Standard Chartered Bank Malaysia Berhad
and its subsidiaries

Pillar 3 Disclosures
31 December 2012

Incorporated in Malaysia with registered Company No. 115793P

Level 16, Menara Standard Chartered
No. 30, Jalan Sultan Ismail 50250 Kuala Lumpur

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, BNM issued the Guidelines on RWCAF and CAFIB Basel II: Risk Weighted Assets Computation on 19 April 2007, which came into effect on 1 January 2008. This document was last updated on 28 November 2012. This framework 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 Framework' issued in June 2006 and the 'Capital Adequacy Standard (CAS)' issued in December 2005, respectively. This framework forms part of the overall capital adequacy framework and hence should be read alongside the Risk-Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components).

BNM has formally approved the Bank's use of the AIRB approach for calculating and reporting regulatory capital in June 2010. As a result, since July 2010 regulatory capital submission, the Bank has been using AIRB approach for calculating and reporting the credit risk capital requirement.

Scope of application

The Pillar 3 disclosures are prepared for the Standard Chartered Bank Malaysia Berhad Group ("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(b) to the Group's financial statements for the financial year ended 31 December 2012 ("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 Bank’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 Bank to support its strategy.

2. Capital management (continued)

The capital plan takes the following into account:-
- regulatory capital requirements;
- forecast demand for capital to support the credit ratings;
- increases in demand for capital due to business growth, market shocks or stresses;
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Bank's risk, performance and capital.

The Bank 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 Bank 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 Bank'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 Bank has sufficient capital available to meet local regulatory requirements at all times.

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

For details on regulatory capital structure and main features of capital instruments of the Bank, refer to Note 46 and Note 19 to 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 Bank. It is a bank-wide activity and starts right at the front-line. The management of risk lies at the heart of the Bank's business. Effective risk management is a central part of the financial and operational management of the Bank and fundamental to our ability to generate profits consistently and maximize the interests of shareholders and other stakeholders.

Through the Risk Management Framework, the Bank 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 Bank is also exposed to a range of other risk types such as market, operational, liquidity, reputational and other risks which are inherent in the Bank's strategy and business the Bank has chosen to participate in.

As part of this framework, the Bank 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 Bank's strategy and within the Bank's risk appetite;
- **Responsibility**: it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. The Bank 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.

3. Risk management (continued)

Risk Governance

Risk governance refers to those parts of the Bank'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 Bank'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 Bank's overall risk management framework.

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 bank. 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.

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 residual risks within their 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 assurance provided by the Internal Audit function of the Group Internal Audit which has no responsibilities for any of the activities it examines. Group Internal Audit 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 is led by the Country Chief Risk Officer. The risk function is independent of the origination and sales functions to ensure that the necessary balance in risk/return decisions is not compromised by short term pressures to generate revenues.

3. Risk management (continued)

Risk Appetite

Risk appetite is the statement of the amount of risk that the Bank is willing to take in the pursuit of its strategic goals. When setting the risk appetite, the Bank considers overall risk management strategy/ 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 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 Bank 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.

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

4. Regulatory capital requirement

Disclosure on capital adequacy under the Standardised and IRB approach

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 & multilateral development banks ("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**

4. Regulatory capital requirement (continued)

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

Group **31 December 2011** **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	1,796,287	1,616,216	1,597,503	127,800
Regulatory retail	1,544,827	1,082,875	821,359	65,709
Residential mortgages	15,695	15,695	5,667	453
Higher risk assets	7,943	7,943	11,914	953
Other assets	725,342	949,493	645,283	51,623
Defaulted exposures	39,398	26,028	50,474	4,038
Total on-balance sheet exposures	4,129,492	3,698,250	3,132,200	250,576
Off-balance sheet exposures:-				
OTC derivatives	29,579	29,579	28,414	2,273
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	909,498	715,905	630,174	50,414
Defaulted exposures	253	253	380	30
Total off-balance sheet exposures	939,330	745,737	658,968	52,717
Total on and off-balance sheet exposures	5,068,822	4,443,987	3,791,168	303,293
Exposures under the IRB approach				
On-balance sheet exposures:-				
Sovereigns/Central banks	7,972,949	7,976,762	468,865	37,509
Banks, development financial institutions & MDBs	4,356,017	5,035,034	478,706	38,296
Insurance companies, securities firms & fund managers	1,584	1,584	339	27
Corporates	7,587,584	6,904,754	4,730,459	378,437
Residential mortgages	12,186,822	12,186,822	2,211,983	176,959
Qualifying revolving retail exposures	1,603,359	1,603,359	1,079,836	86,387
Other retail	5,382,641	5,382,641	4,033,184	322,655
Defaulted exposures	693,441	693,441	1,008,535	80,683
Total on-balance sheet exposures	39,784,397	39,784,397	14,011,907	1,120,953
Off-balance sheet exposures:-				
OTC derivatives	5,023,401	5,023,401	1,345,930	107,674
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	10,564,494	10,564,494	2,954,321	236,346
Defaulted exposures	22,426	22,426	12,509	1,001
Total off-balance sheet exposures	15,610,321	15,610,321	4,312,760	345,021
Total on and off-balance sheet exposures	55,394,718	55,394,718	18,324,667	1,465,974
(b) Large exposures risk requirement			621	50
(c) Market risk (Standardised approach)	**Long position**	**Short position**		
Interest rate risk	38,939,104	32,139,018	1,385,907	110,873
Foreign currency risk	56,621,515	56,589,647	144,227	11,538
Options risk	2,658,314	5,090,413	269,364	21,549
(d) Operational risk (Standardised approach)			2,829,364	226,349
Total RWA and capital requirements			**26,745,318**	**2,139,626**

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
	Long position	**Short position**		
(c) Market risk (Standardised approach)				
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**

4. Regulatory capital requirement (continued)

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

Bank **31 December 2011** **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	1,690,043	1,509,972	1,491,260	119,301
Regulatory retail	1,488,123	1,026,362	778,973	62,318
Residential mortgages	15,687	15,687	5,664	453
Higher risk assets	7,943	7,943	11,914	953
Other assets	647,006	871,022	578,439	46,275
Defaulted exposures	39,183	25,813	50,152	4,012
Total on-balance sheet exposures	3,887,985	3,456,799	2,916,402	233,312
Off-balance sheet exposures:-				
OTC derivatives	29,579	29,579	28,414	2,273
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	902,545	708,951	623,716	49,897
Defaulted exposures	253	253	380	30
Total off-balance sheet exposures	932,377	738,783	652,510	52,200
Total on and off-balance sheet exposures	4,820,362	4,195,582	3,568,912	285,512
Exposures under the IRB approach				
On-balance sheet exposures:-				
Sovereigns/Central banks	5,102,436	5,106,249	325,869	26,070
Banks, development financial institutions & MDBs	5,073,555	5,752,572	592,312	47,385
Insurance companies, securities firms & fund managers	1,584	1,584	339	27
Corporates	7,973,085	7,290,255	4,744,711	379,577
Residential mortgages	11,823,720	11,823,720	2,126,249	170,100
Qualifying revolving retail exposures	1,603,359	1,603,359	1,079,836	86,387
Other retail	4,076,920	4,076,920	2,121,116	169,689
Defaulted exposures	627,360	627,360	855,204	68,416
Total on-balance sheet exposures	36,282,019	36,282,019	11,845,636	947,651
Off-balance sheet exposures:-				
OTC derivatives	5,015,839	5,015,839	1,314,494	105,160
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	10,167,565	10,167,565	2,800,377	224,030
Defaulted exposures	22,399	22,399	12,479	998
Total off-balance sheet exposures	15,205,803	15,205,803	4,127,350	330,188
Total on and off-balance sheet exposures	51,487,822	51,487,822	15,972,986	1,277,839
(b) Large exposures risk requirement			621	50
(c) Market risk (Standardised approach)	**Long position**	**Short position**		
Interest rate risk	38,939,104	32,139,018	1,385,907	110,873
Foreign currency risk	56,621,515	56,589,647	144,227	11,538
Options risk	2,658,314	5,090,413	269,364	21,549
(d) Operational risk (Standardised approach)			2,540,849	203,268
Total RWA and capital requirements			**23,882,866**	**1,910,629**

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 Bank adopts credit policies and standards issued by Standard Chartered PLC Group. Standard Chartered PLC Group-wide credit policies and standards are considered and approved by its Group 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 informed 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 Bank 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 Group Model Validation team with findings presented to the Group Model Assessment Committee ("GMAC"), which in turn makes recommendations to the Group WB Risk Committee and Group 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”), Risk Management Committee (“RMC”) and Board Risk Committee (“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.

5. Credit risk (continued)

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 Group Risk 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.

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 Group level.

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

Credit monitoring

The Bank 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.

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 informs 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.

5. Credit risk (continued)

Credit monitoring (continued)

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 Bank uses the IRB approach to manage credit risk for its portfolios. This allows the Bank 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 Bank'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 Bank 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 Bank'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).

Banks are allowed 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 Bank's credit risk-weighted assets.

(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.

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.

5. Credit risk (continued)

Credit monitoring (continued)

(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

Model governance

The IRB models used by the Bank 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's Group Analytics teams within the Consumer Banking and Wholesale Banking risk functions and Standard Chartered PLC's Group Risk. 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'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 BRC periodically review overall model performance. As part of local governance, models are reviewed by local MAC, RMC and BRC for endorsement and recomendation to the Board for approval.

5. Credit risk (continued)

Credit monitoring (continued)

(iv) Internal Ratings Based models (continued)

Model governance

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 Bank's MAC, RMC and 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.

PD model development

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 is 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.

5. Credit risk (continued)

Credit monitoring (continued)

(iv) Internal Ratings Based models (continued)

PD model development (continued)

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 reflect ratings made by established ECAIs, those agencies having access to large databases of defaults on a variety of credit obligations. These external ratings are customised to develop Standard Chartered PLC Group's own customer rating systems.

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.

LGD model development

Standard Chartered PLC Group develops LGD models by assessing unsecured 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 values 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.

Unsecured 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.

EAD model development

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.

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

Model use

In addition to supporting credit decisions, IRB models also support risk-based pricing methodologies and measures used to assess business performance such as Economic Capital, Economic Revenue and Economic Profit.

The models are governed by relevant policies and procedures.

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 data-set 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.

AIRB PD estimates are computed as of 1 January 2012 and are compared with default observations through 31 December 2012 for three exposure class. The actual default rates in corporate exposures are below the AIRB model predictions as at the beginning of 2012, reflecting the impact of the Group's and the Bank's prudent and proactive credit management during the challenging environment.

The predicted LGD is based on the model outputs as of 1 January 2012 compared with long run actual realisations of LGD including downturn periods, since 1995 and up to 2012. The calculation of realised LGD is affected by the fact that it takes a number of years for the workout process to complete. With the enhanced risk mitigation techniques and proactive Early Alert risk management actions becoming more prevalent in recent years, the future realised LGD% can reasonably be expected to be closer to the predicted LGD% for corporates.

EAD takes into consideration potential drawdown of 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 2012, 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.

Group

	Predicted PD %	Observed PD %	Predicted LGD %	Realised LGD %	Predicted EAD/ Realised EAD
IRB exposures					
Central governments or central banks	0.0%	0.0%	26.2%	0.0%	-
Institutions	0.1%	0.0%	27.3%	0.0%	-
Corporates	0.8%	0.6%	39.1%	51.5%	1.0

Bank

	Predicted PD %	Observed PD %	Predicted LGD %	Realised LGD %	Predicted EAD/ Realised EAD
IRB exposures					
Central governments or central banks	0.0%	0.0%	26.2%	0.0%	-
Institutions	0.1%	0.0%	27.2%	0.0%	-
Corporates	0.8%	0.6%	40.1%	51.5%	1.0

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 1 January 2012 and compared to the actual default observations over a one year period ended 31 December 2012. The observed default rate for all asset classes is lower than the predicted PD with the exception of Other Retail asset class, the latter comprises SME mortgages, residential properties under construction and personal term loan/financing. The higher observed default rate for Other Retail exposure asset class as compared to the predicted PD is attributed primarily to personal loans/financing exposures, for which a series of portfolio initiatives has been implemented to manage this exposure.

The realised LGD is calculated based on recoveries over a 24 month workout period and compared to 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	3.7%	2.0%	15.9%	14.2%	1.0
Qualifying revolving retail exposures	3.5%	2.9%	64.4%	53.1%	1.1
Other retail exposures	8.2%	11.9%	73.8%	66.1%	1.1

Bank

	Predicted PD %	Observed PD %	Predicted LGD %	Realised LGD %	Predicted EAD/ Realised EAD
IRB exposures					
Residential mortgages	3.7%	2.0%	15.8%	14.1%	1.0
Qualifying revolving retail exposures	3.5%	2.9%	64.4%	53.1%	1.1
Other retail exposures	7.5%	11.7%	63.1%	52.7%	1.1

5. Credit risk (continued)

Credit monitoring (continued)

(iv) Internal Ratings Based models (continued)

Actual losses

The table below shows net individual impairment charges as at 31 December 2011 versus net individual impairment charges raised during the 2012 financial year 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 as described in section 5 (vi) Problem credit management and provisioning.

Group

	31 December 2012 Net individual impairment charges RM'000	31 December 2011 Net individual impairment charges RM'000
Corporates	2,102	1,739
Residential Mortgages	48,747	62,263
Qualifying Revolving Retail Exposures	108,593	80,518
Other Retail	158,219	102,688
	317,661	**247,208**

Bank

	31 December 2012 Net individual impairment charges RM'000	31 December 2011 Net individual impairment charges RM'000
Corporates	2,102	1,739
Residential Mortgages	47,160	57,970
Qualifying Revolving Retail Exposures	108,593	80,518
Other Retail	91,084	54,625
	248,939	**194,852**

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 Bank's Debt Relief Program).

The Bank'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 Bank'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	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 Bank's internal data.

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

The Bank 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 and the Bank do not have over concentration of low credit quality assets. The Bank'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 – The Bank complies with BNM's "Guidelines on Classification and Impairment Provisions for Loans/Financing" which prescribes that banking institutions are required to maintain Collective Impairment Provisions ("CIP") of at least 1.5% of total outstanding loans, advances and financing, net of individual impairment provisions;

- 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

Consumer Banking

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 Bank 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. As a result, much of the provisioning is initially done at an account level for each product and a CIP is raised on a portfolio basis. 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 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).

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 Bank 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.

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 Bank'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 Bank 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 Bank 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.

Credit reserves

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 Bank 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 Bank's rating could result in counterparties seeking additional collateral calls to cover negative MTM portfolios where thresholds are lowered.

Wrong way risk

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 Bank, 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 Bank employs various policies and procedures to ensure that deterioration in credit grading is alerted to management.

5. Credit risk (continued)

Credit monitoring (continued)

(vii) Counterparty credit risk in the trading book (continued)

Exposure value calculation

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 Bank 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 and the Bank'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 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)

Group **31 December 2011**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
IRB exposures			
Sovereigns/Central banks	7,972,969	5,003	7,977,972
Banks, development financial institutions & MDBs	5,610,680	3,804,888	9,415,568
Insurance companies, securities firms & fund managers	87,171	53,318	140,489
Corporate exposures (excluding specialised lending and firm-size adjustment)	12,120,812	1,014,714	13,135,526
Corporate exposures (with firm-size adjustment)	480,161	-	480,161
Specialised lending	125,517	-	125,517
Retail exposures	24,119,485	-	24,119,485
Residential mortgages	*13,573,694*	-	*13,573,694*
Qualifying revolving retail exposures	*4,319,071*	-	*4,319,071*
Other retail exposures	*6,226,720*	-	*6,226,720*
Total IRB exposures	50,516,795	4,877,923	55,394,718
Standardised exposures			
Corporates	2,270,330	35,918	2,306,248
Regulatory retail	2,007,336	-	2,007,336
Residential mortgages	17,686	-	17,686
Higher risk assets	8,185	-	8,185
Other assets	729,367	-	729,367
Total Standardised exposures	5,032,904	35,918	5,068,822
Total credit risk exposures	**55,549,699**	**4,913,841**	**60,463,540**

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)

Geographical analysis (continued)

Bank **31 December 2011**	**Malaysia** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
IRB exposures			
Sovereigns/Central banks	5,102,456	5,003	5,107,459
Banks, development financial institutions & MDBs	6,468,436	3,685,541	10,153,977
Insurance companies, securities firms & fund managers	86,673	53,318	139,991
Corporate exposures (excluding specialised lending and firm-size adjustment)	12,212,308	1,004,375	13,216,683
Corporate exposures (with firm-size adjustment)	402,849	-	402,849
Specialised lending	123,899	-	123,899
Retail exposures	22,342,964	-	22,342,964
Residential mortgages	*13,190,500*	-	*13,190,500*
Qualifying revolving retail exposures	*4,319,071*	-	*4,319,071*
Other retail exposures	*4,833,393*	-	*4,833,393*
Total IRB exposures	46,739,585	4,748,237	51,487,822
Standardised exposures			
Corporates	2,159,120	35,918	2,195,038
Regulatory retail	1,948,430	-	1,948,430
Residential mortgages	17,678	-	17,678
Higher risk assets	8,185	-	8,185
Other assets	651,031	-	651,031
Total Standardised exposures	4,784,444	35,918	4,820,362
Total credit risk exposures	**51,524,029**	**4,784,155**	**56,308,184**

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 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**

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

5. Credit risk (continued)

5.1 Exposure values (continued)

Sector or economic purpose analysis (continued)

Group 31 December 2011	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	-	-	-	-	-	-	-	7,977,972	-	-	-	7,977,972
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	9,415,568	-	-	-	9,415,568
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	140,489	-	-	-	140,489
Corporate exposures (excluding specialised lending and firm-size adjustment)	338,481	810,047	4,429,336	421,445	1,685,389	1,355,070	1,196,385	2,180,114	589,038	-	130,221	13,135,526
Corporate exposures (with firm-size adjustment)	-	41,675	74,936	-	41,175	6,218	30,345	22,501	-	-	263,311	480,161
Specialised lending	-	-	2,416	14,365	-	-	-	-	108,736	-	-	125,517
Retail exposures	1,997	-	9,798	360	16,492	53,453	6,249	10,016	5,535	20,919,496	3,096,089	24,119,485
Residential mortgages	-	-	-	-	-	-	-	-	-	*13,573,694*	-	*13,573,694*
Qualifying revolving retail exposures	-	-	-	-	-	-	-	-	-	*4,319,071*	-	*4,319,071*
Other retail exposures	*1,997*	-	*9,798*	*360*	*16,492*	*53,453*	*6,249*	*10,016*	*5,535*	*3,026,731*	*3,096,089*	*6,226,720*
Total IRB exposures	340,478	851,722	4,516,486	436,170	1,743,056	1,414,741	1,232,979	19,746,660	703,309	20,919,496	3,489,621	55,394,718
Standardised exposures												
Corporates	65,862	21,025	629,085	4,091	111,771	782,088	41,541	83,415	150,051	-	417,319	2,306,248
Regulatory retail	5,197	5,549	408,228	3,857	93,484	723,199	40,403	84,466	6,942	245,682	390,329	2,007,336
Residential mortgages	-	-	-	-	-	-	-	-	-	17,686	-	17,686
Higher risk assets	-	-	-	-	-	-	-	-	-	516	7,669	8,185
Other assets	-	-	-	-	-	-	-	-	-	-	729,367	729,367
Total Standardised exposures	71,059	26,574	1,037,313	7,948	205,255	1,505,287	81,944	167,881	156,993	263,884	1,544,684	5,068,822
Total credit risk exposures	**411,537**	**878,296**	**5,553,799**	**444,118**	**1,948,311**	**2,920,028**	**1,314,923**	**19,914,541**	**860,302**	**21,183,380**	**5,034,305**	**60,463,540**

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**

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

5. Credit risk (continued)

5.1 Exposure values (continued)

Sector or economic purpose analysis (continued)

Bank **31 December 2011**	**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	-	-	-	-	-	-	-	5,107,459	-	-	-	5,107,459
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	10,153,977	-	-	-	10,153,977
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	139,991	-	-	-	139,991
Corporate exposures (excluding specialised lending and firm-size adjustment)	389,537	807,069	4,365,444	421,445	1,674,769	1,469,209	1,162,057	2,255,723	536,331	-	135,099	13,216,683
Corporate exposures (with firm-size adjustment)	-	64	58,857	-	36,173	3,759	26,366	14,319	-	-	263,311	402,849
Specialised lending	-	-	2,416	14,365	-	-	-	-	107,118	-	-	123,899
Retail exposures	1,997	-	9,798	360	16,492	52,085	5,916	10,016	5,535	19,203,002	3,037,763	22,342,964
Residential mortgages	-	-	-	-	-	-	-	-	-	*13,190,500*	-	*13,190,500*
Qualifying revolving retail exposures	-	-	-	-	-	-	-	-	-	*4,319,071*	-	*4,319,071*
Other retail exposures	*1,997*	-	*9,798*	*360*	*16,492*	*52,085*	*5,916*	*10,016*	*5,535*	*1,693,431*	*3,037,763*	*4,833,393*
Total IRB exposures	391,534	807,133	4,436,515	436,170	1,727,434	1,525,053	1,194,339	17,681,485	648,984	19,203,002	3,436,173	51,487,822
Standardised exposures												
Corporates	64,549	21,025	596,160	4,091	101,276	767,350	37,995	83,415	123,719	-	395,458	2,195,038
Regulatory retail	5,197	5,549	375,859	1,565	91,355	713,323	38,431	76,062	6,942	244,646	389,501	1,948,430
Residential mortgages	-	-	-	-	-	-	-	-	-	17,678	-	17,678
Higher risk assets	-	-	-	-	-	-	-	-	-	516	7,669	8,185
Other assets	-	-	-	-	-	-	-	-	-	-	651,031	651,031
Total Standardised exposures	69,746	26,574	972,019	5,656	192,631	1,480,673	76,426	159,477	130,661	262,840	1,443,659	4,820,362
Total credit risk exposures	**461,280**	**833,707**	**5,408,534**	**441,826**	**1,920,065**	**3,005,726**	**1,270,765**	**17,840,962**	**779,645**	**19,465,842**	**4,879,832**	**56,308,184**

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

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 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
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 RM18,649,766,000. Of this amount, 64% are collateralized.

5. Credit risk (continued)

5.1 Exposure values (continued)

Residual contractual maturity analysis (continued)

Group **31 December 2011**	**Up to 1 year** **RM'000**	**> 1 - 5 years** **RM'000**	**Over 5 years** **RM'000**	**Total** **RM'000**
IRB exposures				
Sovereigns/Central banks	6,949,792	829,614	198,566	7,977,972
Banks, development financial institutions & MDBs	5,149,009	2,703,057	1,563,502	9,415,568
Insurance companies, securities firms & fund managers	114,919	3,264	22,306	140,489
Corporate exposures (excluding specialised lending and firm-size adjustment)	8,716,907	3,676,508	742,111	13,135,526
Corporate exposures (with firm-size adjustment)	245,143	32,343	202,675	480,161
Specialised lending	110,117	15,400	-	125,517
Retail exposures	1,628,246	6,951,444	15,539,795	24,119,485
Residential mortgages	*470,116*	*382,788*	*12,720,790*	*13,573,694*
Qualifying revolving retail exposures	*627,533*	*3,646,967*	*44,571*	*4,319,071*
Other retail exposures	*530,597*	*2,921,689*	*2,774,434*	*6,226,720*
Total IRB exposures	22,914,133	14,211,630	18,268,955	55,394,718
Standardised exposures				
Corporates	1,494,103	242,765	569,380	2,306,248
Regulatory retail	922,843	608,930	475,563	2,007,336
Residential mortgages	115	1,653	15,918	17,686
Higher risk assets	7,603	105	477	8,185
Other assets	440,579	66,343	222,445	729,367
Total Standardised exposures	2,865,243	919,796	1,283,783	5,068,822
Total credit risk exposures	**25,779,376**	**15,131,426**	**19,552,738**	**60,463,540**

Note: The above table shows that exposures with residual contractual maturity more than 5 years amounted to RM19,552,738,000. Of this amount, 61% are collateralized.

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

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 RM17,719,537,000. Of this amount, 65% are collateralized.

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

5. Credit risk (continued)

5.1 Exposure values (continued)

Residual contractual maturity analysis (continued)

Bank **31 December 2011**	**Up to 1 year** **RM'000**	**> 1 - 5 years** **RM'000**	**Over 5 years** **RM'000**	**Total** **RM'000**
IRB exposures				
Sovereigns/Central banks	4,103,279	805,614	198,566	5,107,459
Banks, development financial institutions & MDBs	5,867,892	2,722,294	1,563,791	10,153,977
Insurance companies, securities firms & fund managers	114,892	3,082	22,017	139,991
Corporate exposures (excluding specialised lending and firm-size adjustment)	9,250,897	3,298,797	666,989	13,216,683
Corporate exposures (with firm-size adjustment)	179,014	21,160	202,675	402,849
Specialised lending	109,262	14,637	-	123,899
Retail exposures	1,557,202	5,704,568	15,081,194	22,342,964
Residential mortgages	*458,300*	*377,974*	*12,354,226*	*13,190,500*
Qualifying revolving retail exposures	*627,533*	*3,646,967*	*44,571*	*4,319,071*
Other retail exposures	*471,369*	*1,679,627*	*2,682,397*	*4,833,393*
Total IRB exposures	21,182,438	12,570,152	17,735,232	51,487,822
Standardised exposures				
Corporates	1,488,874	188,640	517,524	2,195,038
Regulatory retail	919,994	558,612	469,824	1,948,430
Residential mortgages	107	1,653	15,918	17,678
Higher risk assets	7,603	105	477	8,185
Other assets	362,243	66,343	222,445	651,031
Total Standardised exposures	2,778,821	815,353	1,226,188	4,820,362
Total credit risk exposures	**23,961,259**	**13,385,505**	**18,961,420**	**56,308,184**

Note: The above table shows that exposures with residual contractual maturity more than 5 years amounted to RM18,961,420,000. Of this amount, 61% 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 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)

Group 31 December 2011	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	7,972,949	-	-	-
Banks, development financial institutions & MDBs	4,355,687	1	-	-
Insurance companies, securities firms & fund managers	1,584	346	-	-
Corporates	9,169,859	771,475	251,239	815,409
Regulatory retail	8,530,827	215,094	247,634	-
Residential mortgages	12,202,517	-	-	11,644,289
Higher risk assets	7,943	-	-	-
Other assets	725,672	-	-	-
Specialised financing/investment	214,012	-	-	-
Defaulted exposures	732,839	-	13,371	296,112
Total on-balance sheet exposures	43,913,889	986,916	512,244	12,755,810
Off-balance sheet exposures				
OTC derivatives	5,052,980	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	11,473,992	30,557	515,271	324,643
Defaulted exposures	22,679	-	-	2,336
Total off-balance sheet exposures	16,549,651	30,557	515,271	326,979
Total on and off-balance sheet exposures	**60,463,540**	**1,017,473**	**1,027,515**	**13,082,789**

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	-	-	-
Public sector entities	-	-	-	-
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)

5.2 Credit risk mitigation (continued)

Bank **31 December 2011**	**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	5,102,436	-	-	-
Public sector entities	-	-	-	-
Banks, development financial institutions & MDBs	5,073,555	1	-	-
Insurance companies, securities firms & fund managers	1,584	346	-	-
Corporates	9,556,550	747,475	224,848	838,156
Regulatory retail	7,168,402	214,959	247,578	-
Residential mortgages	11,839,407	-	-	11,285,810
Higher risk assets	7,943	-	-	-
Other assets	647,006	-	-	-
Specialised financing/investment	106,578	-	-	-
Defaulted exposures	666,543	-	13,371	289,186
Total on-balance sheet exposures	40,170,004	962,781	485,797	12,413,152
Off-balance sheet exposures				
OTC derivatives	5,045,418	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	11,070,110	30,557	513,463	312,555
Defaulted exposures	22,652	-	-	2,309
Total off-balance sheet exposures	16,138,180	30,557	513,463	314,864
Total on and off-balance sheet exposures	**56,308,184**	**993,338**	**999,260**	**12,728,016**

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

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 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%

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 2011**	**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	7,972,949	-	-	-	-	-	-
Bank	1,498,518	2,498,003	246,311	111,488	1,697	-	-
Corporate	730,604	1,318,316	2,382,216	2,822,655	300,442	34,935	98,342
Total on-balance sheet exposures	10,202,071	3,816,319	2,628,527	2,934,143	302,139	34,935	98,342
Undrawn commitments							
Sovereign	5,000	-	-	-	-	-	-
Bank	23,230	72,396	2,300	4,000	-	-	-
Corporate	24,001	146,928	117,456	147,431	2,956	5,000	-
Total undrawn commitments	52,231	219,324	119,756	151,431	2,956	5,000	-
Derivatives							
Sovereign	3	-	-	-	-	-	-
Bank	1,615,996	2,351,011	156,942	6,586	-	-	-
Corporate	10,713	319,994	297,572	264,250	97	237	-
Total derivatives	1,626,712	2,671,005	454,514	270,836	97	237	-
Contingent							
Sovereign	20	-	-	-	-	-	-
Bank	385,412	340,921	53,747	26,972	19,337	701	-
Corporate	139,097	1,133,722	1,601,684	1,868,630	83,427	19,909	11,079
Total contingent	524,529	1,474,643	1,655,431	1,895,602	102,764	20,610	11,079
Exposure weighted average LGD (%)							
Sovereign	26.33%	-	-	-	-	-	-
Bank	26.18%	26.39%	30.84%	39.86%	41.20%	41.20%	-
Corporate	32.18%	33.99%	40.99%	36.11%	38.61%	35.74%	58.22%
Exposure weighted average risk weight (%)							
Sovereign	5.88%	-	-	-	-	-	-
Bank	9.10%	12.65%	34.28%	69.83%	116.90%	183.77%	-
Corporate	6.70%	20.23%	48.27%	71.26%	112.92%	196.94%	18.29%

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%

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

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 2011**	**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	5,102,436	-	-	-	-	-	-
Bank	1,379,171	3,334,888	246,311	111,488	1,697	-	-
Corporate	730,604	1,488,460	2,552,428	2,929,323	238,919	34,935	98,342
Total on-balance sheet exposures	7,212,211	4,823,348	2,798,739	3,040,811	240,616	34,935	98,342
Undrawn commitments							
Sovereign	5,000	-	-	-	-	-	-
Bank	23,230	75,396	2,300	4,000	-	-	-
Corporate	24,001	123,926	90,796	140,575	2,831	5,000	-
Total undrawn commitments	52,231	199,322	93,096	144,575	2,831	5,000	-
Derivatives							
Sovereign	3	-	-	-	-	-	-
Bank	1,615,996	2,372,214	156,942	3,254	-	-	-
Corporate	10,713	319,994	297,572	238,817	97	237	-
Total derivatives	1,626,712	2,692,208	454,514	242,071	97	237	-
Contingent							
Sovereign	20	-	-	-	-	-	-
Bank	385,412	340,921	53,747	26,972	19,337	701	-
Corporate	139,097	1,133,722	1,576,413	1,592,205	83,427	19,909	11,079
Total contingent	524,529	1,474,643	1,630,160	1,619,177	102,764	20,610	11,079
Exposure weighted average LGD (%)							
Sovereign	26.20%	-	-	-	-	-	-
Bank	26.18%	26.24%	30.84%	40.17%	41.20%	41.20%	-
Corporate	32.18%	43.20%	42.39%	36.57%	43.52%	35.74%	58.22%
Exposure weighted average risk weight (%)							
Sovereign	6.38%	-	-	-	-	-	-
Bank	9.26%	12.91%	34.28%	70.29%	116.90%	183.77%	-
Corporate	6.73%	18.22%	48.15%	70.29%	124.07%	196.94%	18.29%

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

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 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)

Group **31 December 2011**	**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	183,990	2,554,200	1,245,344	6,681,032	894,269	627,987	359,345
Qualifying revolving retail	47,933	160,780	63,011	615,642	452,791	263,202	87,182
Other retail	729,010	394,931	330,205	2,108,336	1,305,437	514,722	148,572
Total on-balance sheet exposures	960,933	3,109,911	1,638,560	9,405,010	2,652,497	1,405,911	595,099
Undrawn commitments							
Residential mortgage	540	76,587	90,828	786,052	37,568	28,834	7,118
Qualifying revolving retail	459,301	469,088	216,380	1,061,290	331,921	90,550	-
Other retail	14,042	33,230	11,832	559,783	55,734	16,657	4,229
Total undrawn commitments	473,883	578,905	319,040	2,407,125	425,223	136,041	11,347
Exposure weighted average LGD (%)							
Residential mortgage	12.37%	12.70%	13.02%	13.19%	13.14%	13.54%	16.29%
Qualifying revolving retail	67.07%	67.07%	67.07%	67.07%	67.07%	67.07%	60.33%
Other retail	20.75%	28.34%	30.15%	47.40%	82.24%	81.84%	70.21%
Exposure weighted average risk weight (%)							
Residential mortgage	2.99%	5.56%	8.51%	17.14%	44.10%	70.48%	97.98%
Qualifying revolving retail	3.74%	7.23%	12.55%	30.28%	83.50%	175.20%	311.56%
Other retail	3.79%	13.66%	18.99%	57.14%	128.08%	176.12%	242.38%

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

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%

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

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 2011**	**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	183,945	2,525,664	1,222,790	6,430,583	856,817	603,921	351,779
Qualifying revolving retail	47,933	160,780	63,011	615,642	452,791	263,202	87,182
Other retail	717,209	387,234	323,246	1,714,923	649,520	284,788	90,057
Total on-balance sheet exposures	949,087	3,073,678	1,609,047	8,761,148	1,959,128	1,151,911	529,018
Undrawn commitments							
Residential mortgage	540	76,587	90,828	774,300	37,230	28,425	7,091
Qualifying revolving retail	459,301	469,088	216,380	1,061,290	331,921	90,550	-
Other retail	14,033	33,230	11,832	541,307	46,234	15,551	4,229
Total undrawn commitments	473,874	578,905	319,040	2,376,897	415,385	134,526	11,320
Exposure weighted average LGD (%)							
Residential mortgage	12.37%	12.71%	13.03%	13.21%	13.16%	13.54%	16.20%
Qualifying revolving retail	67.07%	67.07%	67.07%	67.07%	67.07%	67.07%	60.33%
Other retail	20.74%	28.47%	30.25%	39.75%	71.02%	72.32%	61.85%
Exposure weighted average risk weight (%)							
Residential mortgage	2.99%	5.55%	8.52%	17.04%	44.07%	70.54%	97.65%
Qualifying revolving retail	3.74%	7.23%	12.55%	30.28%	83.50%	175.20%	311.56%
Other retail	3.80%	13.71%	19.05%	45.75%	110.62%	154.44%	239.30%

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

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 2012	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	7,338,514	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%	-
31 December 2011							
Retail exposures (EAD)							
On balance sheet exposures							
Residential mortgage	7,314,179	2,059,772	1,523,031	473,854	1,175,331	-	-
Qualifying revolving retail	89,296	119,417	233,959	186,139	949,897	111,833	-
Other retail	1,372,725	887,728	413,577	193,061	2,445,344	218,778	-
Total on-balance sheet exposures	8,776,200	3,066,917	2,170,567	853,054	4,570,572	330,611	-
Undrawn commitments							
Residential mortgage	305,214	248,860	400,021	23,368	50,064	-	-
Qualifying revolving retail	600,212	328,177	633,874	373,973	688,298	3,996	-
Other retail	47,132	24,354	505,624	15,222	98,994	4,181	-
Total undrawn commitments	952,558	601,391	1,539,519	412,563	837,356	8,177	-
Exposure weighted average risk weight (%)							
Residential mortgage	8.75%	18.42%	28.04%	44.04%	75.70%	-	-
Qualifying revolving retail	4.16%	8.02%	16.00%	26.60%	90.23%	279.37%	-
Other retail	8.34%	19.15%	37.66%	59.63%	135.84%	227.04%	-

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 2012**	**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	7,209,589	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%	-
31 December 2011							
Retail exposures (EAD)							
On balance sheet exposures							
Residential mortgage	7,180,251	1,976,279	1,431,113	448,817	1,139,039	-	-
Qualifying revolving retail	89,296	119,417	233,959	186,139	949,897	111,833	-
Other retail	1,346,268	873,111	410,943	174,779	1,251,646	110,230	-
Total on-balance sheet exposures	8,615,815	2,968,807	2,076,015	809,735	3,340,582	222,063	-
Undrawn commitments							
Residential mortgage	304,560	248,261	389,510	23,300	49,370	-	-
Qualifying revolving retail	600,212	328,177	633,874	373,973	688,298	3,996	-
Other retail	47,123	24,343	493,539	14,978	82,559	3,874	-
Total undrawn commitments	951,895	600,781	1,516,923	412,251	820,227	7,870	-
Exposure weighted average risk weight (%)							
Residential mortgage	8.73%	18.40%	28.02%	43.98%	75.69%	-	-
Qualifying revolving retail	4.16%	8.02%	16.00%	26.60%	90.23%	279.37%	-
Other retail	8.33%	19.16%	37.70%	56.75%	124.07%	217.80%	-

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 2012**	**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	-	111,416	6,197	-	-
- Risk Weighted Assets		100,274	7,127	-	-
31 December 2011					
Income producing real estate					
- Total Exposures	-	51,087	57,650	-	-
- Risk Weighted Assets	-	45,978	66,297	-	-

Bank **31 December 2012**	**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	-	110,973	57,374	-	-
- Risk Weighted Assets		99,876	65,980	-	-
31 December 2011					
Income producing real estate					
- Total Exposures	-	50,036	57,082	-	-
- Risk Weighted Assets	-	45,032	65,644	-	-

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 December 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	-	-	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 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	-	-	-	-	-	-	

31 December 2011	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	-	-	156,337	156,397	-
20%	-	716	-	-	187,706	188,422	37,684
35%	-	339	15,270	-	-	15,609	5,463
50%	37,985	584	119	-	-	38,688	19,344
75%	-	1,390,158	576	-	-	1,390,734	1,043,051
100%	1,975,924	43,226	676	-	607,817	2,627,643	2,627,643
150%	741	14,864	1,046	8,185	-	24,836	37,254
1250%	-	-	-	-	1,658	1,658	20,729
Total exposures	2,014,650	1,449,947	17,687	8,185	953,518	4,443,987	3,791,168
Risk-weighted assets by exposures	1,996,028	1,108,694	8,081	12,277	666,088	3,791,168	
Average risk weight	99.1%	76.5%	45.7%	150.0%	69.9%	85.3%	
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 December 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	-	-	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	-	-	-	-	-	-	

31 December 2011	← 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	-	-	144,710	144,770	-
20%	-	716	-	-	187,706	188,422	37,684
35%	-	339	15,262	-	-	15,601	5,460
50%	37,985	584	119	-	-	38,688	19,344
75%	-	1,331,658	576	-	-	1,332,234	999,176
100%	1,864,713	43,226	676	-	540,973	2,449,588	2,449,588
150%	741	14,649	1,046	8,185	-	24,621	36,931
1250%	-	-	-	-	1,658	1,658	20,729
Total exposures	1,903,439	1,391,232	17,679	8,185	875,047	4,195,582	3,568,912
Risk-weighted assets by exposures	1,884,817	1,064,497	8,078	12,277	599,243	3,568,912	
Average risk weight	99.0%	76.5%	45.7%	150.0%	68.5%	85.1%	
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 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	21,999	87,306	48,747	(68,501)	67,552
Others	153,513	14,585	130,110	(123,083)	21,612
Small and medium enterprises and others	14,304	41,106	46,089	(60,240)	26,955
Consumer Banking	**189,816**	**142,997**	**224,946**	**(251,824)**	**116,119**
Agriculture	541	14,360	-	(488)	13,872
Mining and quarrying	848	-	-	-	-
Manufacturing	15,141	15,409	884	(3,589)	12,704
Electricity, gas and water	27	-	-	-	-
Construction	3,898	60,733	1,218	(1,312)	60,639
Real estate	1,611	-	-	-	-
Wholesale & retail trade and restaurants & hotels	1,586	16,163	-	(913)	15,250
Transportation, storage and communication	410	-	-	-	-
Finance, insurance and business services	4,956	-	-	-	-
Household	176	-	-	-	-
Others	186	-	-	-	-
Wholesale Banking	**29,380**	**106,665**	**2,102**	**(6,302)**	**102,465**

5.5 Problem credit management and provisioning (continued)

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

Group **31 December 2011**	**Collective impairment provisions as at 31 December 2011 RM'000**	**Individual impairment provisions held as at 1 January 2011 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 2011 RM'000**
Loans to individuals					
Mortgages	22,254	99,725	61,152	(73,571)	87,306
Others	170,025	15,151	94,653	(95,219)	14,585
Small and medium enterprises and others	9,663	37,771	40,055	(36,720)	41,106
Consumer Banking	**201,942**	**152,647**	**195,860**	**(205,510)**	**142,997**
Agriculture	491	13,981	-	379	14,360
Mining and quarrying	1,068	-	-	-	-
Manufacturing	10,653	16,190	-	(781)	15,409
Electricity, gas and water	1,019	-	-	-	-
Construction	1,129	60,614	608	(489)	60,733
Real estate	2,037	-	-	-	-
Wholesale & retail trade and restaurants & hotels	2,327	25,113	-	(8,950)	16,163
Transportation, storage and communication	1,437	-	-	-	-
Finance, insurance and business services	6,898	-	-	-	-
Others	188	-	-	-	-
Wholesale Banking	**27,247**	**115,898**	**608**	**(9,841)**	**106,665**

Standard Chartered Bank Malaysia Berhad
and its subsidiaries
Pillar 3 Disclosures

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	20,332	85,215	47,160	(65,216)	67,159
Others	80,209	14,246	62,984	(58,149)	19,081
Small and medium enterprises and others	11,693	41,027	44,700	(59,222)	26,505
Consumer Banking	**112,234**	**140,488**	**154,844**	**(182,587)**	**112,745**
Agriculture	508	14,360	-	(488)	13,872
Mining and quarrying	819	-	-		-
Manufacturing	14,861	15,409	884	(3,589)	12,704
Electricity, gas and water	27	-	-		-
Construction	3,893	60,733	1,218	(1,312)	60,639
Real estate	1,523	-	-		-
Wholesale & retail trade and restaurants & hotels	1,482	16,163	-	(913)	15,250
Transportation, storage and communication	226	-	-		-
Finance, insurance and business services	4,887	-	-	-	-
Household	176	-	-	-	-
Others	163	-	-	-	-
Wholesale Banking	**28,565**	**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 2011**	**Collective impairment provisions as at 31 December 2011** **RM'000**	**Individual impairment provisions held as at 1 January 2011** **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 2011** **RM'000**
Loans to individuals					
Mortgages	21,421	98,440	56,859	(70,084)	85,215
Others	99,583	14,810	46,590	(47,154)	14,246
Small and medium enterprises and others	9,178	37,692	40,055	(36,720)	41,027
Consumer Banking	**130,182**	**150,942**	**143,504**	**(153,958)**	**140,488**
Agriculture	161	13,981	-	379	14,360
Mining and quarrying	805	-	-	-	-
Manufacturing	9,739	16,190	-	(781)	15,409
Electricity, gas and water	1,019	-	-	-	-
Construction	1,090	60,614	608	(489)	60,733
Real estate	1,501	-	-	-	-
Wholesale & retail trade and restaurants & hotels	1,903	25,113	-	(8,950)	16,163
Transportation, storage and communication	897	-	-	-	-
Finance, insurance and business services	6,642	-	-	-	-
Others	135	-	-	-	-
Wholesale Banking	**23,892**	**115,898**	**608**	**(9,841)**	**106,665**

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 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Loans to individuals				
Mortgages	1,023,254	1,157,079	826,903	996,268
Others	675,850	541,376	546,162	466,135
Small and medium enterprises and others	346,921	219,959	280,350	189,389
Consumer Banking	2,046,025	1,918,414	1,653,415	1,651,792
Manufacturing	2,375	333	2,375	333
Wholesale Banking	2,375	333	2,375	333

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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Malaysia	2,048,400	1,918,747	1,655,790	1,652,125
Others	-	-	-	-
	2,048,400	1,918,747	1,655,790	1,652,125

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 2012			
Gross impaired loans, advances and financing	424,774	166	424,940
Individual impairment provisions	218,418	166	218,584
Collective impairment provisions	216,704	2,492	219,196
31 December 2011			
Gross impaired loans, advances and financing	374,337	376	374,713
Individual impairment provisions	249,286	376	249,662
Collective impairment provisions	227,846	1,343	229,189

Bank			
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	138,307	2,492	140,799
31 December 2011			
Gross impaired loans, advances and financing	355,827	376	356,203
Individual impairment provisions	246,777	376	247,153
Collective impairment provisions	152,731	1,343	154,074

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 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
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	-	-	-	-
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**
Total return swap			
- protection bought	-	-	-
- protection sold	-	-	-
Credit link notes			
- protection sold	91,755	8,250	1,079
	91,755	8,250	1,079

5. Credit risk (continued)

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

Group **31 December 2011**	**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	1,572,066	-	-	1,571,843	368,874
Transaction related contingent items	3,856,878	-	-	3,767,555	979,562
Short term self liquidating trade related contingencies	569,530	-	-	533,569	147,009
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	-	-	-	-
Foreign exchange related contracts					
One year or less	36,482,252	387,355	407,698	864,502	282,170
Over one year to five years	10,521,067	254,691	282,762	967,150	234,862
Over five years	4,524,575	451,601	126,704	905,182	186,124
Interest/profit rate related contracts					
One year or less	24,073,149	65,241	61,854	97,368	27,378
Over one year to five years	44,178,303	384,051	322,627	1,279,154	318,725
Over five years	6,916,565	305,923	515,246	714,688	210,047
Equity related contracts					
One year or less	55,339	282	282	3,822	1,950
Over one year to five years	436,140	8,991	8,991	37,324	20,754
Over five years	-	-	-	-	-
Commodity contracts					
One year or less	1,066,520	18,127	18,127	62,105	6,518
Over one year to five years	702,428	30,428	30,428	108,610	82,630
Credit derivative contracts *					
One year or less	147,036	963	5,079	8,315	2,429
Over one year to five years	95,198	-	4,398	4,760	757
Other commitments, such as formal facilities and credit lines, with an original maturity of over one year	4,588,160	-	-	1,685,064	801,041
Other commitments, such as formal facilities and credit lines, with an original maturity of up to one year	3,498,097	-	-	1,197,787	399,961
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	9,209,024	-	-	2,740,853	900,937
	152,492,327	1,907,653	1,784,196	16,549,651	4,971,728

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**
Total return swaps			
- protection bought	49,812	3,296	154
- protection sold	97,224	5,019	2,275
Credit link notes			
- protection bought	-	-	-
- protection sold	95,198	4,760	757
	242,234	13,075	3,186

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
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	-	-	-	-
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
Over five years	-	-	-	-	-
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**
Total return swap			
- protection bought	-	-	-
- protection sold	-	-	-
Credit default swap			
- protection sold	91,755	8,250	1,079
	91,755	8,250	1,079

5. Credit risk (continued)

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

Bank **31 December 2011**	**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	1,565,668	-	-	1,565,598	365,123
Transaction related contingent items	3,809,788	-	-	3,723,453	967,735
Short term self liquidating trade related contingencies	318,657	-	-	283,929	71,343
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	-	-	-	-
Foreign exchange related contracts					
One year or less	36,488,734	387,445	407,796	864,639	279,770
Over one year to five years	10,521,067	254,691	282,762	967,150	234,862
Over five years	4,524,575	451,601	126,704	905,182	186,124
Interest rate related contracts					
One year or less	24,073,149	65,241	61,854	97,368	27,378
Over one year to five years	44,378,303	384,051	323,300	1,281,154	289,795
Over five years	6,916,565	305,923	515,246	704,989	209,939
Equity related contracts					
One year or less	55,339	282	282	3,822	1,950
Over one year to five years	436,140	8,991	8,991	37,324	20,754
Over five years	-	-	-	-	-
Commodity contracts					
One year or less	1,066,520	18,128	18,128	62,105	6,518
Over one year to five years	702,428	30,428	30,428	108,610	82,630
Over five years	-	-	-	-	-
Credit derivative contracts *					
One year or less	147,036	963	5,079	8,315	2,429
Over one year to five years	95,198	-	4,398	4,760	757
derivative contracts subject to valid	-	-	-	-	-
Other commitments, such as formal facilities and credit lines, with an original maturity of over one year	4,290,377	-	-	1,657,865	773,473
Other commitments, such as formal facilities and credit lines, with an original maturity of up to one year	2,621,262	-	-	1,121,064	358,343
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	9,209,024	-	-	2,740,853	900,937
	151,219,830	1,907,744	1,784,968	16,138,180	4,779,860

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**
Total return swaps			
- protection bought	49,812	3,296	154
- protection sold	97,224	5,019	2,275
Credit link notes			
- protection bought	-	-	-
- protection sold	95,198	4,760	757
	242,234	13,075	3,186

6. Market risk

The Bank 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 Bank 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 Bank has adopted the Standardised approach for market risk.

Market risk governance

The Board approves the Bank'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 2012.

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 Bank. Limits by portfolios are proposed by the businesses within the terms of agreed policy.

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 Bank 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 Bank applies two VaR methodologies:-
- Historic simulation: involves the revaluation of all unmatured contracts 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.
- Monte Carlo simulation: this methodology is similar to historic 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 applied for credit spread VaR.

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 Bank'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. Back testing is conducted daily against clean profit and loss, which is the actual profit and loss for a given business day adjusted to remove the effect of certain items unrelated to market risk. Back testing is also conducted against clean hypothetical profit and loss which is the clean profit and loss that would have occurred for a given business day if the portfolio on which the VaR number for that business day is based remained unchanged.

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 quarterly 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.

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. 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.

Regular stress test scenarios are applied to interest rates, credit spreads and exchange rates. This covers all major asset classes in the non-trading 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 Standard Chartered PLC Group's Internal Audit on an ongoing basis. It is the Bank'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 MFRS.

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 ensure 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 Bank'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 non-trading book exposures in the same way as for the trading book, including listed 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 Bank's VaR.

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

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

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

31 December 2011

	← 2011	→		Actual as at 31 December 2011
	Average RM'000	**High RM'000**	**Low RM'000**	**RM'000**
Trading				
Interest rate risk	3,784	5,558	2,001	3,157
Foreign exchange risk	1,315	8,673	125	627
Non-trading				
Interest rate risk	1,553	2,494	1,126	1,935

6. Market risk (continued)

The table below details 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 various currencies where relevant:-

Group	**Impact on positions as at reporting period (200 basis points) parallel shift**	
31 December 2012	**Increase/(Decline) in earnings at risk**	**Increase/(Decline) in economic value**
Type of Currency	**RM'000**	**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)

Group	**Impact on positions as at reporting period (200 basis points) parallel shift**	
31 December 2011	**Increase/(decline) in earnings at risk**	**Increase/(decline) in economic value**
Type of Currency	**RM'000**	**RM'000**
Ringgit Malaysia	146,742	(85,445)
US Dollar	(47,335)	(61,506)
Euro	1,648	(5)
Pound Sterling	(749)	481
Japanese Yen	1,262	(37)

Bank	**Impact on positions as at reporting period (200 basis points) parallel shift**	
31 December 2012	**Increase/(decline) in earnings at risk**	**Increase/(decline) in economic value**
Type of Currency	**RM'000**	**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)

Bank	**Impact on positions as at reporting period (200 basis points) parallel shift**	
31 December 2011	**Increase/(decline) in earnings at risk**	**Increase/(decline) in economic value**
Type of Currency	**RM'000**	**RM'000**
Ringgit Malaysia	160,058	(11,351)
US Dollar	(49,651)	(61,012)
Euro	2,047	(16)
Pound Sterling	(1,233)	494
Japanese Yen	1,389	(41)

7. Equity exposures in banking book

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

Group and Bank	31 December 2012 Gross exposures RM'000	31 December 2012 Risk weighted assets RM'000	31 December 2011 Gross exposures RM'000	31 December 2011 Risk weighted assets RM'000
Privately Held				
For socio-economic purposes	9,098	9,098	9,098	9,098
For non socio-economic purposes	568	852	562	843
	9,666	9,950	9,660	9,941

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.

Objective

Operational risk exposures arise as a result of business activities. It is the Bank'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 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.

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. Risk mitigation plans are overseen by the appropriate local and Standard Chartered PLC Group's governance committee.

8. Operational risk (continued)

Assurance

The Group Internal Audit ("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 Bank 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 the Bank's financial statements for the financial year ended 31 December 2012 arising from transition to MFRSs 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 2012 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: 24 April 2013