	26,214	102,730	143,316	188,158	328	9,175	-
Total undrawn commitments	92,475	245,028	150,020	188,158	328	9,175	-
Derivatives							
Sovereign	65,784	-	-	-	-	-	-
Bank	1,810,977	2,308,370	75,006	85,201	-	1,669	-
Corporate	2,199	362,235	250,082	168,024	30	-	-
Total derivatives	1,878,960	2,670,605	325,088	253,225	30	1,669	-
Contingent							
Sovereign	20	-	-	-	-	-	-
Bank	467,874	398,824	65,437	75,689	11,046	263	-
Corporate	72,015	642,495	2,177,051	1,645,356	50,591	-	17,772
Total contingent	539,909	1,041,319	2,242,488	1,721,045	61,637	263	17,772
Exposure weighted average LGD (%)							
Sovereign	26.21%	-	-	-	-	-	-
Bank	26.20%	26.08%	36.87%	38.55%	41.20%	31.07%	-
Corporate	28.68%	45.96%	35.03%	36.55%	35.86%	60.79%	50.83%
Exposure weighted average risk weight (%)							
Sovereign	5.94%	-	-	-	-	-	-
Bank	8.26%	14.59%	31.01%	80.59%	140.09%	143.08%	-
Corporate	6.20%	21.18%	35.99%	78.58%	110.39%	302.79%	197.63%

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5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

Exposures under the IRB approach by risk grade or PD band for non-retail exposures (continued)

Bank **31 December 2013**	**0<0.04%** **RM'000**	**0.04<0.17%** **RM'000**	**0.17<0.59%** **RM'000**	**0.59<3.05%** **RM'000**	**3.05<12.00%** **RM'000**	**12.00<100%** **RM'000**	**Default or 100%** **RM'000**
Non-retail exposures (EAD)							
On balance sheet exposures							
Sovereign	7,727,525	-	-	-	-	-	-
Bank	1,748,037	5,178,545	286,079	135,721	56,015	309	-
Corporate	17,590	1,991,792	2,476,711	4,971,847	522,162	388,398	750,935
Total on-balance sheet exposures	9,493,152	7,170,337	2,762,790	5,107,568	578,177	388,707	750,935
Undrawn commitments							
Sovereign	5,000	-	-	-	-	-	-
Bank	65,668	150,833	6,621	400	-	-	-
Corporate	46,085	48,853	197,727	346,555	8,437	13,399	708
Total undrawn commitments	116,753	199,686	204,348	346,955	8,437	13,399	708
Derivatives							
Sovereign	8,525	-	-	-	-	-	-
Bank	2,128,046	2,596,766	256,038	11,101	-	-	-
Corporate	46,634	368,140	370,258	195,102	1,798	656	13
Total derivatives	2,183,205	2,964,906	626,296	206,203	1,798	656	13
Contingent							
Sovereign	20	-	-	-	-	-	-
Bank	672,608	358,949	90,240	51,249	104,436	-	-
Corporate	52,087	1,009,976	2,983,693	1,284,951	104,571	4,439	17,198
Total contingent	724,715	1,368,925	3,073,933	1,336,200	209,007	4,439	17,198
Exposure weighted average LGD (%)							
Sovereign	26.21%	-	-	-	-	-	-
Bank	26.23%	26.12%	29.65%	40.33%	41.20%	41.20%	-
Corporate	33.08%	41.86%	34.69%	46.86%	50.62%	67.13%	41.21%
Exposure weighted average risk weight (%)							
Sovereign	5.99%	-	-	-	-	-	-
Bank	7.93%	13.26%	35.02%	80.62%	111.51%	182.73%	-
Corporate	6.27%	18.08%	36.52%	93.88%	156.25%	252.09%	381.96%

5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

Exposures under the IRB approach by risk grade or PD band for non-retail exposures (continued)

Bank 31 December 2012	0<0.04% RM'000	0.04<0.17% RM'000	0.17<0.59% RM'000	0.59<3.05% RM'000	3.05<12.00% RM'000	12.00<100% RM'000	Default or 100% RM'000
Non-retail exposures (EAD)							
On balance sheet exposures							
Sovereign	6,582,392	-	-	-	-	-	-
Bank	2,212,344	2,527,448	310,240	336,210	23,446	2,246	-
Corporate	626,410	1,843,636	1,767,084	3,738,715	124,686	18,859	140,133
Total on-balance sheet exposures	9,421,146	4,371,084	2,077,324	4,074,925	148,132	21,105	140,133
Undrawn commitments							
Sovereign	5,000	-	-	-	-	-	-
Bank	61,261	145,298	6,704	-	-	-	-
Corporate	26,214	76,635	119,966	175,724	328	9,175	-
Total undrawn commitments	92,475	221,933	126,670	175,724	328	9,175	-
Derivatives							
Sovereign	65,784	-	-	-	-	-	-
Bank	1,810,977	2,312,622	75,006	85,201	-	1,669	-
Corporate	2,199	362,235	250,082	154,697	30	-	-
Total derivatives	1,878,960	2,674,857	325,088	239,898	30	1,669	-
Contingent							
Sovereign	20	-	-	-	-	-	-
Bank	467,874	398,824	65,437	75,689	11,046	263	-
Corporate	72,015	642,495	2,082,151	1,536,262	50,591	-	17,772
Total contingent	539,909	1,041,319	2,147,588	1,611,951	61,637	263	17,772
Exposure weighted average LGD (%)							
Sovereign	26.22%	-	-	-	-	-	-
Bank	26.20%	26.11%	36.87%	38.55%	41.20%	31.07%	-
Corporate	27.41%	46.36%	37.09%	35.44%	36.10%	60.79%	50.83%
Exposure weighted average risk weight (%)							
Sovereign	6.47%	-	-	-	-	-	-
Bank	8.26%	14.50%	31.01%	80.59%	140.09%	143.08%	-
Corporate	5.35%	21.06%	36.76%	80.40%	111.03%	302.79%	197.63%

5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

Exposures under the IRB approach by risk grade or PD band for retail exposures

The below tables analyse the Group's and the Bank's PD range of retail exposures.

Group **31 December 2013**	**0<0.11%** **RM'000**	**0.11<0.30%** **RM'000**	**0.30<0.43%** **RM'000**	**0.43<3.05%** **RM'000**	**3.05<9.20%** **RM'000**	**9.20<100%** **RM'000**	**Default or 100%** **RM'000**
Retail exposures (EAD)							
On balance sheet exposures							
Residential mortgage	163,055	2,678,873	1,430,131	7,053,625	976,980	495,923	250,037
Qualifying revolving retail	37,228	175,960	50,024	697,053	616,577	310,854	120,226
Other retail	799,622	538,589	406,259	2,870,310	1,113,205	595,345	264,184
Total on-balance sheet exposures	999,905	3,393,422	1,886,414	10,620,988	2,706,762	1,402,122	634,447
Undrawn commitments							
Residential mortgage	181	80,976	92,745	2,556,646	46,347	12,366	4,120
Qualifying revolving retail	349,587	468,974	118,536	838,088	353,349	92,567	-
Other retail	15,348	65,867	38,121	744,757	76,318	34,808	5,126
Total undrawn commitments	365,116	615,817	249,402	4,139,491	476,014	139,741	9,246
Exposure weighted average LGD (%)							
Residential mortgage	12.38%	12.49%	12.70%	13.19%	12.63%	13.16%	14.90%
Qualifying revolving retail	67.07%	67.07%	67.07%	67.07%	67.07%	67.07%	60.36%
Other retail	16.40%	28.46%	27.08%	45.78%	70.10%	73.31%	71.97%
Exposure weighted average risk weight (%)							
Residential mortgage	3.03%	5.66%	8.89%	19.24%	44.81%	71.25%	91.70%
Qualifying revolving retail	3.81%	7.21%	12.66%	31.74%	83.19%	172.56%	306.70%
Other retail	3.14%	14.04%	17.03%	54.88%	109.68%	155.74%	295.14%

5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

Exposures under the IRB approach by risk grade or PD band for retail exposures (continued)

Group 31 December 2012	0<0.11% RM'000	0.11<0.30% RM'000	0.30<0.43% RM'000	0.43<3.05% RM'000	3.05<9.20% RM'000	9.20<100% RM'000	Default or 100% RM'000
Retail exposures (EAD)							
On balance sheet exposures							
Residential mortgage	183,471	2,633,509	1,297,835	6,622,228	840,444	563,047	303,307
Qualifying revolving retail	60,105	190,120	50,001	722,519	563,626	321,118	107,390
Other retail	766,556	372,578	350,454	2,163,916	1,145,974	564,696	196,191
Total on-balance sheet exposures	1,010,132	3,196,207	1,698,290	9,508,663	2,550,044	1,448,861	606,888
Undrawn commitments							
Residential mortgage	700	56,054	64,373	1,402,500	23,270	15,101	5,561
Qualifying revolving retail	457,801	558,697	173,346	1,052,781	386,708	97,932	-
Other retail	12,055	23,403	9,713	450,694	64,312	22,875	3,853
Total undrawn commitments	470,556	638,154	247,432	2,905,975	474,290	135,908	9,414
Exposure weighted average LGD (%)							
Residential mortgage	12.39%	12.39%	12.54%	13.06%	12.62%	13.30%	15.39%
Qualifying revolving retail	67.07%	67.07%	67.07%	67.07%	67.07%	67.07%	60.40%
Other retail	18.15%	26.20%	26.53%	50.55%	77.27%	80.60%	72.50%
Exposure weighted average risk weight (%)							
Residential mortgage	3.00%	5.45%	8.31%	17.54%	43.91%	69.37%	95.41%
Qualifying revolving retail	3.89%	7.10%	12.70%	31.07%	82.82%	174.99%	300.38%
Other retail	3.39%	12.74%	16.71%	59.90%	120.79%	172.94%	240.41%

5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

Exposures under the IRB approach by risk grade or PD band for retail exposures (continued)

Bank 31 December 2013	0<0.11% RM'000	0.11<0.30% RM'000	0.30<0.43% RM'000	0.43<3.05% RM'000	3.05<9.20% RM'000	9.20<100% RM'000	Default or 100% RM'000
Retail exposures (EAD)							
On balance sheet exposures							
Residential mortgage	161,683	2,573,085	1,298,918	5,958,745	776,230	422,208	248,126
Qualifying revolving retail	37,228	175,960	50,024	697,053	616,577	310,854	120,226
Other retail	766,891	515,536	363,331	2,120,048	806,315	371,813	159,384
Total on-balance sheet exposures	965,802	3,264,581	1,712,273	8,775,846	2,199,122	1,104,875	527,736
Undrawn commitments							
Residential mortgage	181	80,976	92,023	1,410,399	22,974	10,014	4,120
Qualifying revolving retail	349,587	468,974	118,536	838,088	353,349	92,567	-
Other retail	14,896	65,549	37,890	500,520	74,366	34,782	5,126
Total undrawn commitments	364,664	615,499	248,449	2,749,007	450,689	137,363	9,246
Exposure weighted average LGD (%)							
Residential mortgage	12.38%	12.50%	12.76%	13.44%	12.71%	13.19%	14.89%
Qualifying revolving retail	67.07%	67.07%	67.07%	67.07%	67.07%	67.07%	60.36%
Other retail	16.37%	28.77%	27.81%	43.45%	63.31%	65.47%	64.30%
Exposure weighted average risk weight (%)							
Residential mortgage	2.99%	5.38%	8.38%	16.91%	43.07%	69.83%	91.65%
Qualifying revolving retail	3.81%	7.21%	12.66%	31.74%	83.19%	172.56%	306.70%
Other retail	3.14%	14.17%	17.51%	50.58%	99.04%	139.10%	318.75%

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5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

Exposures under the IRB approach by risk grade or PD band for retail exposures (continued)

Bank 31 December 2012	0<0.11% RM'000	0.11<0.30% RM'000	0.30<0.43% RM'000	0.43<3.05% RM'000	3.05<9.20% RM'000	9.20<100% RM'000	Default or 100% RM'000
Retail exposures (EAD)							
On balance sheet exposures							
Residential mortgage	183,412	2,596,054	1,265,698	6,207,828	770,153	527,659	299,749
Qualifying revolving retail	60,105	190,120	50,001	722,519	563,626	321,118	107,390
Other retail	758,579	367,630	346,273	1,652,333	636,599	303,816	111,047
Total on-balance sheet exposures	1,002,096	3,153,804	1,661,972	8,582,680	1,970,378	1,152,593	518,186
Undrawn commitments							
Residential mortgage	700	56,054	64,373	1,127,565	17,844	14,560	5,561
Qualifying revolving retail	457,801	558,697	173,346	1,052,781	386,708	97,932	-
Other retail	12,055	23,403	9,713	438,739	63,813	22,855	3,853
Total undrawn commitments	470,556	638,154	247,432	2,619,085	468,365	135,347	9,414
Exposure weighted average LGD (%)							
Residential mortgage	12.39%	12.39%	12.55%	13.12%	12.64%	13.32%	15.38%
Qualifying revolving retail	67.07%	67.07%	67.07%	67.07%	67.07%	67.07%	60.40%
Other retail	18.15%	26.30%	26.59%	40.39%	65.47%	69.82%	62.80%
Exposure weighted average risk weight (%)							
Residential mortgage	3.00%	5.40%	8.24%	16.86%	43.59%	69.29%	95.32%
Qualifying revolving retail	3.89%	7.10%	12.70%	31.07%	82.82%	174.99%	300.38%
Other retail	3.39%	12.78%	16.76%	44.91%	102.45%	149.67%	242.29%

5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

Exposures under the IRB approach by expected loss range for retail exposures

The below tables analyse the Group's and the Bank's expected loss range for retail exposures.

Group **31 December 2013**	**Up to 0.10%** **RM'000**	**>0.10 to 0.20%** **RM'000**	**>0.20 to 0.50%** **RM'000**	**>0.50 to 1.00%** **RM'000**	**>1.00 to 30.00%** **RM'000**	**>30 to <100%** **RM'000**	**100%** **RM'000**
Retail exposures (EAD)							
On balance sheet exposures							
Residential mortgage	7,278,352	1,974,979	1,886,185	1,070,211	838,897	-	-
Qualifying revolving retail	79,926	133,261	227,857	218,250	1,199,258	149,370	-
Other retail	1,712,723	845,934	773,631	473,084	2,443,845	338,298	-
Total on-balance sheet exposures	9,071,001	2,954,174	2,887,673	1,761,545	4,482,000	487,668	-
Undrawn commitments							
Residential mortgage	310,836	324,373	1,010,970	1,110,099	37,103	-	-
Qualifying revolving retail	502,807	315,754	393,652	319,082	685,778	4,028	-
Other retail	114,669	57,411	635,670	28,848	138,679	5,068	-
Total undrawn commitments	928,312	697,538	2,040,292	1,458,029	861,560	9,096	-
Exposure weighted average risk weight (%)							
Residential mortgage	8.46%	17.78%	24.97%	35.32%	74.81%	-	-
Qualifying revolving retail	4.32%	8.04%	16.45%	26.63%	90.55%	279.01%	-
Other retail	11.83%	17.61%	37.58%	63.01%	122.78%	250.21%	-
31 December 2012							
Retail exposures (EAD)							
On balance sheet exposures							
Residential mortgage	7,338,514	2,133,228	1,407,659	513,086	1,051,354	-	-
Qualifying revolving retail	116,002	134,223	226,498	233,023	1,162,648	142,485	-
Other retail	1,406,279	843,219	397,922	265,303	2,356,732	290,910	-
Total on-balance sheet exposures	8,860,795	3,110,670	2,032,079	1,011,412	4,570,734	433,395	-
Undrawn commitments							
Residential mortgage	240,001	273,715	751,929	276,370	25,544	-	-
Qualifying revolving retail	647,958	368,539	544,464	399,212	763,437	3,655	-
Other retail	31,091	37,015	380,004	23,152	111,702	3,941	-
Total undrawn commitments	919,050	679,269	1,676,397	698,734	900,683	7,596	-
Exposure weighted average risk weight (%)							
Residential mortgage	8.44%	17.89%	26.72%	38.36%	74.07%	-	-
Qualifying revolving retail	4.34%	7.98%	16.40%	26.48%	90.17%	268.35%	-
Other retail	7.10%	17.45%	40.02%	62.40%	131.47%	227.15%	-

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5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

Exposures under the IRB approach by expected loss range for retail exposures (continued)

Bank 31 December 2013	Up to 0.10% RM'000	>0.10 to 0.20% RM'000	>0.20 to 0.50% RM'000	>0.50 to 1.00% RM'000	>1.00 to 30.00% RM'000	>30 to <100% RM'000	100% RM'000
Retail exposures (EAD)							
On balance sheet exposures							
Residential mortgage	7,149,262	1,903,461	1,168,132	533,730	684,410	-	-
Qualifying revolving retail	79,926	133,261	227,857	218,250	1,199,258	149,370	-
Other retail	1,609,743	761,481	506,309	429,564	1,619,619	176,603	-
Total on-balance sheet exposures	8,838,931	2,798,203	1,902,298	1,181,544	3,503,287	325,973	-
Undrawn commitments							
Residential mortgage	310,659	324,368	947,886	13,416	24,358	-	-
Qualifying revolving retail	502,807	315,754	393,652	319,082	685,778	4,028	-
Other retail	113,632	54,863	395,634	26,802	137,150	5,048	-
Total undrawn commitments	927,098	694,985	1,737,172	359,300	847,286	9,076	-
Exposure weighted average risk weight (%)							
Residential mortgage	8.44%	17.77%	26.82%	46.44%	76.31%	-	-
Qualifying revolving retail	4.32%	8.04%	16.45%	26.63%	90.55%	279.01%	-
Other retail	12.06%	17.71%	39.77%	61.63%	114.30%	255.74%	-
31 December 2012							
Retail exposures (EAD)							
On balance sheet exposures							
Residential mortgage	7,209,589	2,058,168	1,182,645	409,723	990,428	-	-
Qualifying revolving retail	116,002	134,223	226,498	233,023	1,162,648	142,485	-
Other retail	1,389,173	833,593	395,544	219,442	1,200,266	138,259	-
Total on-balance sheet exposures	8,714,764	3,025,984	1,804,687	862,188	3,353,342	280,744	-
Undrawn commitments							
Residential mortgage	239,824	273,714	734,306	13,816	24,997	-	-
Qualifying revolving retail	647,958	368,539	544,464	399,212	763,437	3,655	-
Other retail	31,091	37,015	368,945	23,103	110,336	3,941	-
Total undrawn commitments	918,873	679,268	1,647,715	436,131	898,770	7,596	-
Exposure weighted average risk weight (%)							
Residential mortgage	8.41%	17.89%	27.28%	43.05%	74.47%	-	-
Qualifying revolving retail	4.34%	7.98%	16.40%	26.48%	90.17%	268.35%	-
Other retail	7.09%	17.46%	40.15%	57.68%	117.40%	226.07%	-

5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

The following tables set out exposures subject to the supervisory risk weights under the IRB approach for the Group and the Bank.

Group **31 December 2013**	**Strong or 70%** **RM'000**	**Good or 90%** **RM'000**	**Satisfactory or 115%** **RM'000**	**Weak or 250%** **RM'000**	**Default or 0%** **RM'000**
Income producing real estate					
- Total Exposures	-	110,928	-	-	-
- Risk Weighted Assets		99,836	-	-	-
31 December 2012					
Income producing real estate					
- Total Exposures	-	111,416	6,197	-	-
- Risk Weighted Assets		100,274	7,127	-	-

Bank **31 December 2013**	**Strong or 70%** **RM'000**	**Good or 90%** **RM'000**	**Satisfactory or 115%** **RM'000**	**Weak or 250%** **RM'000**	**Default or 0%** **RM'000**
Income producing real estate					
- Total Exposures	-	-	-	-	-
- Risk Weighted Assets		-	-	-	-
31 December 2012					
Income producing real estate					
- Total Exposures	-	110,973	57,374	-	-
- Risk Weighted Assets		99,876	65,980	-	-

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5. Credit risk (continued)

5.4 Exposures under the Standardised approach

Risk weights under the Standardised approach

The following tables set out analysis of risk weights under the Standardised approach for the Group and the Bank.

Group 31 Dec 2013	Exposures after netting and credit risk mitigation Corporates* RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
Risk weights							
0%	-	-	-	-	120,562	120,562	-
20%	-	-	-	-	-	-	-
35%	-	-	14,501	-	-	14,501	5,075
50%	-	9	107	-	-	116	58
75%	-	77,778	168	-	-	77,946	58,459
100%	236,473	8,413	853	-	635,005	880,744	880,744
150%	26,635	15,779	44	59,393	-	101,851	152,785
1250%	-	-	-	-	1,658	1,658	20,725
Total exposures	263,108	101,979	15,673	59,393	757,225	1,197,378	1,117,846
Risk-weighted exposures	276,426	90,420	6,174	89,090	655,736	1,117,846	
Average risk weight	105.1%	88.7%	39.4%	150.0%	86.6%	93.4%	
Deduction from capital base	-	-	-	-	-	-	

31 Dec 2012	Exposures after netting and credit risk mitigation Corporates* RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
Risk weights							
0%	-	60	-	-	159,444	159,504	-
20%	5,386	518	-	-	147,136	153,040	30,608
35%	-	489	17,243	-	-	17,732	6,207
50%	139,265	28,321	136	-	-	167,722	83,861
75%	-	1,568,205	671	-	-	1,568,876	1,176,657
100%	3,395,471	43,067	505	-	624,588	4,063,631	4,063,630
150%	1,778	35,793	1,075	25,484	-	64,130	96,197
1250%	-	-	-	-	1,658	1,658	20,730
Total exposures	3,541,900	1,676,453	19,630	25,484	932,826	6,196,293	5,477,890
Risk-weighted assets by exposures	3,468,848	1,287,346	8,724	38,226	674,746	5,477,890	
Average risk weight	97.9%	76.8%	44.4%	150.0%	72.3%	88.4%	
Deduction from capital base	-	-	-	-	-	-	

5. Credit risk (continued)

5.4 Exposures under the Standardised approach (continued)

Risk weights under the Standardised approach (continued)

Bank

31 Dec 2013	Corporates* RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
	← Exposures after netting and credit risk mitigation →						
Risk weights							
0%	-	-	-	-	106,554	106,554	-
20%	-	-	-	-	-	-	-
35%	-	-	14,501	-	-	14,501	5,075
50%	-	9	107	-	-	116	58
75%	-	76,831	168	-	-	76,999	57,749
100%	199,973	8,192	853	-	462,036	671,054	671,054
150%	26,635	15,754	44	26,020	-	68,453	102,687
1250%	-	-	-	-	1,658	1,658	20,725
Total exposures	226,608	100,786	15,673	26,020	570,248	939,335	857,348
Risk-weighted assets by exposures	239,926	89,451	6,174	39,030	482,767	857,348	
Average risk weight	105.9%	88.8%	39.4%	150.0%	84.7%	91.3%	
Deduction from capital base	-	-	-	-	-	-	

31 Dec 2012	Corporates* RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
	← Exposures after netting and credit risk mitigation →						
Risk weights							
0%	-	60	-	-	143,360	143,420	-
20%	5,386	518	-	-	147,136	153,040	30,608
35%	-	339	17,243	-	-	17,582	6,154
50%	139,265	28,107	136	-	-	167,508	83,754
75%	-	1,159,640	671	-	-	1,160,311	870,233
100%	3,119,267	42,681	505	-	487,909	3,650,362	3,650,362
150%	1,778	35,229	1,075	25,484	-	63,566	95,350
1250%	-	-	-	-	1,658	1,658	20,730
Total exposures	3,265,696	1,266,574	19,630	25,484	780,063	5,357,447	4,757,191
Risk-weighted assets by exposures	3,192,644	979,530	8,724	38,227	538,066	4,757,191	
Average risk weight	97.8%	77.3%	44.4%	150.0%	69.0%	88.8%	
Deduction from capital base	-	-	-	-	-	-	

* All corporate standardised exposures are unrated.

5. Credit risk (continued)

5.5 Problem credit management and provisioning

Impairment provisions analysed by borrowers' business or industry

The following tables show the Group's and the Bank's collective impairment provisions and movement in individual impairment provisions by each principal category of borrowers' business or industry for Consumer Banking and Wholesale Banking.

Group 31 December 2013	Collective impairment provisions as at 31 December 2013 RM'000	Individual impairment provisions held as at 1 January 2013 RM'000	Net individual impairment charge during the financial period RM'000	Amounts written off or other movements during the financial period RM'000	Individual impairment provisions held as at 31 December 2013 RM'000
Loans to individuals					
Mortgages	33,505	67,552	42,457	(54,766)	55,243
Others	226,352	21,612	181,743	(144,739)	58,616
Small and medium enterprises and others	13,016	26,955	57,081	(56,484)	27,552
Consumer Banking	**272,873**	**116,119**	**281,281**	**(255,989)**	**141,411**
Agriculture	7,084	13,872	936	-	14,808
Mining and quarrying	251	-	-	-	-
Manufacturing	27,769	12,704	17,183	(529)	29,358
Electricity, gas and water	437	-	-	-	-
Construction	10,484	60,639	1,876	(1,192)	61,323
Real estate	2,169	-	-	-	-
Wholesale & retail trade and restaurants & hotels	8,058	15,250	985	-	16,235
Transportation, storage and communication	1,716	-	-	-	-
Finance, insurance and business services	15,638	-	-	-	-
Household	-	-	-	-	-
Others	1,452	-	-	-	-
Wholesale Banking	**75,058**	**102,465**	**20,980**	**(1,721)**	**121,724**

5.5 Problem credit management and provisioning (continued)

Impairment provisions analysed by borrowers' business or industry (continued)

Group **31 December 2012**	**Collective impairment provisions as at 31 December 2012** **RM'000**	**Individual impairment provisions held as at 1 January 2012** **RM'000**	**Net individual impairment charge during the financial period** **RM'000**	**Amounts written off or other movements during the financial period** **RM'000**	**Individual impairment provisions held as at 31 December 2012** **RM'000**
Loans to individuals					
Mortgages	35,781	87,306	48,747	(68,501)	67,552
Others	261,039	14,585	130,110	(123,083)	21,612
Small and medium enterprises and others	14,964	41,106	46,089	(60,240)	26,955
Consumer Banking	**311,784**	**142,997**	**224,946**	**(251,824)**	**116,119**
Agriculture	902	14,360	-	(488)	13,872
Mining and quarrying	1,414	-	-	-	-
Manufacturing	25,233	15,409	884	(3,589)	12,704
Electricity, gas and water	46	-	-	-	-
Construction	6,497	60,733	1,218	(1,312)	60,639
Real estate	2,687	-	-	-	-
Wholesale & retail trade and restaurants & hotels	2,643	16,163	-	(913)	15,250
Transportation, storage and communication	684	-	-	-	-
Finance, insurance and business services	8,260	-	-	-	-
Household	294	-	-	-	-
Others	310	-	-	-	-
Wholesale Banking	**48,968**	**106,665**	**2,102**	**(6,302)**	**102,465**

5. Credit risk (continued)

5.5 Problem credit management and provisioning (continued)

Impairment provisions analysed by borrowers' business or industry (continued)

Bank **31 December 2013**	**Collective impairment provisions as at 31 December 2013** **RM'000**	**Individual impairment provisions held as at 1 January 2013** **RM'000**	**Net individual impairment charge during the financial period** **RM'000**	**Amounts written off or other movements during the financial period** **RM'000**	**Individual impairment provisions held as at 31 December 2013** **RM'000**
Loans to individuals					
Mortgages	30,512	67,159	41,722	(54,007)	54,874
Others	130,561	19,081	89,931	(64,443)	44,569
Small and medium enterprises and others	11,150	26,505	47,245	(47,565)	26,185
Consumer Banking	**172,223**	**112,745**	**178,898**	**(166,015)**	**125,628**
Agriculture	6,746	13,872	936	-	14,808
Mining and quarrying	127	-	-	-	-
Manufacturing	26,553	12,704	17,183	(529)	29,358
Electricity, gas and water	437	-	-	-	-
Construction	10,438	60,639	1,876	(1,192)	61,323
Real estate	1,808	-	-	-	-
Wholesale & retail trade and restaurants & hotels	7,651	15,250	985	-	16,235
Transportation, storage and communication	1,387	-	-	-	-
Finance, insurance and business services	15,193	-	-	-	-
Household	-	-	-	-	-
Others	1,432	-	-	-	-
Wholesale Banking	**71,772**	**102,465**	**20,980**	**(1,721)**	**121,724**

5. Credit risk (continued)

5.5 Problem credit management and provisioning (continued)

Impairment provisions analysed by borrowers' business or industry (continued)

Bank 31 December 2012	**Collective impairment provisions as at 31 December 2012 RM'000**	**Individual impairment provisions held as at 1 January 2012 RM'000**	**Net individual impairment charge during the financial year RM'000**	**Amounts written off or other movements during the financial year RM'000**	**Individual impairment provisions held as at 31 December 2012 RM'000**
Loans to individuals					
Mortgages	33,346	85,215	47,160	(65,216)	67,159
Others	132,627	14,246	62,984	(58,149)	19,081
Small and medium enterprises and others	12,353	41,027	44,700	(59,222)	26,505
Consumer Banking	**178,326**	**140,488**	**154,844**	**(182,587)**	**112,745**
Agriculture	846	14,360	-	(488)	13,872
Mining and quarrying	1,365	-	-	-	-
Manufacturing	24,768	15,409	884	(3,589)	12,704
Electricity, gas and water	46	-	-	-	-
Construction	6,488	60,733	1,218	(1,312)	60,639
Real estate	2,539	-	-	-	-
Wholesale & retail trade and restaurants & hotels	2,470	16,163	-	(913)	15,250
Transportation, storage and communication	377	-	-	-	-
Finance, insurance and business services	8,146	-	-	-	-
Household	294	-	-	-	-
Others	271	-	-	-	-
Wholesale Banking	**47,609**	**106,665**	**2,102**	**(6,302)**	**102,465**

5. Credit risk (continued)

5.5 Problem credit management and provisioning (continued)

Loans, advances and financing past due

The following table analyses the Group's and the Bank's loans, advances and financing past due but not impaired, analysed by borrowers' business and industry for Consumer Banking and Wholesale Banking.

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Loans to individuals				
Mortgages	1,108,439	1,019,379	979,063	962,712
Others	575,550	680,206	362,581	393,453
Small and medium enterprises and others	417,366	346,440	306,982	297,250
Consumer Banking	2,101,355	2,046,025	1,648,626	1,653,415
Manufacturing	34,726	2,375	34,726	2,375
Wholesale & retail trade and restaurants & hotels	7,251	-	7,251	-
Agriculture	10,998	-	10,998	-
Wholesale Banking	52,975	2,375	52,975	2,375

The following table analyses the Group's and the Bank's loans, advances and financing past due but not impaired, analysed by significant geographical areas.

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysia	2,154,330	2,048,400	1,701,601	1,655,790
Others	-	-	-	-
	2,154,330	2,048,400	1,701,601	1,655,790

5. Credit risk (continued)

5.5 Problem credit management and provisioning (continued)

Summary analysis of loans, advances and financing

The following tables show the Group's and the Bank's impaired loans, advances and financing, individual impairment provisions and collective impairment provisions by significant geographical areas.

Group	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
31 December 2013			
Gross impaired loans, advances and financing	1,088,614	263	1,088,877
Individual impairment provisions	262,872	263	263,135
Collective impairment provisions	345,178	2,753	347,931
31 December 2012			
Gross impaired loans, advances and financing	424,774	166	424,940
Individual impairment provisions	218,418	166	218,584
Collective impairment provisions	358,260	2,492	360,752

Bank	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
31 December 2013			
Gross impaired loans, advances and financing	1,048,005	263	1,048,268
Individual impairment provisions	247,089	263	247,352
Collective impairment provisions	241,242	2,753	243,995
31 December 2012			
Gross impaired loans, advances and financing	390,885	166	391,051
Individual impairment provisions	215,044	166	215,210
Collective impairment provisions	223,443	2,492	225,935

5. Credit risk (continued)

5.6 Off-balance sheet and counterparty credit risk

The following tables analyse the Group's and the Bank's off-balance sheet and counterparty credit risk.

Group **31 December 2013**	**Principal amount** **RM'000**	**Positive fair value of contracts** **RM'000**	**Negative fair value of contracts** **RM'000**	**Credit equivalent amount** **RM'000**	**Risk weighted assets** **RM'000**
Direct credit substitutes	2,390,276	-	-	2,390,276	824,234
Transaction related contingent items	4,254,108	-	-	4,253,025	952,615
Short term self liquidating trade related contingencies	390,974	-	-	390,974	105,794
Foreign exchange related contracts					
One year or less	32,294,898	502,513	404,478	975,552	234,754
Over one year to five years	19,066,983	844,827	561,990	2,187,200	535,207
Over five years	1,744,078	156,343	121,677	345,249	129,674
Interest/profit rate related contracts					
One year or less	19,220,803	11,644	12,868	40,177	4,996
Over one year to five years	48,719,725	364,498	527,681	1,581,268	333,331
Over five years	5,512,026	149,175	64,402	568,450	162,432
Equity related contracts					
One year or less	69,406	765	765	2,245	93
Over one year to five years	286,641	16,676	14,463	26,494	4,616
Over five years	32,100	1,416	524	4,626	2,078
Commodity contracts					
One year or less	1,814,838	20,392	20,392	118,973	29,297
Over one year to five years	1,647,953	24,797	24,797	126,744	41,898
Credit derivative contracts *					
One year or less	-	-	-	-	-
Over one year to five years	98,358	3,625	-	8,543	876
Other commitments, such as formal facilities and credit lines, with an original maturity of over one year	6,359,524	-	-	1,534,941	766,560
Other commitments, such as formal facilities and credit lines, with an original maturity of up to one year	4,390,695	-	-	3,070,330	926,593
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,892,100	-	-	2,401,644	914,316
	156,185,486	2,096,671	1,754,037	20,026,711	5,969,364

The table below shows the credit derivative contracts for client intermediation activities:

** Credit derivative contracts*	**Principal amount** **RM'000**	**Credit equivalent amount** **RM'000**	**Risk weighted assets** **RM'000**
Credit link notes			
- protection sold	98,358	8,543	876

5. Credit risk (continued)

5.6 Off-balance sheet and counterparty credit risk (continued)

Group **31 December 2012**	**Principal amount RM'000**	**Positive fair value of contracts RM'000**	**Negative fair value of contracts RM'000**	**Credit equivalent amount RM'000**	**Risk weighted assets RM'000**
Direct credit substitutes	1,699,935	-	-	1,698,521	423,905
Transaction related contingent items	3,759,364	-	-	3,642,859	966,914
Short term self liquidating trade related contingencies	521,072	-	-	497,940	109,762
Foreign exchange related contracts					
One year or less	42,695,582	281,732	266,450	734,554	156,436
Over one year to five years	18,888,316	623,998	326,027	1,957,252	477,765
Over five years	1,574,499	110,739	23,153	286,676	114,225
Interest/profit rate related contracts					
One year or less	21,996,302	53,557	46,210	84,276	9,742
Over one year to five years	47,063,548	273,600	483,833	1,384,302	305,745
Over five years	5,073,393	198,539	198,795	558,044	167,964
Equity related contracts					
One year or less	48,294	594	594	3,544	1,694
Over one year to five years	251,404	6,960	5,349	20,262	10,373
Over five years	3,503	277	-	557	89
Commodity contracts					
One year or less	540,899	10,353	10,353	30,175	5,665
Over one year to five years	803,061	25,132	25,132	73,316	62,856
Credit derivative contracts *					
One year or less	-	-	-	-	-
Over one year to five years	91,755	3,662	-	8,250	1,079
Other commitments, such as formal facilities and credit lines, with an original maturity of over one year	6,974,639	-	-	2,099,000	1,256,883
Other commitments, such as formal facilities and credit lines, with an original maturity of up to one year	3,696,922	-	-	1,700,875	491,352
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	9,564,747	-	-	2,893,546	1,008,397
	165,247,235	1,589,143	1,385,896	17,673,949	5,570,846

The table below shows the credit derivative contracts for client intermediation activities:

** Credit derivative contracts*	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Risk weighted assets RM'000**
Credit link notes			
- protection sold	91,755	8,250	1,079

5. Credit risk (continued)

5.6 Off-balance sheet and counterparty credit risk (continued)

Bank 31 December 2013	Principal amount RM'000	Positive fair value of contracts RM'000	Negative fair value of contracts RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Direct credit substitutes	2,387,464	-	-	2,387,464	823,662
Transaction related contingent items	4,181,018	-	-	4,179,934	931,868
Short term self liquidating trade related contingencies	324,817	-	-	324,817	74,723
Foreign exchange related contracts					
One year or less	32,294,898	498,125	408,863	972,659	233,968
Over one year to five years	19,066,983	844,827	561,990	2,187,200	535,207
Over five years	1,744,078	156,343	121,677	345,249	129,674
Interest rate related contracts					
One year or less	19,327,561	16,024	12,868	44,671	5,396
Over one year to five years	48,719,725	362,813	527,681	1,579,583	329,955
Over five years	5,512,026	149,174	64,402	568,449	162,427
Equity related contracts					
One year or less	69,404	765	765	2,244	93
Over one year to five years	285,961	17,268	13,367	27,032	2,756
Over five years	32,035	2,077	-	5,281	1,161
Commodity contracts					
One year or less	1,814,838	20,392	20,392	118,973	29,297
Over one year to five years	1,647,953	24,797	24,800	126,744	41,899
Credit derivative contracts *					
One year or less	-	-	-	-	-
Over one year to five years	98,358	3,626	-	8,543	876
Other commitments, such as formal facilities and credit lines, with an original maturity of over one year	5,083,055	-	-	1,302,260	679,210
Other commitments, such as formal facilities and credit lines, with an original maturity of up to one year	2,280,292	-	-	1,714,484	483,013
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,892,100	-	-	2,401,644	914,317
	152,762,566	2,096,231	1,756,805	18,297,231	5,379,502

The table below shows the credit derivative contracts for client intermediation activities:

** Credit derivative contracts*	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Credit default swap			
- protection sold	98,358	8,543	876

5. Credit risk (continued)

5.6 Off-balance sheet and counterparty credit risk (continued)

Bank **31 December 2012**	**Principal amount RM'000**	**Positive fair value of contracts RM'000**	**Negative fair value of contracts RM'000**	**Credit equivalent amount RM'000**	**Risk weighted assets RM'000**
Direct credit substitutes	1,696,370	-	-	1,696,300	423,294
Transaction related contingent items	3,704,863	-	-	3,597,280	949,608
Short term self liquidating trade related contingencies	361,387	-	-	339,687	64,846
Foreign exchange related contracts					
One year or less	42,695,582	281,732	266,450	734,554	155,309
Over one year to five years	18,888,316	623,998	326,027	1,957,252	477,765
Over five years	1,574,499	110,739	23,153	286,676	114,225
Interest rate related contracts					
One year or less	22,196,302	53,558	46,385	84,476	9,681
Over one year to five years	47,063,662	273,513	483,833	1,378,785	288,963
Over five years	5,010,779	198,626	198,795	554,286	158,343
Equity related contracts					
One year or less	48,294	594	594	3,544	1,694
Over one year to five years	251,404	6,960	5,349	20,262	10,373
Over five years	3,503	277	-	557	89
Commodity contracts					
One year or less	540,899	10,353	10,353	30,175	5,665
Over one year to five years	803,061	25,132	25,132	73,316	62,856
Credit derivative contracts *					
One year or less	-	-	-	-	-
Over one year to five years	91,755	3,662	-	8,250	1,079
Other commitments, such as formal facilities and credit lines, with an original maturity of over one year	6,221,888	-	-	1,942,688	1,143,625
Other commitments, such as formal facilities and credit lines, with an original maturity of up to one year	2,869,557	-	-	1,401,223	390,092
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	9,564,747	-	-	2,893,546	1,008,397
	163,586,868	1,589,144	1,386,071	17,002,857	5,265,904

The table below shows the credit derivative contracts for client intermediation activities:

** Credit derivative contracts*	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Risk weighted assets RM'000**
Credit link notes			
- protection sold	91,755	8,250	1,079

6. Market risk

The Group recognises market risk as the risk of loss resulting from changes in market prices and rates. The Bank is exposed to market risk arising principally from customer-driven transactions. The objective of the Bank's market risk policies and processes is to obtain the best balance of risk and return while meeting customers' requirements.

The primary categories of market risk for the Group are:-

- Interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options; and
- Currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options.

The Group has adopted the Standardised approach for market risk.

Market risk governance

The Board approves the Group's market risk appetite taking account of market volatility, the range of traded products and asset classes, the business volumes and transaction sizes. Market risk appetite has remained broadly stable in 2013.

The Board is responsible for setting Value at Risk ("VaR") limits at a business level. The Board is also responsible for policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both trading and non-trading books of the Group. Limits by desk are proposed by the businesses within the terms of agreed policy.

Group Market Risk ("GMR") approves the limits within delegated authorities and monitor exposures against these limits.

All permanent limits are approved by the Board prior to implementation. Exceptions are escalated to the Board / Board's delegated committees. Additional limits are placed on specific instruments and position concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange is measured in terms of the underlying values or amounts involved. Option risks are controlled through revaluation limits on underlying price and volatility shifts, limits on volatility risk and other variables that determine the options' value.

Value at Risk

The Group measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk which applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent. This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year.

The Group applies two VaR methodologies:-

- Historical simulation: involves the revaluation of all existing positions to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This approach is applied for general market risk factors and from the fourth quarter of 2012 has been extended to also cover the majority of specific (credit spread) risk VaR.

- Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is now applied for some of the specific (credit spread) risk VaR in relation to idiosyncratic exposures in credit markets.

6. Market risk (continued)

Value at Risk (continued)

In both methods an historical observation period of one year is chosen and applied.

VaR is calculated as the Group's exposure as at the close of business. Intra-day risk levels may vary from those reported at the end of the day.

Back Testing

To assess their predictive power, VaR models are back tested against actual results.

Stress testing

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations.

GMR complements the VaR measurement by weekly stress testing market risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in liquidity that often occurs.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The RMC has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. The RMC considers stress testing results as part of its supervision of risk appetite.

Regular stress test scenarios are applied to interest rates, credit spreads and exchange rates. This covers all major asset classes in the Financial Market banking and trading books.

Ad-hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

Valuation framework

Products may only be traded subject to a formally approved Product Programme which identifies the risks, controls and regulatory treatment. The control framework is assessed by the relevant Bank functions as well as GIA on an ongoing basis. It is the Group's policy that all assets and liabilities held are to be recorded in the financial accounts on a fair-value basis that is consistent with Malaysian Financial Reporting Standards.

6. Market risk (continued)

Valuation framework (continued)

The Product Control function is responsible for valuation controls in accordance with policy. Where possible, positions held are marked to market on a consistent and daily basis using quoted prices within active markets. Where this is not possible, positions are marked to model using models which have been independently and periodically validated by GMR. Product Control ensures adherence to Standard Chartered PLC Group's policy for valuation adjustments to incorporate counterparty risk, bid/ask spreads, market liquidity and where appropriate model risk reserves to mark all positions on a prudent basis. The BRC provides oversight and governance of all policy.

Market risk VaR coverage

Interest rate risk from across the non-trading book portfolios is transferred to Financial Markets where it is managed by the Group's Asset and Liability Management ("ALM") desks under the supervision of ALCO. The ALM desks deal in the market in approved financial instruments in order to manage the net interest rate risk, subject to approved VaR and risk limits.

VaR and stress tests are therefore applied to these non-trading book exposures (except Group Treasury), including available for sale securities. Securities classed as Loans and Receivables or Held to Maturity are not reflected in VaR or stress tests since they are accounted on an amortised cost basis, so market price movements have no effect on either profit and loss or reserves.

Foreign exchange risk on the non-trading book portfolios is minimised by match funding assets and liabilities in the same currency. Structural foreign exchange currency risks are not included within the Group's VaR.

The table below analyses the Group's VaR by primary categories of market risk:-

Value at Risk (VaR at 97.5%, 1 day)

31 December 2013

	← 2013 →			Actual as at 31 December 2013
	Average RM'000	High RM'000	Low RM'000	RM'000
Trading				
Interest rate risk	3,623	6,708	1,813	3,239
Foreign exchange risk	656	2,302	167	367
Non-trading				
Interest rate risk	2,767	3,305	1,692	2,961

31 December 2012

	← 2012 →			Actual as at 31 December 2012
	Average RM'000	High RM'000	Low RM'000	RM'000
Trading				
Interest rate risk	4,989	8,023	2,146	4,081
Foreign exchange risk	1,254	3,340	304	1,347
Non-trading				
Interest rate risk	1,996	2,961	1,298	2,917

6. Market risk (continued)

The tables below detail the disclosure for interest rate risk in the banking book, the increase or decline in earnings and economic value for upward and downward rate shocks which are consistent with shocks applied in stress test for measuring interest rate risk, broken down by major currency exposures where relevant:-

Group **31 December 2013** **Type of Currency**	**Impact on positions as at reporting period (200 basis points) parallel shift** **Increase/(Decline) in earnings at risk** **RM'000**	 **Increase/(Decline) in economic value** **RM'000**
Ringgit Malaysia	612	108,630
US Dollar	(35,520)	(66,970)
Euro	1,737	(58)
Pound Sterling	(470)	103
Australian Dollar	(4,114)	2,787
Japanese Yen	1,197	(448)
Singapore Dollar	1,166	(14)

Group **31 December 2012** **Type of Currency**	**Impact on positions as at reporting period (200 basis points) parallel shift** **Increase/(Decline) in earnings at risk** **RM'000**	 **Increase/(Decline) in economic value** **RM'000**
Ringgit Malaysia	32,479	56,094
US Dollar	(3,328)	(58,850)
Euro	682	(56)
Pound Sterling	248	536
Japanese Yen	769	(19)

Bank **31 December 2013** **Type of Currency**	**Impact on positions as at reporting period (200 basis points) parallel shift** **Increase/(Decline) in earnings at risk** **RM'000**	 **Increase/(Decline) in economic value** **RM'000**
Ringgit Malaysia	33,908	252,318
US Dollar	(28,615)	(71,558)
Euro	1,737	(58)
Pound Sterling	(470)	103
Australian Dollar	(4,114)	2,787
Japanese Yen	1,197	(448)
Singapore Dollar	1,166	(14)

Bank **31 December 2012** **Type of Currency**	**Impact on positions as at reporting period (200 basis points) parallel shift** **Increase/(Decline) in earnings at risk** **RM'000**	 **Increase/(Decline) in economic value** **RM'000**
Ringgit Malaysia	64,182	187,287
US Dollar	1,257	(61,972)
Euro	682	(56)
Pound Sterling	248	536
Japanese Yen	769	(19)

7. Equity exposures in banking book

Table below details the equity exposures in banking book of the Group.

Group and Bank	31 December 2013 Gross exposures RM'000	31 December 2013 Risk weighted assets RM'000	31 December 2012 Gross exposures RM'000	31 December 2012 Risk weighted assets RM'000
<u>Privately Held</u>				
For socio-economic purposes	9,098	9,098	9,098	9,098
For non socio-economic purposes	623	934	568	852
	9,721	10,032	9,666	9,950

8. Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from inadequate or failed internal processes, people and systems, or from external events.

BNM has formally approved the Bank's use of the TSA for calculating and reporting operational risk capital requirement in November 2009. As a result, the Bank has been using TSA for calculating and reporting the operational risk capital requirement from July 2010 onwards.

Objective

Operational risk exposures arise as a result of business activities. It is the Group's objective to minimise such exposures, subject to cost tradeoffs. This objective is met through a framework of policies and procedures originating from Standard Chartered PLC Group that drive our risk management approach through six inter-dependent risk management process categories of plan, inform, control, originate, optimize and communicate.

Governance structure

Governance over operational risk management is achieved through a defined structure of committees at the group, business and function. At each level, operational risk governance committees integrate into Standard Chartered PLC Group's and the Bank's overall risk governance structure. Standard Chartered PLC Group Operational Risk Committee ("GORC"), a subcommittee of Standard Chartered PLC Group's RMC, supervises the management of operational risks across all businesses and functions, while at a Country level, this role is performed by the Country Operational Risk Committee ("CORC"), a subcommittee of local RMC. Escalation rules, linked to risk tolerance limits, are in place to ensure that operational risk decisions are taken at the right level within the governance structure.

Roles and responsibilities

Responsibility for the management of operational risk rests with business and function management as an integral component of the management task. An independent Operational Risk function within the Risk function works alongside them to ensure that exposure to operational risk remains within acceptable levels.

8. Operational risk (continued)

Risk management approach

Standard Chartered PLC Group's operational risk management procedures and processes are integral components of the broader Risk Management Framework and is approved and adopted by the Board for local adoption. Operational risks are managed through an end to end process of plan, inform, control, originate, optimize and communicate. This six inter-dependent risk management process is performed at all levels across the Group and country level, and is the foundation of the risk management approach. Once identified, risks are assessed against standard criteria to determine their significance and the degree of risk mitigation effort required to reduce the exposure to acceptable levels. The Group's operational risk management approach serves to continually improve the Group's ability to anticipate all material risks and to increase our ability to demonstrate, with a high degree of confidence, that those material risks are well controlled. Risk mitigation plans are overseen by the appropriate local and Standard Chartered PLC Group's governance committee.

Assurance

The GIA function provides independent assurance of the effectiveness of management's control of its own business activities and of the processes maintained by the Risk Control Functions. As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

Measurement

The Group uses the standardised approach ("TSA") to assess its regulatory capital charge for Operational Risk. The operational risk capital charge for TSA is calculated as the three-year average of the simple summation of the regulatory capital charges across the eight business lines in each year. The capital charge for each business line is calculated by multiplying the annual gross income by a factor assigned to that business line.

9. Comparative figures

Certain comparative figures have been restated to conform with restatements made in the Group's and Bank's financial statements for the financial year ended 31 December 2013 arising from change in accounting policy with respect to the measurement basis of collective impairment for loans, advances and financing and to conform with current year presentation.

Chief Executive Officer Attestation

In accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Standard Chartered Bank Malaysia Berhad's Pillar 3 Disclosures report for the financial year ended 31 December 2013 are consistent with the manner in which the Group and the Bank assesses and manages its risk, and are not misleading in any particular way.

....
Osman Tarique Morad
Chief Executive Officer

Date: 31 March 2014