
**Standard Chartered Bank Malaysia Berhad
and its subsidiaries**

**Pillar 3 Disclosures
31 December 2018**



Incorporated in Malaysia with registered Company No. 115793P
***Level 16, Menara Standard Chartered
No. 30, Jalan Sultan Ismail 50250 Kuala Lumpur***

Standard Chartered Bank Malaysia Berhad and its subsidiaries

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1. Overview

This document describes the Standard Chartered Bank Malaysia Berhad ("the Bank") and its subsidiaries ("the Group")'s risk profile, risk management practises and capital adequacy position in accordance with the disclosure requirements as outlined in the Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia (BNM).

Basel II

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

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

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

In Malaysia, the Capital Adequacy Framework (Basel II - Risk Weighted Assets) came into effect on 1 January 2013, last updated on 2 February 2018. The framework (previously known as Risk Weighted Capital Adequacy Framework (Basel II - Risk Weighted Assets Computation) sets out the requirements on the computation of the risk-weighted assets developed based on the Basel Committee on Banking Supervision (BCBS) and the Islamic Financial Services Board (IFSB) papers "International Convergence of Capital Measurement and Capital Standards: A Revised Framework issued in June 2006 and the "Capital Adequacy Standard (CAS)" issued in December 2005, respectively. The framework forms part of the overall Capital Adequacy Framework, hence should be read alongside the Capital Adequacy Framework (Capital Components).

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

The following summarise the approaches adopted by the Group

Risk Type	Approach Adopted
1. Credit	Advanced Internal Ratings-Based Approach
2. Market	The Standardised Approach
2. Operational	The Standardised Approach

Scope of application

The Pillar 3 disclosures are prepared for the Group. The Group offers Islamic banking financial services via the Bank's wholly owned subsidiary company, Standard Chartered Saadiq Berhad. The accounting policy for consolidation is provided in Note 2(a) of the Group's financial statements for the financial year ended 31 December 2018 ("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.

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2. Capital management

The Group's capital position is in line with Board-approved risk appetite. The Group is well capitalised with loss absorbing capacity.

Details of the Group's capital management approach are disclosed in Note 38(iii) of the Group's financial statements, while details of regulatory capital structure and main features of capital instruments of the Group are disclosed in Note 21 and Note 45 of the financial statements. All ordinary shares in issue confer identical rights in respect of capital, dividends and voting.

3. Risk management

The management of risk is a key component of the Group's business. One of the main risks we incur arises from extending credit to customers through our lending and trading operations. Beyond credit risk, we are also exposed to a range of other risk types such as country, market, capital and liquidity, operational, reputational, compliance, conduct, information and cyber security and financial crime risks that are inherent in our strategy and product range.

Our enterprise risk management framework and governance are disclosed in page 13 and Note 38 respectively of the Group's financial statements.

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4. Regulatory capital requirement

Disclosure on capital adequacy under the Standardised and IRB approach

Group 31 December 2018 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				
<u>Exposures under the Standardised approach</u>				
On-balance sheet exposures:				
Banks, development financial institutions & multilateral development banks ("MDBs")	78,275	78,275	1,395	112
Corporates	414,113	371,654	371,477	29,718
Regulatory retail	840,868	733,065	562,845	45,028
Residential mortgages	11,140	11,140	3,899	312
Other assets	960,703	920,743	792,079	63,366
Defaulted exposures	16,839	15,932	23,829	1,906
Total on-balance sheet exposures	<u>2,321,938</u>	<u>2,130,809</u>	<u>1,755,524</u>	<u>140,442</u>
Off-balance sheet exposures:				
OTC derivatives	14	-	-	-
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	35,855	23,185	20,543	1,643
Defaulted exposures	154	154	230	18
Total off-balance sheet exposures	<u>36,023</u>	<u>23,339</u>	<u>20,773</u>	<u>1,661</u>
Total on and off-balance sheet exposures	<u>2,357,961</u>	<u>2,154,148</u>	<u>1,776,297</u>	<u>142,103</u>
<u>Exposures under the IRB approach</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,498,507	7,498,507	1,593,634	127,491
Banks, development financial institutions & multilateral development banks ("MDBs")	1,995,643	2,005,293	539,150	43,132
Insurance companies, securities firms & fund managers	113,718	131,480	17,418	1,393
Corporates	9,918,400	9,898,635	8,905,934	712,475
Residential mortgages	11,029,067	11,029,067	1,695,895	135,672
Qualifying revolving retail exposures	2,061,655	2,061,655	1,122,081	89,766
Other retail	2,747,177	2,739,530	1,249,219	99,938
Defaulted exposures	1,173,814	1,173,814	3,098,072	247,846
Total on-balance sheet exposures	<u>36,537,981</u>	<u>36,537,981</u>	<u>18,221,403</u>	<u>1,457,713</u>
Off-balance sheet exposures:				
OTC derivatives	4,789,537	4,789,537	1,881,215	150,498
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	12,928,040	12,928,040	3,676,265	294,101
Defaulted exposures	19,975	19,975	87,494	7,000
Total off-balance sheet exposures	<u>17,737,552</u>	<u>17,737,552</u>	<u>5,644,974</u>	<u>451,599</u>
Total on and off-balance sheet exposures	<u>54,275,533</u>	<u>54,275,533</u>	<u>23,866,377</u>	<u>1,909,312</u>
(b) Large exposures risk requirement				
	-	-	-	-
(c) Market risk (Standardised approach)				
	Long	Short position		
Interest rate risk	19,453,363	26,099,207	661,566	52,925
Foreign currency risk	80,343,757	80,256,685	1,413,769	113,102
Options risk	2,177,337	2,025,458	619,603	49,568
(d) Operational risk (Standardised approach)				
			3,294,089	263,527
Total RWA and capital requirements			<u><u>31,631,701</u></u>	<u><u>2,530,537</u></u>

CET1, Tier 1 and Total Capital ratios

	Before proposed dividend	After proposed dividend
CET 1 capital ratio	13.575%	12.672%
Tier 1 capital ratio	14.776%	13.873%
Total capital ratio	18.461%	17.558%

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4. Regulatory capital requirement (continued)

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

Group 31 December 2017 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				
<u>Exposures under the Standardised approach</u>				
On-balance sheet exposures:				
Banks, development financial institutions & multilateral development banks ("MDBs")	58,433	58,433	1,444	116
Corporates	263,762	252,211	252,211	20,177
Regulatory retail	430,616	380,798	313,292	25,063
Residential mortgages	11,159	11,159	3,906	312
Other assets	828,178	819,564	727,475	58,198
Defaulted exposures	38,044	36,568	49,511	3,961
Total on-balance sheet exposures	<u>1,630,192</u>	<u>1,558,733</u>	<u>1,347,839</u>	<u>107,827</u>
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	54,873	29,603	29,026	2,322
Defaulted exposures	224	224	336	27
Total off-balance sheet exposures	<u>55,097</u>	<u>29,827</u>	<u>29,362</u>	<u>2,349</u>
Total on and off-balance sheet exposures	<u>1,685,289</u>	<u>1,588,560</u>	<u>1,377,201</u>	<u>110,176</u>
<u>Exposures under the IRB approach</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,658,676	7,658,676	1,294,475	103,558
Banks, development financial institutions & multilateral development banks ("MDBs")	4,428,228	4,533,235	763,552	61,084
Insurance companies, securities firms & fund managers	178,180	202,727	19,368	1,549
Corporates	8,622,264	8,557,257	7,543,849	603,508
Residential mortgages	11,455,434	11,455,434	1,759,990	140,799
Qualifying revolving retail exposures	1,813,566	1,813,566	1,060,773	84,862
Other retail	3,605,622	3,541,075	1,550,349	124,028
Defaulted exposures	1,711,957	1,711,957	4,021,816	321,745
Total on-balance sheet exposures	<u>39,473,927</u>	<u>39,473,927</u>	<u>18,014,172</u>	<u>1,441,133</u>
Off-balance sheet exposures:				
OTC derivatives	5,472,459	5,472,459	1,897,850	151,828
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	10,375,082	10,375,082	4,325,674	346,054
Defaulted exposures	55,100	55,100	60,588	4,847
Total off-balance sheet exposures	<u>15,902,641</u>	<u>15,902,641</u>	<u>6,284,112</u>	<u>502,729</u>
Total on and off-balance sheet exposures	<u>55,376,568</u>	<u>55,376,568</u>	<u>24,298,284</u>	<u>1,943,862</u>
(b) Large exposures risk requirement				
	-	-	-	-
(c) Market risk (Standardised approach)				
	Long	Short position		
Interest rate risk	23,259,814	29,810,467	877,522	70,202
Foreign currency risk	66,223,215	66,405,161	962,249	76,980
Options risk	2,032,585	1,993,617	39,791	3,183
			3,242,662	259,413
Total RWA and capital requirements			<u>30,797,709</u>	<u>2,463,816</u>
<u>CET1, Tier 1 and Total Capital ratios</u>				
			Before proposed dividend	After proposed dividend
CET 1 capital ratio			13.143%	12.795%
Tier 1 capital ratio			14.377%	14.029%
Total capital ratio			17.797%	17.449%

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4. Regulatory capital requirement (continued)

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

Bank 31 December 2018 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				
<u>Exposures under the Standardised approach</u>				
On-balance sheet exposures:				
Banks, development financial institutions & MDBs	78,275	78,275	1,395	112
Corporates	414,109	371,651	371,473	29,718
Regulatory retail	839,544	731,741	561,851	44,948
Residential mortgages	10,960	10,960	3,836	307
Other assets	888,866	848,907	722,976	57,838
Defaulted exposures	16,815	15,908	23,793	1,903
Total on-balance sheet exposures	2,248,569	2,057,442	1,685,324	134,826
Off-balance sheet exposures:				
OTC derivatives	14	-	-	-
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	29,655	19,801	17,159	1,373
Defaulted exposures	154	154	231	18
Total off-balance sheet exposures	29,823	19,955	17,390	1,391
Total on and off-balance sheet exposures	2,278,392	2,077,397	1,702,714	136,217
<u>Exposures under the IRB approach</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,102,867	6,102,867	1,375,614	110,049
Banks, development financial institutions & MDBs	2,222,416	2,232,066	605,458	48,437
Insurance companies, securities firms & fund managers	113,718	131,480	17,418	1,393
Corporates	8,745,369	8,725,586	7,681,859	614,549
Residential mortgages	9,569,528	9,569,528	1,504,357	120,349
Qualifying revolving retail exposures	2,061,655	2,061,655	1,122,082	89,767
Other retail	2,497,645	2,490,016	1,010,873	80,870
Defaulted exposures	1,092,204	1,092,204	2,976,605	238,128
Total on-balance sheet exposures	32,405,402	32,405,402	16,294,266	1,303,542
Off-balance sheet exposures:				
OTC derivatives	4,898,463	4,898,463	1,903,687	152,295
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	12,554,458	12,554,458	3,442,273	275,382
Defaulted exposures	19,975	19,975	87,494	7,000
Total off-balance sheet exposures	17,472,896	17,472,896	5,433,454	434,677
Total on and off-balance sheet exposures	49,878,298	49,878,298	21,727,720	1,738,219
(b) Large exposures risk requirement				
	-	-	-	-
(c) Market risk (Standardised approach)				
	Long	Short position		
Interest rate risk	19,453,363	26,099,207	661,566	52,925
Foreign currency risk	80,343,757	80,256,685	1,413,769	113,102
Options risk	2,177,337	2,025,458	619,603	49,568
			3,169,576	253,566
Total RWA and capital requirements			29,294,948	2,343,597
<u>CET1, Tier 1 and Total Capital ratios</u>				
			Before proposed dividend	After proposed dividend
CET 1 capital ratio			12.433%	11.458%
Tier 1 capital ratio			13.730%	12.755%
Total capital ratio			17.320%	16.345%

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4. Regulatory capital requirement (continued)

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

Bank 31 December 2017 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				
<u>Exposures under the Standardised approach</u>				
On-balance sheet exposures:				
Banks, development financial institutions & MDBs	58,433	58,433	1,444	116
Corporates	262,158	250,607	250,607	20,049
Regulatory retail	313,914	264,096	198,326	15,866
Residential mortgages	10,820	10,820	3,787	303
Other assets	752,210	743,596	654,589	52,367
Defaulted exposures	23,962	22,486	33,663	2,693
Total on-balance sheet exposures	<u>1,421,497</u>	<u>1,350,038</u>	<u>1,142,416</u>	<u>91,394</u>
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	49,554	25,706	25,145	2,012
Defaulted exposures	224	224	336	27
Total off-balance sheet exposures	<u>49,778</u>	<u>25,930</u>	<u>25,481</u>	<u>2,039</u>
Total on and off-balance sheet exposures	<u>1,471,275</u>	<u>1,375,968</u>	<u>1,167,897</u>	<u>93,433</u>
<u>Exposures under the IRB approach</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	6,753,787	6,753,787	1,184,010	94,721
Banks, development financial institutions & MDBs	6,110,214	6,215,221	1,285,138	102,811
Insurance companies, securities firms & fund managers	178,180	202,727	19,368	1,549
Corporates	7,272,734	7,207,695	6,359,671	508,774
Residential mortgages	8,867,236	8,867,236	1,362,005	108,960
Qualifying revolving retail exposures	1,813,566	1,813,566	1,060,773	84,862
Other retail	2,921,806	2,857,291	1,352,165	108,173
Defaulted exposures	1,629,480	1,629,480	3,798,017	303,841
Total on-balance sheet exposures	<u>35,547,003</u>	<u>35,547,003</u>	<u>16,421,147</u>	<u>1,313,691</u>
Off-balance sheet exposures:				
OTC derivatives	5,662,971	5,662,971	2,000,878	160,070
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	9,879,632	9,879,632	4,010,364	320,829
Defaulted exposures	55,091	55,091	60,574	4,846
Total off-balance sheet exposures	<u>15,597,694</u>	<u>15,597,694</u>	<u>6,071,816</u>	<u>485,745</u>
Total on and off-balance sheet exposures	<u>51,144,697</u>	<u>51,144,697</u>	<u>22,492,963</u>	<u>1,799,436</u>
(b) Large exposures risk requirement				
	-	-	-	-
(c) Market risk (Standardised approach)				
	Long position	Short position		
Interest rate risk	23,259,814	29,810,467	877,522	70,202
Foreign currency risk	66,223,215	66,405,161	962,249	76,980
Options risk	2,032,585	1,993,617	39,791	3,183
			3,124,905	249,992
Total RWA and capital requirements			<u>28,665,327</u>	<u>2,293,226</u>
<u>CET1, Tier 1 and Total Capital ratios:</u>				

	Before proposed dividend	After proposed dividend
CET 1 capital ratio	12.224%	11.850%
Tier 1 capital ratio	13.550%	13.176%
Total capital ratio	16.520%	16.146%

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5. Credit risk

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group. Credit exposures arise from both the banking and trading books. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. The credit risk function, as a second line control function, performs independent challenge, monitoring and oversight of the credit risk management practices of the business and functions engaged in or supporting revenue generating activities which constitute the first line of defence.

Our approach to credit risk can be found in Note 38(i) of the Group's financial statements.

The Group uses the Internal Ratings Based ("IRB") approach to manage credit risk for the majority of its portfolios. This allows the Group to use its own internal estimates of Probability of Default ("PD"), Loss Given Default ("LGD"), Residual Maturity, Exposure at Default ("EAD") and Credit Conversion Factor ("CCF") to determine an asset risk-weighting. The Standardised Approach ("TSA") is applied to portfolios that are classified as permanently exempt from the IRB approach, and those portfolios that are currently under transition to the IRB approach or too small an exposure for IRB model built. The development, use and governance of models under the IRB approach is covered in more detail in Section 5(i).

(i) Internal Ratings Based models

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

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

Portfolio	Exposure
Sovereign and Central Bank	Central Government, Central Government department, Central banks, Entities owned or guaranteed by Central Government
Bank, DFIs and MDBs	Bank
Insurance Cos, Securities Firms and Fund Managers	Life insurance, Non-life insurance, Broker dealer, Funds managers
Corporates	Finance & Leasing, Large Corporate, Mid Corporate, Emerging Middle Market, Commodity Traders & Buyers, Medium Enterprise, Small Business
Residential Mortgages	Retails Clients Residential Mortgage
Qualifying revolving retail exposures	Retail Clients Credit card
Other retail exposures	Corporate SME (including Business & Commercial Clients) property lending, Corporate SME (including Business & Commercial Clients) lending, Personal financing, and residential properties under construction

Model governance

All IRB Models are developed by the Group Enterprise Risk Analytics ("ERA"). Both new and existing models, as well as changes to existing models, are subject to independent validation by the Group Model Validation ("GMV") and are reviewed and approved by the Group Credit Model Assessment Committee ("CMAC") and the Group Model Risk Committee (based on materiality). ERA and GMV are separate departments within the Group Risk.

The performance of existing IRB models, including actual against predicted metrics, is monitored regularly by GRM and reported to Group CMAC on a quarterly basis. In addition, existing models are subject to annual independent validation by GMV. The Group CMAC sets out internal standards for model development, validation and performance monitoring.

Group Internal Audit is responsible for carrying out independent audit reviews of IRB models development, validation, approval and monitoring.

As part of local governance, IRB model development and validation findings are subjected to local Executive Risk Committee ("ERC") and local Board Risk Committee ("BRC") review, endorsement and recommendation to the Board for adoption or 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.

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5. Credit risk (continued)

(i) Internal Ratings Based models (continued)

Probability of Default

Standard Chartered PLC Group employs a variety of techniques to develop its PD models. PDs are estimated based on one of the three industry standard approaches, namely the good-bad approach where a sufficient number of internal defaults is available, the shadow-bond approach where there are not sufficient internal defaults but there are external ratings for a large number of obligors, or the constrained expert judgement approach where neither internal defaults nor external ratings are available.

In Corporate and Institutional Banking ("CIB") and Commercial Banking ("CB"), the largest portfolios are rated based on the shadow bond approach (Sovereigns, Banks, Large Corporates) or the good-bad approach (Mid-Corporates). Central governments and Central Banks are rated using the sovereign model. Non-bank financial institutions are rated using one of the six constrained expert judgement models depending on their line of business. Within CIB and CB, each client is assigned a credit grade. CIB and CB models are calibrated based on historical data that includes a full economic cycle.

PD models for retail clients under each asset class are developed based on the good-bad approach. The same PD modelling approach is taken across the four key retail client product types: Residential Mortgages, Credit Cards (Qualifying Revolving Retail), Personal Instalment Loans (Other Retail and Retail SME). The approach is based on using the country and product specific application scores for new to bank clients and behaviour scores for existing clients. All retail client PD models are built and validated using internal default data.

Loss Given Default

The CIB and CB LGD model is a parameter based model reflecting the Bank's recovery and workout process, which takes into account risk drivers such as portfolio segment, product, credit grade of the obligor and collateral attached to the exposure. The model is calibrated to downturn.

LGD for retail portfolio follow two approaches:

i) LGDs for unsecured products are based on historical loss experience of defaults during a downturn; these are portfolio specific LGD estimates segmented by default status (including restructuring).

ii) LGDs for secured products are parameter-based estimates mainly driven by how the default is resolved (cure, sale or charge-off). Key LGD parameters are differentiated by segments such as loan-to-value, property type, construction status (Build under construction and Completed) and default status (including restructuring). These parameters are calibrated based on the portfolio's downturn experience.

Exposure at Default

EAD takes into consideration the potential drawdown of a commitment as an obligor moves towards default by estimating the Credit Conversion Factor (CCF) of undrawn commitments.

The key drivers of the Corporate and Institutional EAD model are the type of facility and the level of utilisation, with the model calibrated to downturn.

EAD for retail products differs between revolving products and term products. For revolving products, EAD is computed by estimating the CCF of the undrawn commitments. For term products, EAD is set at the outstanding balance plus any undrawn portion. All the retail client EAD models are built and validated using internal data.

Model use

IRB models cover a substantial majority of the Group's loans and are used extensively in assessing risks at customer and portfolio level, setting strategy and optimising the risk-return decisions. The Group makes use of internal estimates of PD, LGD and EAD in the areas of credit approval and decision; pricing; limit setting; provisioning; economic capital calculation and risk appetite. Key inputs used in the assessment of business and market variables for setting Risk Appetite includes but not limited to consideration of risk based methodologies such as IRB parameters.

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

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5. Credit risk (continued)

(i) Internal Ratings Based models (continued)

Corporates, Institutional and Commercial model results

Internal Ratings Based models were developed from a dataset that spans at least a full business cycle. The 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.

Probability of Default

Estimates of PD are computed as of 31 December 2017 and are compared with default observations through 31 December 2018. The historical default experience for institutions, central governments or central banks is minimal, so the predicted PD reflects a particularly low number of defaults while the observed PD is NIL given there were no defaults during 2018. For Corporates, the observed PD is NIL; reflecting the impact of the Group's prudent and proactive credit management.

Loss Given Default

The calculation of realised versus predicted LGD is affected by the fact that it may take a number of years for the workout process to be completed. As such, an observed recovery value cannot be assigned to the majority of the 2018 defaults, making it meaningless to compare realised versus predicted outcomes in a manner similar to that for PD and EAD. To address this, for corporates and institutions we have adopted an approach based on a four-year rolling period of predicted and realised LGD, which for the current reporting year includes 2015 to 2018 defaults that have completed their workout process as at the end of 2018. This approach compares the four-year rolling predicted LGD, providing the predicted outcome of these resolved defaults one year prior to default, against the realised LGD for the same set of defaults. These two figures are fully comparable, providing thereby a meaningful assessment of LGD model performance. However, for corporates, there were no defaulted cases from 2015 to 2018 which were resolved in 2018, making it therefore not meaningful to compute the realized versus predicted outcomes for this period. Similarly for central governments or central banks and institutions, no values are provided reflecting the fact that there were no defaults in the past four years with completed workout as of December 2018.

Exposure at Default

EAD takes into consideration the potential drawdown of a commitment as an obligor defaults by estimating the Credit Conversion Factor (CCF) of undrawn commitments. For assets which defaulted in 2018, the comparison of realised versus predicted EAD is summarised in the ratio of EAD one year prior to default to the outstanding amount at time of default. A ratio larger than one indicates that the predicted EAD is higher than the realised outstanding amount at default. This is explained by the regulatory guidance to assign conservatism to the CCF of certain exposure types and to calibrate the models to downturn conditions, as well as by the impact of management action leading to a reduction in actual exposure prior to default. No ratio is reportable for corporate, institutions and central governments or central banks given there was no default in 2018.

Corporate SME observed default was lower than the predicted PD. Predicted PD was computed as at 31 December 2017 and compared to the actual default observations over a one year period ended 31 December 2018. Portfolio size remained stable and default pool has been minimal, as such the observed default rate is lower than the predicted default rate. The observed LGD was calculated based on actual recoveries during the December 2015 to December 2018 period for existing non- defaults as of December 2014 where defaulted in next 12 months and further segmented by secured and unsecured. Realised LGDs are lower than the predicted values for SME Mortgage and SME Lending. The ratios for EAD model are larger than one, indicating that the predicted EAD is higher than the realised outstanding amount at default.

Group

	Predicted PD %	Observed PD %	Predicted LGD %	Realised LGD %	Predicted EAD/ Realised EAD
IRB exposures					
Central governments or central banks	0.3%	N/A	N/A	N/A	N/A
Corporates	3.0%	N/A	N/A	N/A	N/A
Institutions	0.8%	N/A	N/A	N/A	N/A
Corporate SME Mortgage	1.9%	1.2%	19.0%	2.3%	1.0
Corporate SME Lending	5.2%	3.4%	82.0%	80.3%	1.2

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5. Credit risk (continued)

(i) Internal Ratings Based models (continued)

Corporates, Institutional and Commercial model results (continued)

Bank

	Predicted PD %	Observed PD %	Predicted LGD %	Realised LGD %	Predicted EAD/ Realised EAD
IRB exposures					
Central governments or central banks	0.3%	N/A	N/A	N/A	N/A
Corporates	3.0%	N/A	N/A	N/A	N/A
Institutions	0.8%	N/A	N/A	N/A	N/A
Corporate SME Mortgage	2.0%	1.1%	17.6%	2.5%	1.0
Corporate SME Lending	4.3%	2.5%	82.8%	81.6%	1.2

Retail model results

Retail models have been developed for majority of its portfolios. Predicted PD was computed as at 31 December 2017 and compared to the actual default observation over a one year period ended 31 December 2018.

The observed default rates for all asset classes are lower than the predicted PDs.

The realised LGD is calculated based on 12 months default window, recoveries over a 24 months workout period and compared to the predicted LGD. Realised LGDs for the Group are lower than the predicted values for all asset classes.

The LGD under predicts for Bank's other retail exposures mainly due to CashOne product, driven by conservative approach applied to DRP cases, whereby the average tenor for internal and external restructures is 5 and 10 years respectively but the observed loss used in LGD monitoring was computed from 24 to 36 months only

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	2.9%	1.5%	13.8%	5.7%	1.0
Qualifying revolving retail exposures	2.4%	1.9%	68.7%	64.2%	1.2
Other retail exposures	9.5%	6.1%	79.4%	76.6%	1.1

Bank

	Predicted PD %	Observed PD %	Predicted LGD %	Realised LGD %	Predicted EAD/ Realised EAD
IRB exposures					
Residential mortgages	3.0%	1.8%	13.7%	5.6%	1.0
Qualifying revolving retail exposures	2.4%	1.9%	68.7%	64.2%	1.2
Other retail exposures	9.3%	6.1%	73.6%	82.2%	1.1

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5. Credit risk (continued)

(ii) Actual losses and expected loss

The table below shows allowances of credit losses/impairment provisions for financial assets raised and write off during the financial year ended 31 December 2018 versus 31 December 2017 for IRB exposure classes. The net allowances of credit losses/impairment provisions 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. Expected loss ("EL") represents model derived and/or regulatory prescribed estimated of future loss on potential defaults over a one-year time horizon.

Group

	31 December 2018	31 December 2017	31 December 2017	31 December 2016
	Actual losses *	Expected losses	Actual losses	Expected losses
	RM'000	RM'000	RM'000	RM'000
Sovereigns/Central banks	-	1,771	-	1,411
Banks, development financial institutions & MDBs	-	5,382	-	6,457
Insurance companies, securities firms & fund managers	-	460	-	664
Corporate exposures (excluding specialised lending and firm-size adjustment)	(112,277)	421,884	79,194	471,797
Corporate exposures (with firm-size adjustment)	33,664	27,067	26,985	39,202
Specialised lending	-	153,119	-	191,586
Retail exposures				
<i>Residential mortgages</i>	25,599	44,480	46,638	45,160
<i>Qualifying revolving retail exposures</i>	18,570	137,219	73,344	139,311
<i>Other retail exposures</i>	105,224	205,012	162,478	224,760
	70,780	996,394	388,639	1,120,348

Bank

	31 December 2018	31 December 2017	31 December 2017	31 December 2016
	Actual losses *	Expected losses	Actual losses	Expected losses
	RM'000	RM'000	RM'000	RM'000
Sovereigns/Central banks	-	1,562	-	1,234
Banks, development financial institutions & MDBs	-	7,153	-	8,108
Insurance companies, securities firms & fund managers	-	452	-	504
Corporate exposures (excluding specialised lending and firm-size adjustment)	(107,160)	409,395	79,194	458,024
Corporate exposures (with firm-size adjustment)	28,161	24,040	24,568	37,304
Specialised lending	-	152,678	-	191,586
Retail exposures				
<i>Residential mortgages</i>	24,582	36,216	34,147	36,473
<i>Qualifying revolving retail exposures</i>	18,570	137,219	73,344	139,311
<i>Other retail exposures</i>	107,550	162,094	120,462	164,097
	71,703	930,809	331,715	1,036,641

* The amount is related to ECL charge/(release) under MFRS 9, excluding recovery during the year.

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5. Credit risk (continued)

(iii) Risk grade profile

Exposures by internal credit grading

For CIB and CB IRB portfolios, an alphanumeric credit risk-grading system is used. 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 further sub-classified. Numerically lower credit grades are indicative of a lower likelihood of default. Credit grades 1 to 12 are assigned to performing customers and credit grades 13 and 14 are assigned to non-performing or defaulted customers.

The Group's credit grades in CIB and CB are not intended to replicate external credit grades, and ratings assigned by external credit assessment institutions ("ECAI") 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 expected to be assigned a weak internal credit grade.

The table below demonstrates Standard Chartered's internal ratings and mapping to external ratings.

Credit Grade	Standard and Poor's Mapping	
	Corporates / Non-Bank Financial Institutions	Banks
1A	AAA/AA+	AAA/AA+
1B	AA	AA
2A	AA/AA-	AA-
2B	AA-	A+
3A	A+	A
3B	A	A-/BBB+
4A	A-	BBB
4B	BBB+	BBB/BBB-
5A	BBB	BBB-
5B	BBB-/BB+	BB+
6A	BB+/BB	BB+/BB
6B	BB	BB
7A	BB/BB-	BB/BB-
7B	BB-	BB-
8A	BB-/B+	BB-/B+
8B	B+	B+
9A	B+	B
9B	B+/B	B/B-
10A	B	B-
10B	B/B-	B-
11A	B-	B-/CCC
11B	B-	CCC/C
11C	B-/CCC	CCC/C
12A	CCC/C	CCC/C
12B	CCC/C	CCC/C
12C	CCC/C	CCC/C

For Retail exposures, models generate individual PDs which are used to estimate RWA and an alphanumeric credit risk-grading system is used only for reporting purposes.

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

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5. Credit risk (continued)

(iii) Risk grade profile (continued)

Exposures by internal credit grading (continued)

The Group makes use of internal risk estimates of PD, LGD, EL 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 CIB and CB, a pre-deal pricing calculator, which takes into consideration PD, LGD and EAD in the calculation of expected loss and risk weighted assets, is used for the proposed transactions to ensure appropriate returns. Retail 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 CIB and CB, single name concentration limits are determined by PD, LGD and EAD. The limits operate on a sliding scale to ensure that the Group does not have over concentration of low credit quality assets. In Retail, the estimates of PD, LGD and EAD are used in credit underwriting and portfolio management actions such as increase/decrease and top-ups for instalment loans;
- Provisioning – Expected Credit Loss ("ECL") is computed as unbiased, point-in-time probability weighted amount which is determined by evaluating a range of reasonably possible outcomes; (multiple scenario assessment), the time value of money, and considering all relevant information as of the reporting date.
- Risk Appetite assessment – Key inputs used in the assessment of business and market variables for setting Risk Appetite includes but not limited to consideration of risk based methodologies such as IRB parameters; and
- Economic Capital – PD, LGD and EAD are key components of the model in credit risk economic capital calculation.

(iv) Counterparty credit risk

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

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

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

A daily operational process takes place to calculate the Marked-to-Market ("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.

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5. Credit risk (continued)

(iv) Counterparty credit risk (continued)

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

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.

Wrong way risk

Wrong way risk occurs when an exposure increase is coupled with a decrease in the credit quality of the obligor. Specifically, as the MTM on a derivative or repo contract increases in favour of the Group, the driver of the counterparty to meet its payment, margin call or collateral posting requirements. The Group employs various policies and procedures to ensure that wrong-way risk exposures are recognised upfront, monitored, and where required, contained by limits on tenor, collateral type, collateral concentration and markets-based collateral top-up mechanisms.

Exposure value calculation

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

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

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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 geography, industry and maturity. 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.

5.1.1) Geographical analysis

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

Group 31 December 2018	Malaysia RM'000	Others RM'000	Total RM'000
IRB exposures			
Sovereigns/Central banks	7,709,967	5,664	7,715,631
Banks, development financial institutions & MDBs	2,641,134	3,907,786	6,548,920
Insurance companies, securities firms & fund managers	231,027	160,051	391,078
Corporate exposures (excluding specialised lending and firm-size adjustment)	12,880,173	1,066,274	13,946,447
Corporate exposures (with firm-size adjustment)	2,434,536	35,553	2,470,089
Specialised lending	613,813	40,313	654,126
Retail exposures	22,549,242	-	22,549,242
<i>Residential mortgages</i>	12,000,998	-	12,000,998
<i>Qualifying revolving retail exposures</i>	7,561,404	-	7,561,404
<i>Other retail exposures</i>	2,986,840	-	2,986,840
Total IRB exposures	49,059,892	5,215,641	54,275,533
Standardised exposures			
Banks, development financial institutions & MDBs	-	79,151	79,151
Corporates	442,107	-	442,107
Regulatory retail	864,241	-	864,241
Residential mortgages	11,687	-	11,687
Higher risk assets	65	-	65
Other assets	960,710	-	960,710
Total Standardised exposures	2,278,810	79,151	2,357,961
Total credit risk exposures	51,338,702	5,294,792	56,633,494

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5. Credit risk (continued)

5.1 Exposure values (continued)

5.1.1) Geographical analysis (continued)

Group 31 December 2017	Malaysia RM'000	Others RM'000	Total RM'000
IRB exposures			
Sovereigns/Central banks	7,665,749	-	7,665,749
Banks, development financial institutions & MDBs	5,224,895	4,592,551	9,817,446
Insurance companies, securities firms & fund managers	256,409	215,606	472,015
Corporate exposures (excluding specialised lending and firm-size adjustment)	12,973,710	1,238,939	14,212,649
Corporate exposures (with firm-size adjustment)	2,146,686	901	2,147,587
Specialised lending	536,348	55,639	591,987
Retail exposures	20,469,135	-	20,469,135
<i>Residential mortgages</i>	12,216,946	-	12,216,946
<i>Qualifying revolving retail exposures</i>	4,113,093	-	4,113,093
<i>Other retail exposures</i>	4,139,096	-	4,139,096
Total IRB exposures	49,272,932	6,103,636	55,376,568
Standardised exposures			
Banks, development financial institutions & MDBs	-	58,433	58,433
Corporates	316,292	-	316,292
Regulatory retail	470,555	-	470,555
Residential mortgages	11,690	-	11,690
Higher risk assets	135	-	135
Other assets	740,326	87,858	828,184
Total Standardised exposures	1,538,998	146,291	1,685,289
Total credit risk exposures	50,811,930	6,249,927	57,061,857

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5. Credit risk (continued)

5.1 Exposure values (continued)

5.1.1) Geographical analysis (continued)

Bank 31 December 2018	Malaysia RM'000	Others RM'000	Total RM'000
IRB exposures			
Sovereigns/Central banks	6,314,327	5,664	6,319,991
Banks, development financial institutions & MDBs	3,109,391	3,799,383	6,908,774
Insurance companies, securities firms & fund managers	221,518	160,051	381,569
Corporate exposures (excluding specialised lending and firm-size adjustment)	11,763,870	842,978	12,606,848
Corporate exposures (with firm-size adjustment)	2,277,515	35,553	2,313,068
Specialised lending	559,086	26,704	585,790
Retail exposures	20,762,258	-	20,762,258
<i>Residential mortgages</i>	10,526,779	-	10,526,779
<i>Qualifying revolving retail exposures</i>	7,561,404	-	7,561,404
<i>Other retail exposures</i>	2,674,075	-	2,674,075
Total IRB exposures	45,007,965	4,870,333	49,878,298
Standardised exposures			
Banks, development financial institutions & MDBs	-	79,151	79,151
Corporates	435,903	-	435,903
Regulatory retail	862,892	-	862,892
Residential mortgages	11,507	-	11,507
Higher risk assets	65	-	65
Other assets	888,874	-	888,874
Total Standardised exposures	2,199,241	79,151	2,278,392
Total credit risk exposures	47,207,206	4,949,484	52,156,690

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5. Credit risk (continued)

5.1 Exposure values (continued)

5.1.1) Geographical analysis (continued)

Bank 31 December 2017	Malaysia RM'000	Others RM'000	Total RM'000
IRB exposures			
Sovereigns/Central banks	6,760,860	-	6,760,860
Banks, development financial institutions & MDBs	7,185,887	4,546,736	11,732,623
Insurance companies, securities firms & fund managers	246,362	215,606	461,968
Corporate exposures (excluding specialised lending and firm-size adjustment)	11,880,627	1,037,454	12,918,081
Corporate exposures (with firm-size adjustment)	1,697,597	901	1,698,498
Specialised lending	468,356	25,739	494,095
Retail exposures	17,078,572	-	17,078,572
<i>Residential mortgages</i>	9,583,855	-	9,583,855
<i>Qualifying revolving retail exposures</i>	4,113,093	-	4,113,093
<i>Other retail exposures</i>	3,381,624	-	3,381,624
Total IRB exposures	45,318,261	5,826,436	51,144,697
Standardised exposures			
Banks, development financial institutions & MDBs	-	58,433	58,433
Corporates	309,432	-	309,432
Regulatory retail	339,708	-	339,708
Residential mortgages	11,351	-	11,351
Higher risk assets	135	-	135
Other assets	669,717	82,499	752,216
Total Standardised exposures	1,330,343	140,932	1,471,275
Total credit risk exposures	46,648,604	5,967,368	52,615,972

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5. Credit risk (continued)

5.1 Exposure values (continued)

5.1.2) 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 2018	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	-	-	-	-	-	-	-	7,715,631	-	-	-	7,715,631
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	6,548,920	-	-	-	6,548,920
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	391,078	-	-	-	391,078
Corporate exposures (excluding specialised lending and firm-size adjustment)	266,835	98,944	4,980,053	561,937	2,103,764	2,098,524	1,070,252	917,792	1,580,613	-	267,733	13,946,447
Corporate exposures (with firm-size adjustment)	3,249	11,677	571,368	76,441	250,364	635,989	77,231	170,744	401,931	-	271,095	2,470,089
Specialised lending	-	38,708	376,119	19,966	-	123,781	-	7,980	73,963	-	13,609	654,126
Retail exposures	2,073	7,891	173,798	1,842	144,802	432,925	52,536	194,154	445,434	20,810,591	283,196	22,549,242
<i>Residential mortgages</i>	-	-	-	-	-	-	-	-	-	12,000,998	-	12,000,998
<i>Qualifying revolving retail exposures</i>	-	-	-	-	-	-	-	-	-	7,561,404	-	7,561,404
<i>Other retail exposures</i>	2,073	7,891	173,798	1,842	144,802	432,925	52,536	194,154	445,434	1,248,189	283,196	2,986,840
Total IRB exposures	272,157	157,220	6,101,338	660,186	2,498,930	3,291,219	1,200,019	15,946,299	2,501,941	20,810,591	835,633	54,275,533
Standardised exposures												
Sovereigns/Central bank	-	-	-	-	-	-	-	79,151	-	-	-	79,151
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	79,151	-	-	-	79,151
Insurance companies, securities firms & fund managers	-	-	8,005	-	32,545	18,982	-	-	22,630	-	359,945	442,107
Corporates	-	-	1,964	-	-	2,388	-	-	4,957	854,932	-	864,241
Regulatory retail	-	-	-	-	-	-	-	-	-	11,687	-	11,687
Residential mortgages	-	-	-	-	-	-	-	-	-	65	-	65
Higher risk assets	-	-	-	-	-	-	-	-	-	249,414	711,296	960,710
Other assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Standardised exposures	-	-	9,969	-	32,545	21,370	-	79,151	27,587	1,116,098	1,071,241	2,357,961
Total credit risk exposures	272,157	157,220	6,111,307	660,186	2,531,475	3,312,589	1,200,019	16,025,450	2,529,528	21,926,689	1,906,874	56,633,494

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5. Credit risk (continued)

5.1 Exposure values (continued)

5.1.2 Sector or economic purpose analysis (continued)

Group 31 December 2017	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	-	-	-	-	-	-	-	7,665,749	-	-	-	7,665,749
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	9,817,446	-	-	-	9,817,446
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	472,015	-	-	-	472,015
Corporate exposures (excluding specialised lending and firm-size adjustment)	183,188	706,819	4,817,594	412,300	2,071,925	1,905,845	1,204,808	1,105,491	1,657,774	-	146,905	14,212,649
Corporate exposures (with firm-size adjustment)	6,585	10,213	494,679	14,679	173,752	461,554	58,446	109,537	111,730	-	706,412	2,147,587
Specialised lending	-	39,739	333,484	21,872	-	152,242	-	7,951	6,799	-	29,900	591,987
Retail exposures	1,930	6,414	143,181	1,598	90,555	324,688	44,117	92,749	17,271	17,249,709	2,496,923	20,469,135
<i>Residential mortgages</i>	-	-	-	-	-	-	-	-	-	12,216,946	-	12,216,946
<i>Qualifying revolving retail exposures</i>	-	-	-	-	-	-	-	-	-	4,113,093	-	4,113,093
<i>Other retail exposures</i>	1,930	6,414	143,181	1,598	90,555	324,688	44,117	92,749	17,271	919,670	2,496,923	4,139,096
Total IRB exposures	191,703	763,185	5,788,938	450,449	2,336,232	2,844,329	1,307,371	19,270,938	1,793,574	17,249,709	3,380,140	55,376,568
Standardised exposures												
Sovereigns/Central bank	-	-	-	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	58,433	-	-	-	58,433
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	1,949	-	68,963	9,244	-	-	-	-	236,136	316,292
Regulatory retail	-	-	-	-	6,217	-	-	-	-	464,338	-	470,555
Residential mortgages	-	-	-	-	-	-	-	-	-	11,690	-	11,690
Higher risk assets	-	-	-	-	-	-	-	-	-	135	-	135
Other assets	-	-	-	-	-	-	-	8	-	263,312	564,864	828,184
Total Standardised exposures	-	-	1,949	-	75,180	9,244	-	58,441	-	739,475	801,000	1,685,289
Total credit risk exposures	191,703	763,185	5,790,887	450,449	2,411,412	2,853,573	1,307,371	19,329,379	1,793,574	17,989,184	4,181,140	57,061,857

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5. Credit risk (continued)

5.1 Exposure values (continued)

5.1.2 Sector or economic purpose analysis (continued)

Bank 31 December 2018	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	-	-	-	-	-	-	-	6,319,991	-	-	-	6,319,991
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	6,908,774	-	-	-	6,908,774
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	381,569	-	-	-	381,569
Corporate exposures (excluding specialised lending and firm-size adjustment)	79,380	98,944	4,641,223	561,937	2,001,335	1,890,002	887,099	774,513	1,466,115	-	206,300	12,606,848
Corporate exposures (with firm-size adjustment)	1,120	6,105	559,448	76,441	234,025	603,463	47,651	130,706	395,481	-	258,628	2,313,068
Specialised lending	-	38,708	376,119	19,966	-	69,054	-	7,980	73,963	-	-	585,790
Retail exposures	2,035	7,562	138,992	1,842	110,285	374,162	39,052	156,637	446,011	19,211,042	274,638	20,762,258
<i>Residential mortgages</i>	-	-	-	-	-	-	-	-	-	10,526,779	-	10,526,779
<i>Qualifying revolving retail exposures</i>	-	-	-	-	-	-	-	-	-	7,561,404	-	7,561,404
<i>Other retail exposures</i>	2,035	7,562	138,992	1,842	110,285	374,162	39,052	156,637	446,011	1,122,859	274,638	2,674,075
Total IRB exposures	82,535	151,319	5,715,782	660,186	2,345,645	2,936,681	973,802	14,680,170	2,381,570	19,211,042	739,566	49,878,298
Standardised exposures												
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	79,151	-	-	-	79,151
Corporates	-	-	8,005	-	26,345	18,982	-	-	22,630	-	359,941	435,903
Regulatory retail	-	-	1,964	-	-	2,388	-	-	4,957	853,583	-	862,892
Residential mortgages	-	-	-	-	-	-	-	-	-	11,507	-	11,507
Higher risk assets	-	-	-	-	-	-	-	-	-	65	-	65
Other assets	-	-	-	-	-	-	-	-	-	249,414	639,460	888,874
Total Standardised exposures	-	-	9,969	-	26,345	21,370	-	79,151	27,587	1,114,569	999,401	2,278,392
Total credit risk exposures	82,535	151,319	5,725,751	660,186	2,371,990	2,958,051	973,802	14,759,321	2,409,157	20,325,611	1,738,967	52,156,690

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5. Credit risk (continued)

5.1 Exposure values (continued)

5.1.2) Sector or economic purpose analysis (continued)

Bank 31 December 2017	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	-	-	-	-	-	-	-	6,760,860	-	-	-	6,760,860
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	11,732,623	-	-	-	11,732,623
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	461,968	-	-	-	461,968
Corporate exposures (excluding specialised lending and firm-size adjustment)	64,608	550,850	4,629,113	412,300	1,998,317	1,689,448	992,067	969,844	1,496,134	-	115,400	12,918,081
Corporate exposures (with firm-size adjustment)	5,653	2,682	485,831	14,679	108,007	441,395	29,944	53,527	111,730	-	445,050	1,698,498
Specialised lending	-	39,739	333,484	21,872	-	84,250	-	7,951	6,799	-	-	494,095
Retail exposures	1,008	5,968	121,526	1,005	60,622	273,837	26,914	67,158	17,271	14,563,737	1,939,526	17,078,572
<i>Residential mortgages</i>	-	-	-	-	-	-	-	-	-	9,583,855	-	9,583,855
<i>Qualifying revolving retail exposures</i>	-	-	-	-	-	-	-	-	-	4,113,093	-	4,113,093
<i>Other retail exposures</i>	1,008	5,968	121,526	1,005	60,622	273,837	26,914	67,158	17,271	866,789	1,939,526	3,381,624
Total IRB exposures	71,269	599,239	5,569,954	449,856	2,166,946	2,488,930	1,048,925	20,053,931	1,631,934	14,563,737	2,499,976	51,144,697
Standardised exposures												
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	58,433	-	-	-	58,433
Corporates	-	-	1,949	-	63,503	9,244	-	-	-	-	234,736	309,432
Regulatory retail	-	-	-	-	6,217	-	-	-	-	333,491	-	339,708
Residential mortgages	-	-	-	-	-	-	-	-	-	11,351	-	11,351
Higher risk assets	-	-	-	-	-	-	-	-	-	135	-	135
Other assets	-	-	-	-	-	-	-	8	-	263,312	488,896	752,216
Total Standardised exposures	-	-	1,949	-	69,720	9,244	-	58,441	-	608,289	723,632	1,471,275
Total credit risk exposures	71,269	599,239	5,571,903	449,856	2,236,666	2,498,174	1,048,925	20,112,372	1,631,934	15,172,026	3,223,608	52,615,972

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5. Credit risk (continued)

5.1 Exposure values (continued)

5.1.3) 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 2018	Up to 1 year RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
IRB exposures				
Sovereigns/Central banks	4,773,731	2,941,900	-	7,715,631
Banks, development financial institutions & MDBs	3,922,819	2,122,508	503,593	6,548,920
Insurance companies, securities firms & fund managers	252,865	126,464	11,749	391,078
Corporate exposures (excluding specialised lending and firm-size adjustment)	9,384,403	4,255,453	306,591	13,946,447
Corporate exposures (with firm-size adjustment)	1,140,631	474,765	854,693	2,470,089
Specialised lending	197,465	87,697	368,964	654,126
Retail exposures	1,022,257	8,510,884	13,016,101	22,549,242
<i>Residential mortgages</i>	591,528	317,988	11,091,482	12,000,998
<i>Qualifying revolving retail exposures</i>	266,026	7,284,492	10,886	7,561,404
<i>Other retail exposures</i>	164,703	908,404	1,913,733	2,986,840
Total IRB exposures	20,694,171	18,519,671	15,061,691	54,275,533
Standardised exposures				
Banks, development financial institutions & MDBs	79,151	-	-	79,151
Corporates	354,041	23,520	64,546	442,107
Regulatory retail	543,731	49,269	271,241	864,241
Residential mortgages	374	405	10,908	11,687
Higher risk assets	16	-	49	65
Other assets	906,747	10,980	42,983	960,710
Total Standardised exposures	1,884,060	84,174	389,727	2,357,961
Total credit risk exposures	22,578,231	18,603,845	15,451,418	56,633,494

Note: The above table shows that exposures with residual contractual maturity more than 5 years, of which 90% are collateralized.

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5. Credit risk (continued)

5.1 Exposure values (continued)

5.1.3) Residual contractual maturity analysis (continued)

Group 31 December 2017	Up to 1 year RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
IRB exposures				
Sovereigns/Central banks	4,878,142	2,627,732	159,875	7,665,749
Banks, development financial institutions & MDBs	7,047,445	2,253,413	516,588	9,817,446
Insurance companies, securities firms & fund managers	345,036	114,521	12,458	472,015
Corporate exposures (excluding specialised lending and firm-size adjustment)	8,983,879	4,438,427	790,343	14,212,649
Corporate exposures (with firm-size adjustment)	1,159,869	225,546	762,172	2,147,587
Specialised lending	212,106	42,179	337,702	591,987
Retail exposures	1,105,180	5,512,363	13,851,592	20,469,135
<i>Residential mortgages</i>	516,537	339,678	11,360,731	12,216,946
<i>Qualifying revolving retail exposures</i>	193,400	3,915,110	4,583	4,113,093
<i>Other retail exposures</i>	395,243	1,257,575	2,486,278	4,139,096
Total IRB exposures	23,731,657	15,214,181	16,430,730	55,376,568
Standardised exposures				
Banks, development financial institutions & MDBs	58,433	-	-	58,433
Corporates	253,774	28,441	34,077	316,292
Regulatory retail	323,139	112,342	35,074	470,555
Residential mortgages	177	558	10,955	11,690
Higher risk assets	10	13	112	135
Other assets	801,952	900	25,332	828,184
Total Standardised exposures	1,437,485	142,254	105,550	1,685,289
Total credit risk exposures	25,169,142	15,356,435	16,536,280	57,061,857

Note: The above table shows that exposures with residual contractual maturity more than 5 years, of which 72% are collateralized.

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5. Credit risk (continued)

5.1 Exposure values (continued)

5.1.3) Residual contractual maturity analysis (continued)

Bank 31 December 2018	Up to 1 year RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
IRB exposures				
Sovereigns/Central banks	3,378,091	2,941,900	-	6,319,991
Banks, development financial institutions & MDBs	4,166,761	2,238,420	503,593	6,908,774
Insurance companies, securities firms & fund managers	243,487	126,333	11,749	381,569
Corporate exposures (excluding specialised lending and firm-size adjustment)	8,536,132	3,790,070	280,646	12,606,848
Corporate exposures (with firm-size adjustment)	1,085,686	410,356	817,026	2,313,068
Specialised lending	143,128	73,698	368,964	585,790
Retail exposures	998,400	8,304,214	11,459,644	20,762,258
<i>Residential mortgages</i>	591,507	308,916	9,626,356	10,526,779
<i>Qualifying revolving retail exposures</i>	266,026	7,284,492	10,886	7,561,404
<i>Other retail exposures</i>	140,867	710,806	1,822,402	2,674,075
Total IRB exposures	18,551,685	17,884,991	13,441,622	49,878,298
Standardised exposures				
Banks, development financial institutions & MDBs	79,151	-	-	79,151
Corporates	349,402	21,955	64,546	435,903
Regulatory retail	543,730	49,269	269,893	862,892
Residential mortgages	374	405	10,728	11,507
Higher risk assets	16	-	49	65
Other assets	834,911	10,980	42,983	888,874
Total Standardised exposures	1,807,584	82,609	388,199	2,278,392
Total credit risk exposures	20,359,269	17,967,600	13,829,821	52,156,690

Note: The above table shows that exposures with residual contractual maturity more than 5 years, of which 80% are collateralized.

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5. Credit risk (continued)

5.1 Exposure values (continued)

5.1.3) Residual contractual maturity analysis (continued)

Bank 31 December 2017	Up to 1 year RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
IRB exposures				
Sovereigns/Central banks	3,973,253	2,627,732	159,875	6,760,860
Banks, development financial institutions & MDBs	8,637,696	2,477,090	617,837	11,732,623
Insurance companies, securities firms & fund managers	335,121	114,389	12,458	461,968
Corporate exposures (excluding specialised lending and firm-size adjustment)	8,244,556	3,900,447	773,078	12,918,081
Corporate exposures (with firm-size adjustment)	1,024,014	164,192	510,292	1,698,498
Specialised lending	144,504	11,889	337,702	494,095
Retail exposures	1,052,730	5,344,095	10,681,747	17,078,572
<i>Residential mortgages</i>	486,675	324,086	8,773,094	9,583,855
<i>Qualifying revolving retail exposures</i>	193,400	3,915,110	4,583	4,113,093
<i>Other retail exposures</i>	372,655	1,104,899	1,904,070	3,381,624
Total IRB exposures	23,411,874	14,639,834	13,092,989	51,144,697
Standardised exposures				
Banks, development financial institutions & MDBs	58,433	-	-	58,433
Corporates	251,943	24,781	32,708	309,432
Regulatory retail	312,307	3,221	24,180	339,708
Residential mortgages	177	558	10,616	11,351
Higher risk assets	10	13	112	135
Other assets	725,984	900	25,332	752,216
Total Standardised exposures	1,348,854	29,473	92,948	1,471,275
Total credit risk exposures	24,760,728	14,669,307	13,185,937	52,615,972

Note: The above table shows that exposures with residual contractual maturity more than 5 years, of which 71% are collateralized.

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5. Credit risk (continued)

5.2 Credit risk mitigation

The Group's approach to credit risk mitigation are disclosed in disclosed in Note 38(i)(b) of the Group's financial statements.

The following tables disclose the total standardised and IRB 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 2018	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	7,498,507	-	-	-
Banks, development financial institutions & MDBs	2,073,918	96,789	-	-
Insurance companies, securities firms & fund managers	113,718	110,279	-	-
Corporates	9,776,723	75,706	388,738	1,256,551
Regulatory retail	5,649,700	4,022	125,552	1,224,923
Residential mortgages	11,040,207	-	-	10,872,383
Other assets	960,703	-	39,959	-
Specialised financing/investment	555,790	-	-	-
Defaulted exposures	1,190,653	-	8,735	264,068
Total on-balance sheet exposures	38,859,919	286,796	562,984	13,617,925
Off-balance sheet exposures				
OTC derivatives	4,789,551	21,740	204,128	6,790
Off-balance sheet exposures other than OTC derivatives or credit derivatives	12,963,895	28,186	118,951	458,211
Defaulted exposures	20,129	-	2,706	822
Total off-balance sheet exposures	17,773,575	49,926	325,785	465,823
Total on and off-balance sheet exposures	56,633,494	336,722	888,769	14,083,748

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5. Credit risk (continued)

5.2 Credit risk mitigation (continued)

Group	Exposures	Exposures	Exposures	Exposures
31 December 2017	before CRM	covered by	covered by	covered by
	RM'000	guarantees	eligible	Other
		or credit	financial	eligible
		derivatives	collateral	collateral
		RM'000	RM'000	RM'000
On-balance sheet exposures				
Sovereigns/Central banks	7,658,676	-	-	-
Banks, development financial institutions & MDBs	4,486,661	63,785	-	-
Insurance companies, securities firms & fund managers	178,180	161,355	15,186	-
Corporates	8,760,395	132,053	334,714	959,209
Regulatory retail	5,849,804	5,473	105,923	87,020
Residential mortgages	11,466,593	-	-	11,409,810
Other assets	828,178	-	8,614	-
Specialised financing/investment	125,631	-	-	-
Defaulted exposures	1,750,001	-	19,185	193,638
Total on-balance sheet exposures	41,104,119	362,666	483,622	12,649,677
Off-balance sheet exposures				
OTC derivatives	5,472,459	74,311	630,955	23,895
Off-balance sheet exposures other than OTC derivatives or credit derivatives	10,429,955	97,924	130,289	329,858
Defaulted exposures	55,324	-	3,476	824
Total off-balance sheet exposures	15,957,738	172,235	764,720	354,577
Total on and off-balance sheet exposures	57,061,857	534,901	1,248,342	13,004,254

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5. Credit risk (continued)

5.2 Credit risk mitigation (continued)

Bank 31 December 2018	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	6,102,867	-	-	-
Banks, development financial institutions & MDBs	2,300,691	96,789	-	-
Insurance companies, securities firms & fund managers	113,718	110,279	-	-
Corporates	8,645,124	72,286	324,943	1,128,952
Regulatory retail	5,398,844	4,004	124,892	1,228,065
Residential mortgages	9,580,488	-	-	9,417,702
Other assets	888,866	-	39,959	-
Specialised financing/investment	514,354	-	-	-
Defaulted exposures	1,109,019	-	8,735	253,708
Total on-balance sheet exposures	34,653,971	283,358	498,529	12,028,427
Off-balance sheet exposures				
OTC derivatives	4,898,477	21,740	165,116	3,761
Off-balance sheet exposures other than OTC derivatives or credit derivatives	12,584,113	15,596	92,776	456,028
Defaulted exposures	20,129	-	2,706	822
Total off-balance sheet exposures	17,502,719	37,336	260,598	460,611
Total on and off-balance sheet exposures	52,156,690	320,694	759,127	12,489,038

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5. Credit risk (continued)

5.2 Credit risk mitigation (continued)

Bank 31 December 2017	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	6,753,787	-	-	-
Banks, development financial institutions & MDBs	6,168,647	63,785	-	-
Insurance companies, securities firms & fund managers	178,180	161,355	15,186	-
Corporates	7,451,961	131,162	236,127	864,922
Regulatory retail	5,049,286	5,441	104,285	83,597
Residential mortgages	8,878,056	-	-	8,829,691
Other assets	752,210	-	8,614	-
Specialised financing/investment	82,931	-	-	-
Defaulted exposures	1,653,442	-	19,185	182,097
Total on-balance sheet exposures	36,968,500	361,743	383,397	9,960,307
Off-balance sheet exposures				
OTC derivatives	5,662,971	74,311	587,534	114
Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,929,186	93,643	118,029	300,895
Defaulted exposures	55,315	-	3,476	824
Total off-balance sheet exposures	15,647,472	167,954	709,039	301,833
Total on and off-balance sheet exposures	52,615,972	529,697	1,092,436	10,262,140

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5. Credit risk (continued)

5.3 Exposures under IRB approach

5.3.1 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	0-0.04%	0.04-0.17%	0.17-0.59%	0.59-3.05%	3.05-12.00%	12.00-100%	Default or 100%
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-retail exposures (EAD)							
<u>On balance sheet exposures</u>							
Sovereign	-	7,498,507	-	-	-	-	-
Bank	223,085	952,341	543,776	260,888	4,407	11,146	-
Corporate	415,689	1,774,728	2,622,332	3,302,338	1,403,811	513,220	523,040
Total on-balance sheet exposures	638,774	10,225,576	3,166,108	3,563,226	1,408,218	524,366	523,040
<u>Undrawn commitments</u>							
Bank	-	190,050	2,861	660	-	-	-
Corporate	-	270,148	485,060	453,585	76,232	11,418	4,596
Total undrawn commitments	-	460,198	487,921	454,245	76,232	11,418	4,596
<u>Derivatives</u>							
Sovereign	5,664	211,460	-	-	-	-	-
Bank	23,209	2,710,676	482,529	216,447	-	-	-
Corporate	21,741	371,552	235,913	401,140	108,827	379	2,814
Total derivatives	50,614	3,293,688	718,442	617,587	108,827	379	2,814
<u>Contingent</u>							
Bank	43,097	706,586	71,999	105,163	-	-	-
Corporate	-	995,861	1,926,928	1,135,567	256,917	139,620	8,284
Total contingent	43,097	1,702,447	1,998,927	1,240,730	256,917	139,620	8,284
Exposure weighted average LGD (%)							
Sovereign	46.00%	46.00%	-	-	-	-	-
Bank	39.59%	39.82%	37.39%	34.29%	32.66%	46.00%	-
Corporate	54.27%	44.30%	40.85%	41.21%	47.60%	39.48%	58.33%
Exposure weighted average risk weight (%)							
Sovereign	3.41%	21.10%	-	-	-	-	-
Bank	6.78%	18.41%	39.72%	59.34%	89.16%	215.72%	-
Corporate	30.93%	25.51%	43.78%	82.90%	152.82%	220.57%	427.25%

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5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

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

Group	0-0.04%	0.04-0.17%	0.17-0.59%	0.59-3.05%	3.05-12.00%	12.00-100%	Default or 100%
31 December 2017	RM'000	RM'000		RM'000	RM'000	RM'000	RM'000
Non-retail exposures (EAD)							
<u>On balance sheet exposures</u>							
Sovereign	-	7,658,676	-	-	-	-	-
Bank	851,159	3,181,660	199,147	189,220	5,753	1,289	-
Corporate	225,742	1,467,901	2,769,945	3,002,130	1,263,590	71,136	1,063,443
Total on-balance sheet exposures	1,076,901	12,308,237	2,969,092	3,191,350	1,269,343	72,425	1,063,443
<u>Undrawn commitments</u>							
Bank	-	166,002	3,111	530	-	-	-
Corporate	20,658	182,543	617,276	747,914	97,915	12,384	3,164
Total undrawn commitments	20,658	348,545	620,387	748,444	97,915	12,384	3,164
<u>Derivatives</u>							
Sovereign	-	7,073	-	-	-	-	-
Bank	13,018	3,652,907	436,818	191,132	-	-	-
Corporate	152,174	170,853	509,665	208,813	127,779	2,227	3,158
Total derivatives	165,192	3,830,833	946,483	399,945	127,779	2,227	3,158
<u>Contingent</u>							
Bank	20,902	723,844	56,635	124,319	-	-	-
Corporate	-	653,564	2,154,183	1,443,613	307,831	100,809	43,828
Total contingent	20,902	1,377,408	2,210,818	1,567,932	307,831	100,809	43,828
Exposure weighted average LGD (%)							
Sovereign	-	46.20%	-	-	-	-	-
Bank	26.20%	33.85%	37.70%	41.20%	41.20%	26.20%	-
Corporate	59.27%	45.70%	41.56%	44.79%	44.49%	35.55%	49.22%
Exposure weighted average risk weight (%)							
Sovereign	-	16.90%	-	-	-	-	-
Bank	4.71%	14.53%	39.97%	73.93%	112.49%	122.87%	-
Corporate	26.90%	24.86%	48.95%	96.43%	148.79%	168.35%	211.46%

5. Credit risk (continued)

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5.3 Exposures under IRB approach (continued)

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

Bank 31 December 2018	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)							
<u>On balance sheet exposures</u>							
Sovereign	-	6,102,867	-	-	-	-	-
Bank	223,085	950,784	772,106	260,888	4,407	11,146	-
Corporate	415,689	1,613,477	2,335,697	2,911,348	1,088,781	494,095	518,853
Total on-balance sheet exposures	638,774	8,667,128	3,107,803	3,172,236	1,093,188	505,241	518,853
<u>Undrawn commitments</u>							
Sovereign	-	-	-	-	-	-	-
Bank	-	190,050	3,901	660	-	-	-
Corporate	-	270,018	376,849	362,406	57,014	10,199	4,596
Total undrawn commitments	-	460,068	380,750	363,066	57,014	10,199	4,596
<u>Derivatives</u>							
Sovereign	5,664	211,460	-	-	-	-	-
Bank	23,209	2,710,676	721,415	109,601	-	-	-
Corporate	21,741	349,936	235,789	399,767	108,827	378	2,814
Total derivatives	50,614	3,272,072	957,204	509,368	108,827	378	2,814
<u>Contingent</u>							
Bank	43,097	706,587	71,999	105,163	-	-	-
Corporate	-	995,861	1,879,386	1,048,679	243,345	133,446	8,284
Total contingent	43,097	1,702,448	1,951,385	1,153,842	243,345	133,446	8,284
Exposure weighted average LGD (%)							
Sovereign	46.00%	46.00%	-	-	-	-	-
Bank	39.59%	39.82%	39.52%	31.74%	32.66%	46.00%	-
Corporate	54.27%	43.80%	40.92%	40.65%	46.73%	39.06%	58.09%
Exposure weighted average risk weight (%)							
Sovereign	3.41%	22.31%	-	-	-	-	-
Bank	6.78%	18.41%	37.67%	60.19%	89.16%	215.72%	-
Corporate	30.93%	25.15%	43.95%	81.13%	148.19%	220.01%	422.12%

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5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

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

Bank 31 December 2017	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)							
<u>On balance sheet exposures</u>							
Sovereign	-	6,753,787	-	-	-	-	-
Bank	851,159	3,180,103	1,882,690	189,220	5,753	1,289	-
Corporate	225,742	1,327,948	2,243,831	2,579,668	1,033,193	40,532	1,062,103
Total on-balance sheet exposures	1,076,901	11,261,838	4,126,521	2,768,888	1,038,946	41,821	1,062,103
<u>Undrawn commitments</u>							
Bank	-	166,002	4,151	530	-	-	-
Corporate	20,658	182,413	505,311	663,745	63,886	9,128	3,164
Total undrawn commitments	20,658	348,415	509,462	664,275	63,886	9,128	3,164
<u>Derivatives</u>							
Sovereign	-	7,073	-	-	-	-	-
Bank	13,018	3,652,906	668,882	191,220	-	-	-
Corporate	152,174	132,912	509,290	205,519	127,779	2,198	3,158
Total derivatives	165,192	3,792,891	1,178,172	396,739	127,779	2,198	3,158
<u>Contingent</u>							
Bank	20,902	723,844	56,635	124,319	-	-	-
Corporate	-	573,325	2,112,525	1,347,390	300,997	100,225	43,828
Total contingent	20,902	1,297,169	2,169,160	1,471,709	300,997	100,225	43,828
Exposure weighted average LGD (%)							
Sovereign	-	46.20%	-	-	-	-	-
Bank	26.20%	33.85%	40.26%	41.20%	41.20%	26.20%	-
Corporate	59.27%	46.38%	41.12%	44.55%	45.23%	31.27%	49.24%
Exposure weighted average risk weight (%)							
Sovereign	-	17.53%	-	-	-	-	-
Bank	4.71%	14.53%	34.79%	73.93%	112.49%	122.87%	-
Corporate	26.90%	24.82%	48.33%	96.10%	150.72%	146.91%	211.50%

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5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

5.3.2 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	0-0.11%	0.11-0.30%	0.30-0.43%	0.43-3.05%	3.05-9.20%	9.20-100%	Default or 100%
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)							
<u>On balance sheet exposures</u>							
Residential mortgage	309,646	2,326,829	1,169,576	6,211,642	612,522	398,852	196,039
Qualifying revolving retail	26,683	200,474	147,180	1,001,871	409,897	275,550	256,292
Other retail	455,707	623,693	49,356	963,907	388,666	265,848	198,443
Total on-balance sheet exposures	<u>792,036</u>	<u>3,150,996</u>	<u>1,366,112</u>	<u>8,177,420</u>	<u>1,411,085</u>	<u>940,250</u>	<u>650,774</u>
<u>Undrawn commitments</u>							
Residential mortgage	77	23,469	58,793	556,755	32,361	101,945	2,492
Qualifying revolving retail	329,235	1,702,398	723,823	2,045,332	308,295	134,374	-
Other retail	42	14,841	1,005	13,331	4,799	5,413	1,789
Total undrawn commitments	<u>329,354</u>	<u>1,740,708</u>	<u>783,621</u>	<u>2,615,418</u>	<u>345,455</u>	<u>241,732</u>	<u>4,281</u>
Exposure weighted average LGD (%)							
Residential mortgage	12.26%	12.50%	12.64%	12.61%	12.77%	13.07%	16.03%
Qualifying revolving retail	62.79%	62.79%	62.79%	62.93%	63.53%	63.88%	40.18%
Other retail	21.41%	21.85%	27.03%	40.45%	50.60%	58.16%	50.50%
Exposure weighted average risk weight (%)							
Residential mortgage	2.99%	5.43%	8.30%	15.47%	42.83%	63.48%	97.87%
Qualifying revolving retail	3.35%	7.11%	11.36%	25.03%	80.64%	160.97%	141.12%
Other retail	3.80%	8.93%	16.56%	52.11%	80.57%	130.44%	164.23%

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5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

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

Group 31 December 2017	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)							
<u>On balance sheet exposures</u>							
Residential mortgage	342,870	2,510,847	1,278,410	6,220,898	709,106	393,303	177,835
Qualifying revolving retail	34,157	202,088	97,251	751,649	530,566	197,855	194,399
Other retail	519,798	526,744	282,586	1,508,978	351,213	416,303	276,280
Total on-balance sheet exposures	<u>896,825</u>	<u>3,239,679</u>	<u>1,658,247</u>	<u>8,481,525</u>	<u>1,590,885</u>	<u>1,007,461</u>	<u>648,514</u>
<u>Undrawn commitments</u>							
Residential mortgage	50	9,474	38,029	530,334	463	3,604	1,723
Qualifying revolving retail	451,266	485,130	144,930	741,625	228,629	53,548	-
Other retail	969	27,956	1,420	149,901	23,274	50,447	3,227
Total undrawn commitments	<u>452,285</u>	<u>522,560</u>	<u>184,379</u>	<u>1,421,860</u>	<u>252,366</u>	<u>107,599</u>	<u>4,950</u>
Exposure weighted average LGD (%)							
Residential mortgage	12.14%	12.41%	12.44%	12.54%	12.44%	12.93%	14.98%
Qualifying revolving retail	67.07%	67.07%	67.07%	67.07%	67.07%	67.07%	60.08%
Other retail	16.62%	17.96%	20.11%	33.22%	55.12%	61.27%	65.01%
Exposure weighted average risk weight (%)							
Residential mortgage	3.00%	5.39%	8.16%	15.53%	43.78%	66.68%	95.36%
Qualifying revolving retail	3.63%	7.45%	12.67%	31.36%	83.03%	166.68%	353.18%
Other retail	3.34%	9.42%	12.11%	39.88%	86.28%	135.34%	311.20%

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5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

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

Bank 31 December 2018	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)							
<u>On balance sheet exposures</u>							
Residential mortgage	309,260	1,856,073	967,658	5,515,814	561,066	359,657	181,359
Qualifying revolving retail	26,683	200,474	147,180	1,001,871	409,897	275,550	256,292
Other retail	455,540	626,402	49,356	809,354	330,146	226,847	135,700
Total on-balance sheet exposures	<u>791,483</u>	<u>2,682,949</u>	<u>1,164,194</u>	<u>7,327,039</u>	<u>1,301,109</u>	<u>862,054</u>	<u>573,351</u>
<u>Undrawn commitments</u>							
Residential mortgage	77	23,469	58,793	556,755	32,361	101,945	2,492
Qualifying revolving retail	329,235	1,702,398	723,823	2,045,332	308,295	134,374	-
Other retail	42	14,841	1,005	13,126	4,514	5,413	1,789
Total undrawn commitments	<u>329,354</u>	<u>1,740,708</u>	<u>783,621</u>	<u>2,615,213</u>	<u>345,170</u>	<u>241,732</u>	<u>4,281</u>
Exposure weighted average LGD (%)							
Residential mortgage	12.10%	12.51%	12.73%	12.67%	12.84%	13.09%	15.58%
Qualifying revolving retail	62.79%	62.79%	62.79%	62.93%	63.53%	63.88%	40.18%
Other retail	21.42%	21.80%	27.03%	36.94%	48.01%	57.94%	52.94%
Exposure weighted average risk weight (%)							
Residential mortgage	2.99%	5.52%	8.36%	15.55%	42.69%	62.68%	96.53%
Qualifying revolving retail	3.35%	7.11%	11.36%	25.03%	80.64%	160.97%	141.12%
Other retail	3.80%	8.91%	16.56%	47.31%	76.74%	130.95%	195.29%

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5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

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

Bank 31 December 2017	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)							
<u>On balance sheet exposures</u>							
Residential mortgage	340,613	1,849,935	953,400	4,874,848	547,832	300,608	163,848
Qualifying revolving retail	34,157	202,088	97,251	751,649	530,566	197,855	194,399
Other retail	422,382	395,385	184,734	1,270,833	274,860	373,612	209,130
Total on-balance sheet exposures	797,152	2,447,408	1,235,385	6,897,330	1,353,258	872,075	567,377
<u>Undrawn commitments</u>							
Residential mortgage	50	9,105	38,029	500,459	463	2,951	1,714
Qualifying revolving retail	451,266	485,130	144,930	741,625	228,629	53,548	-
Other retail	969	27,956	1,420	143,663	23,006	50,447	3,227
Total undrawn commitments	452,285	522,191	184,379	1,385,747	252,098	106,946	4,941
<u>Exposure weighted average LGD (%)</u>							
Residential mortgage	12.13%	12.40%	12.50%	12.60%	12.45%	12.89%	14.83%
Qualifying revolving retail	67.07%	67.07%	67.07%	67.07%	67.07%	67.07%	60.08%
Other retail	16.62%	17.91%	20.42%	33.05%	60.84%	63.04%	61.45%
<u>Exposure weighted average risk weight (%)</u>							
Residential mortgage	3.00%	5.46%	8.20%	15.58%	43.77%	66.61%	94.66%
Qualifying revolving retail	3.63%	7.45%	12.67%	31.36%	83.03%	166.68%	353.18%
Other retail	3.34%	9.36%	12.32%	39.88%	95.48%	140.25%	293.80%

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5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

5.3.3 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	Up to 0.10%	>0.10 to 0.20%	>0.20 to 0.50%	>0.50 to 1.00%	>1.00 to 30.00%	>30 to <100%	100%
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)							
<u>On balance sheet exposures</u>							
Residential mortgage	7,410,385	1,908,875	892,022	327,541	686,283	-	-
Qualifying revolving retail	70,187	173,955	452,701	363,488	1,157,254	100,362	-
Other retail	1,437,913	117,869	63,311	335,370	779,275	211,675	207
Total on-balance sheet exposures	8,918,485	2,200,699	1,408,034	1,026,399	2,622,812	312,037	207
<u>Undrawn commitments</u>							
Residential mortgage	218,794	153,044	267,938	1,672	134,444	-	-
Qualifying revolving retail	869,966	1,298,222	1,874,998	474,079	723,299	2,893	-
Other retail	24,497	2,218	1,940	832	9,943	1,790	-
Total undrawn commitments	1,113,257	1,453,484	2,144,876	476,583	867,686	4,683	-
Exposure weighted average risk weight (%)							
Residential mortgage	8.74%	17.70%	28.05%	44.30%	69.14%	-	-
Qualifying revolving retail	4.48%	8.20%	14.59%	27.57%	89.95%	178.75%	-
Other retail	6.78%	29.91%	51.57%	63.01%	117.09%	137.21%	801.49%
Group							
31 December 2017	Up to 0.10%	>0.10 to 0.20%	>0.20 to 0.50%	>0.50 to 1.00%	>1.00 to 30.00%	>30 to <100%	100%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)							
<u>On balance sheet exposures</u>							
Residential mortgage	7,695,244	1,917,612	945,453	388,434	686,526	-	-
Qualifying revolving retail	73,581	162,664	306,526	212,779	1,025,812	226,603	-
Other retail	1,754,820	468,755	78,207	365,066	903,251	311,059	744
Total on-balance sheet exposures	9,523,645	2,549,031	1,330,186	966,279	2,615,589	537,662	744
<u>Undrawn commitments</u>							
Residential mortgage	135,874	125,182	316,833	243	5,545	-	-
Qualifying revolving retail	564,996	371,400	399,658	283,157	480,786	5,131	-
Other retail	45,344	8,508	101,822	6,814	91,170	3,536	-
Total undrawn commitments	746,214	505,090	818,313	290,214	577,501	8,667	-
Exposure weighted average risk weight (%)							
Residential mortgage	8.50%	17.52%	28.00%	44.27%	72.23%	-	-
Qualifying revolving retail	4.02%	8.08%	16.36%	26.22%	81.44%	329.00%	-
Other retail	13.30%	15.24%	34.07%	48.18%	120.37%	267.22%	-

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5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

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

Bank	Up to 0.10%	>0.10 to 0.20%	>0.20 to 0.50%	>0.50 to 1.00%	>1.00 to 30.00%	>30 to <100%	100%
31 December 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)							
<u>On balance sheet exposures</u>							
Residential mortgage	6,342,839	1,649,784	835,755	295,430	627,079	-	-
Qualifying revolving retail	70,187	173,955	452,701	363,488	1,157,254	100,362	-
Other retail	1,456,589	117,972	57,127	248,222	612,926	140,302	207
Total on-balance sheet exposures	7,869,615	1,941,711	1,345,583	907,140	2,397,259	240,664	207
<u>Undrawn commitments</u>							
Residential mortgage	218,794	153,044	267,938	1,672	134,444	-	-
Qualifying revolving retail	869,966	1,298,222	1,874,998	474,079	723,299	2,893	-
Other retail	24,354	2,218	1,940	832	9,596	1,790	-
Total undrawn commitments	1,113,114	1,453,484	2,144,876	476,583	867,339	4,683	-
Exposure weighted average risk weight (%)							
Residential mortgage	8.88%	17.69%	27.96%	44.28%	68.46%	-	-
Qualifying revolving retail	4.48%	8.20%	14.59%	27.57%	89.95%	178.75%	-
Other retail	6.74%	29.92%	51.73%	63.63%	121.17%	155.24%	801.49%
Bank							
31 December 2017	Up to 0.10%	>0.10 to 0.20%	>0.20 to 0.50%	>0.50 to 1.00%	>1.00 to 30.00%	>30 to <100%	100%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Retail exposures (EAD)							
<u>On balance sheet exposures</u>							
Residential mortgage	6,003,531	1,434,580	742,315	297,218	553,440	-	-
Qualifying revolving retail	73,581	162,664	306,526	212,779	1,025,812	226,603	-
Other retail	1,389,208	373,005	67,280	252,470	799,735	248,494	744
Total on-balance sheet exposures	7,466,320	1,970,249	1,116,121	762,467	2,378,987	475,097	744
<u>Undrawn commitments</u>							
Residential mortgage	128,372	121,708	297,565	243	4,883	-	-
Qualifying revolving retail	564,996	371,400	399,658	283,157	480,786	5,131	-
Other retail	45,185	8,508	95,743	6,814	90,902	3,536	-
Total undrawn commitments	738,553	501,616	792,966	290,214	576,571	8,667	-
Exposure weighted average risk weight (%)							
Residential mortgage	8.59%	17.55%	27.82%	44.33%	73.12%	-	-
Qualifying revolving retail	4.02%	8.08%	16.36%	26.22%	81.44%	329.00%	-
Other retail	12.34%	15.21%	33.79%	50.54%	121.97%	267.98%	-

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5. Credit risk (continued)

5.3 Exposures under IRB approach (continued)

5.3.4 exposures subject to the supervisory risk weights under the IRB approach

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

Group	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
31 December 2018					
Income producing real estate					
- Total Exposures	-	73,963	-	-	-
- Risk Weighted Assets	-	66,566	-	-	-
31 December 2017					
Income producing real estate					
- Total Exposures	-	7,399	-	-	-
- Risk Weighted Assets	-	6,659	-	-	-
Bank	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
31 December 2018					
Income producing real estate					
- Total Exposures	-	73,963	-	-	-
- Risk Weighted Assets	-	66,566	-	-	-
31 December 2017					
Income producing real estate					
- Total Exposures	-	7,399	-	-	-
- Risk Weighted Assets	-	6,659	-	-	-

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5. Credit risk (continued)

5.4 Exposures under the Standardised approach

Risk weights under the Standardised approach

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

Group	Exposures after netting and credit risk mitigation						Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
	Banks, development financial institutions & MDBs RM'000	Corporates* RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000		
31 December 2018								
Risk weights								
0%	77,757	11	-	-	-	128,663	206,431	-
35%	-	-	-	11,202	-	-	11,202	3,921
50%	-	14	-	1	-	-	15	8
75%	-	713	687,462	345	-	-	688,520	516,391
100%	1,395	385,627	52,781	95	-	792,088	1,231,986	1,231,986
150%	-	-	15,886	44	64	-	15,994	23,991
Total exposures	79,152	386,365	756,129	11,687	64	920,751	2,154,148	1,776,297
Risk-weighted assets by exposures	1,395	386,169	592,207	4,341	96	792,089	1,776,297	
Average risk weight	1.8%	99.9%	78.3%	37.1%	150.0%	86.0%	82.5%	
Deduction from capital base	-	-	-	-	-	-	-	

Group	Exposures after netting and credit risk mitigation						Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
	Banks, development financial institutions & MDBs RM'000	Corporates* RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000		
31 December 2017								
Risk weights								
0%	55,546	-	-	-	-	92,090	147,636	-
35%	-	-	-	11,164	-	-	11,164	3,907
50%	2,887	-	493	72	-	-	3,452	1,727
75%	-	-	272,082	150	-	-	272,232	204,173
100%	-	279,497	120,340	122	-	727,482	1,127,441	1,127,441
150%	-	-	26,319	181	135	-	26,635	39,953
Total exposures	58,433	279,497	419,234	11,689	135	819,572	1,588,560	1,377,201
Risk-weighted assets by exposures	1,444	279,497	364,127	4,449	203	727,481	1,377,201	
Average risk weight	2.5%	100.0%	86.9%	38.1%	150.0%	88.8%	86.7%	
Deduction from capital base	-	-	-	-	-	-	-	

* All corporate standardised exposures are unrated.

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5. Credit risk (continued)

5.4 Exposures under the Standardised approach (continued)

Risk weights under the Standardised approach (continued)

Bank	Exposures after netting and credit risk mitigation						Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
	Banks, development financial institutions & MDBs RM'000	Corporates* RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000		
31 December 2018								
Risk weights								
0%	77,757	11	-	-	-	125,929	203,697	-
35%	-	-	-	11,022	-	-	11,022	3,858
50%	-	14	-	1	-	-	15	8
75%	-	713	686,138	345	-	-	687,196	515,396
100%	1,395	382,240	52,781	95	-	722,986	1,159,497	1,159,497
150%	-	-	15,862	44	64	-	15,970	23,955
Total exposures	79,152	382,978	754,781	11,507	64	848,915	2,077,397	1,702,714
Risk-weighted assets by exposures	1,395	382,782	591,178	4,278	96	722,985	1,702,714	
Average risk weight	1.8%	99.9%	78.3%	37.2%	150.0%	85.2%	82.0%	
Deduction from capital base	-	-	-	-	-	-	-	
31 December 2017								
Risk weights								
0%	55,546	-	-	-	-	89,007	144,553	-
35%	-	-	-	10,825	-	-	10,825	3,788
50%	2,887	-	-	72	-	-	2,959	1,480
75%	-	-	265,076	150	-	-	265,226	198,919
100%	-	274,060	1,018	122	-	654,596	929,796	929,796
150%	-	-	22,293	181	135	-	22,609	33,914
Total exposures	58,433	274,060	288,387	11,350	135	743,603	1,375,968	1,167,897
Risk-weighted assets by exposures	1,444	274,060	233,265	4,331	203	654,594	1,167,897	
Average risk weight	2.5%	100.0%	80.9%	38.2%	150.0%	88.0%	84.9%	
Deduction from capital base	-	-	-	-	-	-	-	

* All corporate standardised exposures are unrated.

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5. Credit risk (continued)

5.5 Problem credit management and provisioning

The Group's credit management policies and impairment measurement are disclosed in Note 38)(i)(h) of the Group's financial statements.

The Group's impaired loans, advances and financing and allowance for credit losses by significant geographical areas are disclosed in Note 40 (iii) of the Group's financial statements

5.5.1 Impairment provisions analysed by borrowers' business or industry

The following tables show the Group's and the Bank's allowance for credit losses by each principal category of borrowers' business or industry.

Group 31 December 2018	Allowances for credit losses held as at 1 January 2018 * RM'000	Net allowance credit losses charge during the financial year RM'000	Amounts written off or other movements during the financial year RM'000	Allowances for credit losses provisions held as at 31 December 2018 RM'000
Mortgages	71,949	1,275	(7,656)	65,568
Others	421,692	78,331	(95,744)	404,279
Small and medium enterprises and others				
Retail Clients	493,641	79,606	(103,400)	469,847
Agriculture	30	234	-	264
Mining and quarrying	476	(219)	(64)	193
Manufacturing	519,763	(112,211)	(232,270)	175,282
Electricity, gas and water	478	(141)	-	337
Construction	8,623	1,715	(15)	10,323
Real estate	2,458	35,358	(31,118)	6,698
Wholesale & retail trade and restaurants & hotels	57,085	(2,922)	(10,573)	43,590
Transportation, storage and communication	5,851	894	-	6,745
Finance, insurance and business services	2,037	7,885	(1,846)	8,076
Others	8,207	(6,807)	(239)	1,161
Corporates, Institutional and Commercial Clients	605,008	(76,214)	(276,125)	252,669
Total Impairment Provisions	1,098,649	3,392	(379,525)	722,516

* Balances as of 1 January 2018 have been applied retrospectively with MFRS 9 day 1 impact.

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5. Credit risk (continued)

5.5 Problem credit management and provisioning (continued)

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

Bank 31 December 2018	Allowances for credit losses held as at 1 January 2018 * RM'000	Net allowance credit losses charge during the financial year RM'000	Amounts written off or other movements during the financial year RM'000	Allowances for credit losses provisions held as at 31 December 2018 RM'000
Mortgages	57,495	395	(6,489)	51,401
Others	347,246	80,527	(68,848)	358,925
Retail Clients	404,741	80,922	(75,337)	410,326
Agriculture	18	18	-	36
Mining and quarrying	475	(279)	(64)	132
Manufacturing	508,803	(106,708)	(232,270)	169,825
Electricity, gas and water	478	(141)	-	337
Construction	8,339	(3,172)	(15)	5,152
Real estate	2,458	35,222	(31,118)	6,562
Wholesale & retail trade and restaurants & hotels	56,566	(2,993)	(10,612)	42,961
Transportation, storage and communication	2,982	888	-	3,870
Finance, insurance and business services	1,607	5,537	-	7,144
Others	8,193	(6,825)	(232)	1,136
Corporates, Institutional and Commercial Clients	589,919	(78,453)	(274,311)	237,155
Total Impairment Provisions	994,660	2,469	(349,648)	647,481

* Balances as of 1 January 2018 have been applied retrospectively with MFRS 9 day 1 impact.

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5. Credit risk (continued)

5.5 Problem credit management and provisioning (continued)

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

Group 31 December 2017	Collective impairment provisions as at 31 December 2017 RM'000	Individual impairment provisions held as at 1 January 2017 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 2017 RM'000
Mortgages	43,036	47,112	46,638	(45,209)	48,541
Others	147,242	100,875	138,675	(128,200)	111,350
Retail Clients	190,278	147,987	185,313	(173,409)	159,891
Agriculture	3,491	20,798	-	(20,798)	-
Mining and quarrying	4,865	-	-	-	-
Manufacturing	40,108	536,304	82,992	(141,086)	478,210
Electricity, gas and water	1,256	-	-	-	-
Construction	11,564	689	1,327	(689)	1,327
Real estate	12,479	-	-	-	-
Wholesale & retail trade and restaurants & hotels	21,922	58,900	18,517	(25,593)	51,824
Transportation, storage and communication	7,734	3,443	2,417	(584)	5,276
Finance, insurance and business services	36,641	-	-	-	-
Household	40	-	-	-	-
Others	2,416	-	-	-	-
Corporates, Institutional and Commercial Clients	142,516	620,134	105,253	(188,750)	536,637
Total Impairment Provisions	332,794	768,121	290,566	(362,159)	696,528

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5. Credit risk (continued)

5.5 Problem credit management and provisioning (continued)

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

Bank 31 December 2017	Collective impairment provisions as at 31 December 2017 RM'000	Individual impairment provisions held as at 1 January 2017 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 2017 RM'000
Mortgages	33,337	42,464	34,147	(37,255)	39,356
Others	115,392	80,545	96,659	(85,823)	91,381
Retail Clients	148,729	123,009	130,806	(123,078)	130,737
Agriculture	418	20,798	-	(20,798)	-
Mining and quarrying	2,737	-	-	-	-
Manufacturing	36,671	535,120	82,992	(140,130)	477,982
Electricity, gas and water	1,256	-	-	-	-
Construction	9,837	689	1,327	(689)	1,327
Real estate	11,222	-	-	-	-
Wholesale & retail trade and restaurants & hotels	15,916	58,900	18,517	(25,593)	51,824
Transportation, storage and communication	5,390	3,443	-	(584)	2,859
Finance, insurance and business services	33,853	-	-	-	-
Household	40	-	-	-	-
Others	2,272	-	-	-	-
Corporates, Institutional and Commercial Clients	119,612	618,950	102,836	(187,794)	533,992
Total Impairment Provisions	268,341	741,959	233,642	(310,872)	664,729

Movement in allowances for expected credit losses as at 31 December 2018 with 31 December 2017 are disclosed in Note 40(vi) of the Group's financial statements.

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5. Credit risk (continued)

5.5 Problem credit management and provisioning (continued)

5.5.2 Past due but not impaired loans, advances and financing

A loan is considered to be past due when the counterparty has failed to make a principal or interest payment when contractually due. Past due does not necessarily mean that a loan is impaired.

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

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
			811,470	
Mortgages	1,088,188	1,276,995		888,169
Others	302,871	313,772	243,085	277,788
Retail Clients	1,391,059	1,590,767	1,054,555	1,165,957
Manufacturing	9,684	20	9,684	20
Real estate	47	-	47	-
Wholesale & retail trade and restaurants & hotels	79,804	2,201	79,804	2,201
Finance, insurance and business services	440	39,617	440	39,617
Education, Health & Others				
Transportation, storage and communication	499	432	-	-
Corporates, Institutional and Commercial Clients	90,474	42,270	89,975	41,838

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	1,481,533	1,633,037	1,144,530	1,207,795
	1,481,533	1,633,037	1,144,530	1,207,795

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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	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
31 December 2018					
Direct credit substitutes	1,376,372	-	-	1,376,372	364,405
Transaction related contingent items	3,825,431	-	-	3,825,431	972,145
Short term self liquidating trade related contingencies	235,120	-	-	234,530	41,985
Sell and buy back agreements					
Foreign exchange related contracts					
<i>One year or less</i>	68,204,696	622,987	674,235	1,604,180	515,435
<i>Over one year to five years</i>	13,097,204	571,207	358,412	1,458,060	581,815
<i>Over five years</i>	982,890	66,437	118,142	169,354	58,643
Interest/profit rate related contracts					
<i>One year or less</i>	10,196,835	24,182	20,151	42,977	6,364
<i>Over one year to five years</i>	31,141,637	127,861	112,439	876,409	367,572
<i>Over five years</i>	4,509,926	43,922	39,802	341,952	195,433
Equity related contracts					
<i>One year or less</i>	36,936	180	-	2,396	246
<i>Over one year to five years</i>	-	-	-	-	-
Commodity contracts					
<i>One year or less</i>	2,415,587	111,391	111,387	187,328	125,990
<i>Over one year to five years</i>	1,461,219	58,524	58,524	108,290	57,530
Credit derivative contracts *					
<i>One year or less</i>	-	-	-	-	-
<i>Over one year to five years</i>	28,386	-	467	1,419	620
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,338,181	-	-	476,113	267,856
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,121,579	-	-	570,964	138,681
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	34,447,727	-	-	6,497,800	1,971,027
	<u>176,419,726</u>	<u>1,626,691</u>	<u>1,493,559</u>	<u>17,773,575</u>	<u>5,665,747</u>

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

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
* <i>Credit derivative contracts</i>			
Total return swap			
- protection sold	28,386	1,419	620

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5. Credit risk (continued)

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

Group 31 December 2017	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	1,720,623	-	-	1,720,623	676,206
Transaction related contingent items	3,620,380	-	-	3,620,380	1,064,613
Short term self liquidating trade related contingencies	392,402	-	-	391,974	104,427
Sell and buy back agreements					
Foreign exchange related contracts					
<i>One year or less</i>	54,934,667	1,170,904	1,417,424	1,940,412	490,822
<i>Over one year to five years</i>	11,938,270	741,987	508,579	1,557,564	751,741
<i>Over five years</i>	1,279,033	72,149	194,291	207,568	95,475
Interest/profit rate related contracts					
<i>One year or less</i>	18,129,267	121,483	122,450	148,801	21,058
<i>Over one year to five years</i>	28,586,931	118,662	106,621	755,525	227,463
<i>Over five years</i>	6,533,194	66,269	52,491	495,420	133,702
Equity related contracts					
<i>One year or less</i>	13,188	1,039	102	720	42
<i>Over one year to five years</i>	29,213	3,809	-	6,146	547
Commodity contracts					
<i>One year or less</i>	1,481,737	53,703	53,703	156,886	58,073
<i>Over one year to five years</i>	1,695,762	94,733	94,733	203,238	140,818
Credit derivative contracts *					
<i>Over one year to five years</i>	20,475	119	-	1,143	239
<i>Over five years</i>	28,386	775	-	2,194	1,058
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,912,182	-	-	527,629	706,199
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	783,878	-	-	688,486	236,617
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	34,052,051	-	-	3,533,029	1,604,374
	<u>168,151,639</u>	<u>2,445,632</u>	<u>2,550,394</u>	<u>15,957,738</u>	<u>6,313,474</u>

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

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
* <i>Credit derivative contracts</i>			
Total return swaps			
- protection sold	48,861	3,337	1,297

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5. Credit risk (continued)

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

Bank 31 December 2018	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	1,352,250	-	-	1,352,250	354,348
Transaction related contingent items	3,705,816	-	-	3,711,526	955,735
Short term self liquidating trade related contingencies	212,628	-	-	212,038	33,622
Sell and buy back agreements					
Foreign exchange related contracts					
<i>One year or less</i>	68,199,573	627,220	673,705	1,713,106	546,945
<i>Over one year to five years</i>	13,097,204	571,207	358,412	1,458,060	570,204
<i>Over five years</i>	982,890	66,437	118,142	169,354	58,643
Interest rate related contracts					
<i>One year or less</i>	10,196,835	24,182	20,151	42,977	6,364
<i>Over one year to five years</i>	31,141,637	127,861	112,439	876,409	370,145
<i>Over five years</i>	4,509,926	43,922	39,802	341,952	195,433
Equity related contracts					
<i>One year or less</i>	36,936	180	-	2,396	246
<i>Over one year to five years</i>	-	-	-	-	-
Commodity contracts					
<i>One year or less</i>	2,415,587	111,391	111,387	187,328	125,990
<i>Over one year to five years</i>	1,461,219	58,524	58,524	108,290	57,530
Credit derivative contracts *					
<i>One year or less</i>	-	-	-	-	-
<i>Over one year to five years</i>	28,386	-	467	1,419	620
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,814,463	-	-	450,710	224,408
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,107,181	-	-	570,856	138,584
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	38,301,673	-	-	6,304,048	1,812,027
	<u>179,564,204</u>	<u>1,630,924</u>	<u>1,493,029</u>	<u>17,502,719</u>	<u>5,450,844</u>

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

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
* <i>Credit derivative contracts</i>			
Total return swap			
- protection sold	28,386	1,419	620

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5. Credit risk (continued)

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

Bank 31 December 2017	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	1,707,032	-	-	1,708,386	672,242
Transaction related contingent items	3,363,489	-	-	3,425,439	1,021,728
Short term self liquidating trade related contingencies	322,029	-	-	368,198	96,182
Sell and buy back agreements					
Foreign exchange related contracts					
<i>One year or less</i>	54,935,278	1,175,722	1,417,492	1,938,562	489,350
<i>Over one year to five years</i>	11,938,270	741,987	508,579	1,748,730	842,765
<i>Over five years</i>	1,279,033	72,149	194,291	207,568	95,475
Interest rate related contracts					
<i>One year or less</i>	18,129,267	121,483	122,450	148,801	21,058
<i>Over one year to five years</i>	28,564,534	118,662	106,621	755,152	240,301
<i>Over five years</i>	6,533,194	66,269	52,491	495,420	133,702
Equity related contracts					
<i>One year or less</i>	13,188	1,039	102	720	42
<i>Over one year to five years</i>	48,824	3,809	2,232	7,715	1,185
Commodity contracts					
<i>One year or less</i>	1,481,737	53,703	53,703	156,886	58,073
<i>Over one year to five years</i>	1,695,762	94,733	94,733	203,238	140,818
Credit derivative contracts *					
<i>Over one year to five years</i>	20,475	119	-	1,143	239
<i>Over five years</i>	28,386	775	-	2,194	1,058
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,492,559	-	-	511,449	693,390
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	747,667	-	-	653,167	228,242
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	37,359,390	-	-	3,314,704	1,361,447
	<u>170,660,114</u>	<u>2,450,450</u>	<u>2,552,694</u>	<u>15,647,472</u>	<u>6,097,297</u>

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

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
* <i>Credit derivative contracts</i>			
Total return swaps			
- protection sold	48,861	3,337	1,297

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6. Market risk

The Group recognises market risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The Bank's exposure to market risk arises predominantly from providing clients access to financial markets, facilitation of which entails the Group's taking market risk position. All trading teams support client activity; there are no proprietary trading teams. Market risk also arises in the non-trading book from the holding of high quality liquid debt securities.

Our market risk management governance, measurement, valuation framework and exposures are disclosed in Note 38(ii) and Note 42 of the Group's financial statements.

7. Equity exposures in banking book

Equity risk is the risk of decline in the net realisable value of investment assets arising from adverse movements in market price or factors specific to the investment itself. The Group holds equity positions for socio-economic purposes, which are deemed as non-trading instruments.

The basis of measurement of the below equity is disclosed in Note 2(b)(i) of the Group's financial statements.

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

Group and Bank	31 December 2018		31 December 2017	
	Gross exposures RM'000	Risk assets RM'000	Gross exposures RM'000	Risk assets RM'000
<u>Privately Held</u>				
For socio-economic purposes	18,144	18,144	9,098	9,098
	<u>18,144</u>	<u>18,144</u>	<u>9,098</u>	<u>9,098</u>

8. Operational risk

The Group defines Operational Risk as the potential for loss resulting from inadequate or failed internal processes, and systems human error, or from the impact of external events, including legal risks and Shariah non-compliance risk.

Our operational risk governance, approach and measurement methodology are disclosed in Note 38(iv) of the Group's financial statements.

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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 and its subsidiaries' Pillar 3 Disclosures report for the financial year ended 31 December 2018 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.

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Abrar A. Anwar
Chief Executive Officer

Date: 2 April 2019