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

**Pillar 3 Disclosures  
31 December 2016**

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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 Pillar 3 Disclosures**

## **1. Overview**

### **Basel II**

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

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

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

In Malaysia, the Capital Adequacy Framework (Basel II - Risk Weighted Assets) came into effect on 1 January 2013, last updated on 1 August 2016. 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 approach for calculating and reporting credit risk regulatory capital in June 2010. As a result, since July 2010 regulatory capital submission, SCBMB and SCSB have been using AIRB approach for calculating and reporting the credit risk capital requirement. Formal approvals (SCBMB in Nov 2009 and SCSB in May 2013) were also obtained from BNM for the use of TSA approach for calculating and reporting operational risk. SCBMB and SCSB started using TSA approach for calculating and reporting the operational risk capital requirement effective July 2010 and September 2013, respectively.

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**1. Overview (continued)**

**Basel II (continued)**

**Scope of application**

The Pillar 3 disclosures are prepared for the Standard Chartered Bank Malaysia Berhad ("the Bank") and its subsidiaries ("the Group"). The Group offers Islamic banking financial services via the Bank's wholly owned subsidiary company, Standard Chartered Saadiq Berhad. The accounting policy for consolidation is provided in note 2(a) of the Group's financial statements for the financial year ended 31 December 2016 ("the financial statements"). All subsidiaries are fully consolidated and the treatment is the same for both regulatory and accounting purposes.

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

**2. Capital management**

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

Details of the Group's capital management approach are disclosed in Note 47(i) 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 48 and Note 21 of the financial statements. All ordinary shares in issue confer identical rights in respect of capital, dividends and voting.

**3. Risk management**

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

Our risk management framework, principles and governance are disclosed in Note 39 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 2016 Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Minimum capital requirement at 8% RM'000
<b>(a) Credit risk</b>				
<u>Exposures under the Standardised approach</u>				
On-balance sheet exposures:-				
Corporates	290,491	274,244	272,415	21,793
Regulatory retail	287,034	234,158	220,034	17,603
Residential mortgages	12,382	12,382	4,334	347
Higher risk assets	-	-	-	-
Other assets	609,830	604,388	453,504	36,280
Defaulted exposures	34,814	32,874	65,152	5,212
Total on-balance sheet exposures	<u>1,234,551</u>	<u>1,158,046</u>	<u>1,015,439</u>	<u>81,235</u>
Off-balance sheet exposures:-				
OTC derivatives	33	-	-	-
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	112,751	88,258	88,172	7,054
Defaulted exposures	236	236	354	28
Total off-balance sheet exposures	<u>113,020</u>	<u>88,494</u>	<u>88,526</u>	<u>7,082</u>
Total on and off-balance sheet exposures	<u>1,347,571</u>	<u>1,246,540</u>	<u>1,103,965</u>	<u>88,317</u>
<u>Exposures under the IRB approach</u>				
On-balance sheet exposures:-				
Sovereigns/Central banks	6,035,427	6,035,427	1,120,726	89,658
Banks, development financial institutions & multilateral development banks ("MDBs")	5,763,930	5,870,764	998,215	79,857
Insurance companies, securities firms & fund managers	312,754	348,601	90,497	7,240
Corporates	9,386,073	9,314,980	8,572,494	685,800
Residential mortgages	11,860,672	11,860,672	1,817,320	145,386
Qualifying revolving retail exposures	1,798,930	1,798,930	1,097,952	87,836
Other retail	4,027,875	3,956,287	1,786,882	142,951
Defaulted exposures	1,721,891	1,721,891	3,186,630	254,930
Total on-balance sheet exposures	<u>40,907,552</u>	<u>40,907,552</u>	<u>18,670,716</u>	<u>1,493,658</u>
Off-balance sheet exposures:-				
OTC derivatives	8,050,480	8,050,480	2,177,204	174,177
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	10,805,363	10,805,363	4,726,439	378,115
Defaulted exposures	50,917	50,917	10,171	814
Total off-balance sheet exposures	<u>18,906,760</u>	<u>18,906,760</u>	<u>6,913,814</u>	<u>553,106</u>
Total on and off-balance sheet exposures	<u>59,814,312</u>	<u>59,814,312</u>	<u>25,584,530</u>	<u>2,046,764</u>
<b>(b) Large exposures risk requirement</b>				
	-	-	-	-
<b>(c) Market risk (Standardised approach)</b>				
	<b>Long position</b>	<b>Short position</b>		
Interest rate risk	31,069,267	29,625,653	682,188	54,575
Foreign currency risk	60,484,588	60,262,038	38,777	3,102
Options risk	4,447,836	4,445,300	177,186	14,175
<b>(d) Operational risk (Standardised approach)</b>			3,344,050	267,524
<b>Total RWA and capital requirements</b>	<b><u>30,930,696</u></b>			<b><u>2,474,457</u></b>

**CET1, Tier 1 and Total Capital ratios**

	Before proposed dividend	After proposed dividend
CET 1 capital ratio	12.365%	12.002%
Tier 1 capital ratio	13.594%	13.230%
Total capital ratio	17.107%	16.744%

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**4. Regulatory capital requirement (continued)**

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

Group 31 December 2015 Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Minimum capital requirement at 8% RM'000
<b>(a) Credit risk</b>				
<u>Exposures under the Standardised approach</u>				
On-balance sheet exposures:-				
Corporates	131,290	121,633	115,643	9,251
Regulatory retail	113,441	51,850	40,231	3,218
Residential mortgages	13,031	13,031	4,561	365
Higher risk assets	-	-	-	-
Other assets	978,503	969,773	713,855	57,108
Defaulted exposures	39,686	33,597	68,319	5,466
Total on-balance sheet exposures	1,275,951	1,189,884	942,609	75,408
Off-balance sheet exposures:-				
OTC derivatives	1,269	797	796	64
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	152,846	126,680	126,397	10,112
Defaulted exposures	257	257	386	31
Total off-balance sheet exposures	154,372	127,734	127,579	10,207
Total on and off-balance sheet exposures	1,430,323	1,317,618	1,070,188	85,615
<u>Exposures under the IRB approach</u>				
On-balance sheet exposures:-				
Sovereigns/Central banks	6,703,001	6,703,001	504,576	40,366
Banks, development financial institutions & multilateral development banks ("MDBs")	5,631,133	5,598,317	670,284	53,623
Insurance companies, securities firms & fund managers	459,304	492,120	55,087	4,407
Corporates	8,562,157	8,636,807	8,002,615	640,209
Residential mortgages	12,566,457	12,566,457	2,328,786	186,303
Qualifying revolving retail exposures	1,865,523	1,865,523	1,171,441	93,715
Other retail	4,463,011	4,388,361	1,903,852	152,308
Defaulted exposures	1,664,526	1,664,526	2,663,461	213,077
	41,915,112	41,915,112	17,300,102	1,384,008
Off-balance sheet exposures:-				
OTC derivatives	8,026,757	8,026,757	1,744,533	139,563
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	12,686,285	12,686,285	4,619,682	369,575
Defaulted exposures	195,082	195,082	36,334	2,907
Total off-balance sheet exposures	20,908,124	20,908,124	6,400,549	512,045
Total on and off-balance sheet exposures	62,823,236	62,823,236	23,700,651	1,896,053
<b>(b) Large exposures risk requirement</b>				
			-	-
<b>(c) Market risk (Standardised approach)</b>				
Interest rate risk	30,893,032	32,870,971	1,000,290	80,023
Foreign currency risk	54,033,728	54,055,673	188,463	15,077
Options risk	5,642,784	5,039,076	361,448	28,916
<b>(d) Operational risk (Standardised approach)</b>				
			3,473,947	277,916
<b>Total RWA and capital requirements</b>			<b>29,794,987</b>	<b>2,383,600</b>

**CET 1, Tier 1 and Total Capital ratios**

	Before proposed dividend	After proposed dividend
CET 1 capital ratio	11.832%	11.832%
Tier 1 capital ratio	13.108%	13.108%
Total capital ratio	16.830%	16.830%

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**4. Regulatory capital requirement (continued)**

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

Bank 31 December 2016 Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Minimum capital requirement at 8% RM'000
<b>(a) Credit risk</b>				
<u>Exposures under the Standardised approach</u>				
On-balance sheet exposures:-				
Corporates	258,170	241,923	240,094	19,208
Regulatory retail	99,044	46,168	35,067	2,805
Residential mortgages	12,031	12,031	4,211	337
Higher risk assets	-	-	-	-
Other assets	535,785	530,343	382,847	30,628
Defaulted exposures	27,840	25,900	56,346	4,508
Total on-balance sheet exposures	<u>932,870</u>	<u>856,365</u>	<u>718,565</u>	<u>57,486</u>
Off-balance sheet exposures:-				
OTC derivatives	33	-	-	-
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	74,460	51,517	51,434	4,115
Defaulted exposures	236	236	354	28
Total off-balance sheet exposures	<u>74,729</u>	<u>51,753</u>	<u>51,788</u>	<u>4,143</u>
Total on and off-balance sheet exposures	<u>1,007,599</u>	<u>908,118</u>	<u>770,353</u>	<u>61,629</u>
<u>Exposures under the IRB approach</u>				
On-balance sheet exposures:-				
Sovereigns/Central banks	5,269,484	5,269,484	1,027,223	82,178
Banks, development financial institutions & MDBs	8,682,769	8,789,603	1,634,865	130,789
Insurance companies, securities firms & fund managers	184,059	219,906	41,955	3,356
Corporates	7,874,710	7,803,573	7,135,605	570,848
Residential mortgages	9,107,587	9,107,587	1,379,645	110,372
Qualifying revolving retail exposures	1,798,930	1,798,930	1,097,952	87,836
Other retail	3,173,521	3,101,977	1,451,858	116,149
Defaulted exposures	1,612,884	1,612,884	2,904,099	232,328
Total on-balance sheet exposures	<u>37,703,944</u>	<u>37,703,944</u>	<u>16,673,202</u>	<u>1,333,856</u>
Off-balance sheet exposures:-				
OTC derivatives	8,338,151	8,338,151	2,288,367	183,069
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	10,214,841	10,214,841	4,487,710	359,017
Defaulted exposures	50,690	50,690	9,939	795
Total off-balance sheet exposures	<u>18,603,682</u>	<u>18,603,682</u>	<u>6,786,016</u>	<u>542,881</u>
Total on and off-balance sheet exposures	<u>56,307,626</u>	<u>56,307,626</u>	<u>23,459,218</u>	<u>1,876,737</u>
<b>(b) Large exposures risk requirement</b>				
-				
<b>(c) Market risk (Standardised approach)</b>				
	<b>Long position</b>	<b>Short position</b>		
Interest rate risk	31,069,267	29,625,653	682,188	54,575
Foreign currency risk	60,484,588	60,262,038	38,777	3,102
Options risk	4,447,836	4,445,300	177,186	14,175
			3,195,375	255,630
<b>Total RWA and capital requirements</b>			<u><b>28,323,097</b></u>	<u><b>2,265,849</b></u>
<b><u>CET1, Tier 1 and Total Capital ratios</u></b>				
			Before proposed dividend	After proposed dividend
CET 1 capital ratio			11.983%	11.586%
Tier 1 capital ratio			13.324%	12.927%
Total capital ratio			16.161%	15.764%

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**4. Regulatory capital requirement (continued)**

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

Bank 31 December 2015 Exposure class	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Minimum capital requirement at 8% RM'000
<b>(a) Credit risk</b>				
<u>Exposures under the Standardised approach</u>				
On-balance sheet exposures:-				
Corporates	112,984	103,327	97,337	7,787
Regulatory retail	112,010	50,419	39,117	3,129
Residential mortgages	13,031	13,031	4,561	365
Higher risk assets	-	-	-	-
Other assets	655,414	646,684	399,472	31,958
Defaulted exposures	39,661	33,572	68,282	5,463
Total on-balance sheet exposures	<u>933,100</u>	<u>847,033</u>	<u>608,769</u>	<u>48,702</u>
Off-balance sheet exposures:-				
OTC derivatives	1,269	797	796	64
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	100,865	76,406	76,123	6,090
Defaulted exposures	257	257	386	31
Total off-balance sheet exposures	<u>102,391</u>	<u>77,460</u>	<u>77,305</u>	<u>6,185</u>
Total on and off-balance sheet exposures	<u>1,035,491</u>	<u>924,493</u>	<u>686,074</u>	<u>54,887</u>
<u>Exposures under the IRB approach</u>				
On-balance sheet exposures:-				
Sovereigns/Central banks	5,588,687	5,588,687	439,476	35,158
Banks, development financial institutions & MDBs	9,984,990	9,952,173	1,273,978	101,918
Insurance companies, securities firms & fund managers	258,126	290,942	26,444	2,116
Corporates	7,585,612	7,657,303	7,078,517	566,281
Residential mortgages	9,678,216	9,678,216	1,485,642	118,851
Qualifying revolving retail exposures	1,865,523	1,865,523	1,171,441	93,715
Other retail	3,396,663	3,324,973	1,303,264	104,261
Defaulted exposures	1,554,993	1,554,993	2,358,579	188,686
Total on-balance sheet exposures	<u>39,912,810</u>	<u>39,912,810</u>	<u>15,137,341</u>	<u>1,210,986</u>
Off-balance sheet exposures:-				
OTC derivatives	8,267,119	8,267,119	1,720,421	137,634
Off-balance sheet exposures other than OTC derivative transactions and credit derivatives	11,836,149	11,836,149	4,254,451	340,356
Defaulted exposures	195,083	195,083	36,334	2,907
Total off-balance sheet exposures	<u>20,298,351</u>	<u>20,298,351</u>	<u>6,011,206</u>	<u>480,897</u>
Total on and off-balance sheet exposures	<u>60,211,161</u>	<u>60,211,161</u>	<u>21,148,547</u>	<u>1,691,883</u>
<b>(b) Large exposures risk requirement</b>				
			-	-
<b>(c) Market risk (Standardised approach)</b>				
Interest rate risk	30,893,032	32,870,971	1,000,290	80,023
Foreign currency risk	54,033,728	54,055,673	188,463	15,077
Options risk	5,642,784	5,039,076	361,448	28,916
<b>(d) Operational risk (Standardised approach)</b>				
			3,273,059	261,845
<b>Total RWA and capital requirements</b>			<u><b>26,657,881</b></u>	<u><b>2,132,631</b></u>

**CET1, Tier 1 and Total Capital ratios:**

	Before proposed dividend	After proposed dividend
CET 1 capital ratio	11.918%	11.918%
Tier 1 capital ratio	13.343%	13.343%
Total capital ratio	16.214%	16.214%

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

Our credit risk management policies, governance and reporting & measurement system are disclosed in Note 39 (b) of the Group's financial statements.

The Group uses the Internal Ratings Based ("IRB") approach to manage credit risk for its portfolios. The Standardised approach is applied to portfolios that are classified as permanently exempt from the IRB approach, and those portfolios that are currently under transition to the IRB approach or too small an exposure for IRB model built. The 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:

<b>Portfolio</b>	<b>Exposure</b>
Sovereign and Central Bank	Central Government, Central Government department, Central banks, Entities owned or guaranteed by Central Government
Bank, DFIs and MDBs	Bank, Finance & Leasing, Life insurance, Non-life insurance, Broker dealer, Funds managers
Corporates	Large Corporate, Mid Corporate, Middle Market*, 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

\* The Middle Market model is replaced by the Mid Corporate model in Q4 2016. As there are remaining exposures under the Middle Market model, the model is retained in the table for reference. With regards to the pillar 3 reporting in 2017 onwards, the Middle Market model will be removed from the table.

Model governance

The IRB models used by the Group calculate Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD").



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**5. Credit risk (continued)**

**(i) Internal Ratings Based models (continued)**

Model governance (continued)

Models are developed by Standard Chartered PLC Group's analytics team within the Risk Measurement function. The model development process is conducted and documented in line with specific criteria setting out the minimum standards for model development. All IRB models are validated in detail by a model validation team, which is separate from the teams that develop and maintain the models. Model validation findings are presented to the Standard Chartered PLC Group Credit Model Assessment Committee ("MAC"). The Credit MAC supports the Standard Chartered PLC Group Credit Risk Committee in ensuring risk identification and measurement capabilities are objective and consistent, so that risk control and risk origination decisions are properly informed.

These decision making bodies are comprised of divisional senior management whose role is to challenge model assumptions and performance and agree on appropriate model use for business decision making and regulatory capital requirement calculations. The Standard Chartered PLC Group Risk Committee and Board Risk Committee periodically review overall model performance.

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.

Model validation

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

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

Statistical testing is used to determine a model's discriminatory power, predicted versus realised performance and stability over time with pre-defined thresholds for passing such tests.

PD model development

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

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

The general approaches fall into three categories:-

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

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**5. Credit risk (continued)**

**(i) Internal Ratings Based models (continued)**

PD model development (continued)

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

*Constrained Expert Judgement* – for certain types of exposure there is little or no internal or external default history, and no reliable external ratings. In such rare cases, Standard Chartered PLC Group has quantitative frameworks to incorporate expert opinions of Standard Chartered PLC Group's credit risk management personnel into the model development process.

LGD model development

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

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

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

EAD model development

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

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

Model use

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

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

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

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

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**5. Credit risk (continued)**

**Credit monitoring (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.

Estimates of PD are computed as of 1 January 2016 and are compared with default observations through 31 December 2016. The historical default experience for institutions, central governments or central banks is minimal, so the predicted PD reflects a particularly low number of defaults. For institutions and central governments or central banks, there were no defaults during 2016. The actual default rates for corporate exposures in 2016 remained below IRB model predictions as at the beginning of 2016, reflecting the impact of the Group's prudent and proactive credit management.

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 2016 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 2013 to 2016 defaults that have completed their workout process as at the end of 2016. 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. Under this approach, realised LGD value for corporates is lower than predicted. This is explained by the regulatory guidance to calibrate LGD models to downturn conditions. 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 2016.

EAD takes into consideration the potential draw down of a commitment as an obligor defaults by estimating the Credit Conversion Factor (CCF) of undrawn commitments. For assets which defaulted in 2016, 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. The ratios for all models are larger than one, indicating 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.

Corporate SME observed default is lower than the predicted PD. Predicted PD was computed as at 31 December 2015 and compared to the actual default observations over a one year period ended 31 December 2016. 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 2014 to 2016 period for existing non-defaults as of December 2012 where defaulted in 2013. Realised LGD was higher than the predicted LGD for Bank Level, primarily due one large account that defaulted in 2013. The ratios for EAD model is larger than one, indicating that the predicted EAD is higher than the realised outstanding amount at default.

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**5. Credit risk (continued)**

**Credit monitoring (continued)**

**(i) Internal Ratings Based models (continued)**

**Corporates, Institutional and Commercial model results (continued)**

**Group**

	<b>Predicted PD %</b>	<b>Observed PD %</b>	<b>Predicted LGD %</b>	<b>Realised LGD %</b>	<b>Predicted EAD/ Realised EAD</b>
<b>IRB exposures</b>					
Central governments or central banks	0.0%	N/A	N/A	N/A	N/A
Corporates	1.4%	1.0%	45.5%	7.7%	1.5
Institutions	0.1%	N/A	N/A	N/A	N/A
Corporate SME	2.4%	1.9%	20.9%	15.0%	1.1

**Bank**

	<b>Predicted PD %</b>	<b>Observed PD %</b>	<b>Predicted LGD %</b>	<b>Realised LGD %</b>	<b>Predicted EAD/ Realised EAD</b>
<b>IRB exposures</b>					
Central governments or central banks	0.0%	N/A	N/A	N/A	N/A
Corporates	1.4%	1.2%	45.5%	7.7%	1.5
Institutions	0.1%	N/A	N/A	N/A	N/A
Corporate SME	2.3%	1.7%	18.4%	19.4%	1.1

**Retail model results**

Retail models have been developed for majority of its portfolios. Predicted PD was computed as at 31 December 2015 and compared to the actual default observation over a one year period ending 31 December 2016.

The observed default rate for all asset classes is lower than the predicted PD with the exception of Other Retail asset class. The higher observed default rate for the Other Retail asset class as compared to predicted PD was attributed primarily to personal loans exposures, for which a series of ongoing portfolio initiatives had been implemented to manage this exposure. Model recalibrations have been done (not reflected in the data-point used) to ensure predicted PD is reflective of the underlying portfolio performance.

The realized 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, primarily due to the models using “downturn” parameter settings to predict LGD. LGD under predicts for Bank’s Other Retail Exposures due to personal loan product, for which model is currently being re-developed.

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

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**5. Credit risk (continued)**

**Credit monitoring (continued)**

**(i) Internal Ratings Based models (continued)**

**Retail model results (continued)**

**Group**

	<b>Predicted PD %</b>	<b>Observed PD %</b>	<b>Predicted LGD %</b>	<b>Realised LGD %</b>	<b>Predicted EAD/ Realised EAD</b>
<b>IRB exposures</b>					
Residential mortgages	3.1%	1.6%	13.7%	9.2%	1.0
Qualifying revolving retail exposures	3.0%	2.6%	64.8%	60.3%	1.1
Other retail exposures	9.1%	9.3%	78.5%	72.4%	1.1

**Bank**

	<b>Predicted PD %</b>	<b>Observed PD %</b>	<b>Predicted LGD %</b>	<b>Realised LGD %</b>	<b>Predicted EAD/ Realised EAD</b>
<b>IRB exposures</b>					
Residential mortgages	3.1%	1.7%	13.7%	9.2%	1.0
Qualifying revolving retail exposures	3.0%	2.6%	64.8%	60.3%	1.1
Other retail exposures	7.1%	9.3%	69.2%	75.6%	1.1

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**5. Credit risk (continued)**

**Credit monitoring**

**(ii) Actual losses**

The tables below show net individual impairment charges raised and write off during the financial year of 2016 versus 2015 for IRB exposure classes. The net individual impairment charge is a point in time actual charge raised in accordance with accounting standards that require the Bank to either provide for or write-off debts when certain conditions are met.

**Group**

	<b>31 December 2016 Actual losses RM'000</b>	<b>31 December 2015 Actual losses RM'000</b>
Corporates	139,276	373,263
Residential Mortgages	36,094	34,218
Qualifying Revolving Retail Exposures	91,602	98,709
Other Retail	208,278	198,411
	<b><u>475,250</u></b>	<b><u>704,601</u></b>

**Bank**

	<b>31 December 2016 Actual losses RM'000</b>	<b>31 December 2015 Actual losses RM'000</b>
Corporates	139,276	371,864
Residential Mortgages	27,285	28,944
Qualifying Revolving Retail Exposures	91,602	98,709
Other Retail	142,882	139,038
	<b><u>401,045</u></b>	<b><u>638,555</u></b>

The lower actual loss as compared to the corresponding year was mainly due to lower corporate provisions made during the period.

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**5. Credit risk (continued)**

**Credit monitoring (continued)**

**(iii) Risk grade profile**

Exposures by internal credit grading

For IRB portfolios, an alphanumeric credit risk-grading system is used in all client or product segment. 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. Lower credit grades are indicative of a lower likelihood of default. Credit grades 1 to 12 are assigned to performing customers or accounts, while credit grades 13 and 14 are assigned to non-performing or defaulted customers.

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

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

Credit Grade	Standard and Poor's Mapping	
	Corp/NBFIs *	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

\* Represents corporates/non-bank financial institutions.

Credit grades for Retail Banking accounts covered by IRB models are based on a probability of default. These models are based on application and behavioural screcards which make use of credit bureau information as well as Groups' internal data.

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

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**5. Credit risk (continued)**

**Credit monitoring (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, EL and EAD of the obligor with reference to the nominal exposure;
- Pricing – In Corporates, Institutional and Commercial Banking, a pre-deal pricing calculator is used which takes into consideration PD, LGD and EAD in the calculation of expected loss and economic capital for the proposed transactions to ensure appropriate return. 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 Corporates, Institutional and Commercial Banking concentration limits for some portfolios, as counterparty limits are determined by PD, LGD and EAD. The limits operate on a sliding scale to ensure that the Group does not have over concentration of low credit quality assets. The Group's concentration risk monitoring dashboard utilises IRB Model output such as credit grades, PD, LGD and EADs. In Retail Clients, portfolio limits are based on recession loss;
- Provisioning – Collective Impairment Provision ("CIP") are raised at the portfolio level and are set with reference to expected loss which is based on PD, LGD and EAD amongst other qualitative and quantitative factors;
- Risk Appetite assessment – 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 in the trading book**

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

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

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

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



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**5. Credit risk (continued)**

**Credit monitoring (continued)**

**(iv) Counterparty credit risk in the trading book**

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

Exposure value calculation

Exposure values for regulatory capital purposes on over the counter traded products are calculated according to the CCR MTM method. This is calculated as a sum of the current replacement cost and the potential future credit exposure. The current replacement cost is the Ringgit equivalent amount owed by the counterparty to the 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.

**Geographical analysis**

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

<b>Group</b>	<b>Malaysia</b>	<b>Others</b>	<b>Total</b>
<b>31 December 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>IRB exposures</b>			
Sovereigns/Central banks	6,110,164	35	6,110,199
Banks, development financial institutions & MDBs	8,440,259	4,973,000	13,413,259
Insurance companies, securities firms & fund managers	595,485	197,403	792,888
Corporate exposures (excluding specialised lending and firm-size adjustment)	14,205,062	1,170,894	15,375,956
Corporate exposures (with firm-size adjustment)	2,304,490	1,189	2,305,679
Specialised lending	413,518	30,346	443,864
Retail exposures	21,372,467	-	21,372,467
<i>Residential mortgages</i>	12,732,495	-	12,732,495
<i>Qualifying revolving retail exposures</i>	3,904,489	-	3,904,489
<i>Other retail exposures</i>	4,735,483	-	4,735,483
Total IRB exposures	53,441,445	6,372,867	59,814,312
<b>Standardised exposures</b>			
Corporates	398,346	5,133	403,479
Regulatory retail	319,644	-	319,644
Residential mortgages	12,823	-	12,823
Higher risk assets	137	-	137
Other assets	601,553	9,935	611,488
Total Standardised exposures	1,332,503	15,068	1,347,571
<b>Total credit risk exposures</b>	<b>54,773,948</b>	<b>6,387,935</b>	<b>61,161,883</b>

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**5. Credit risk (continued)**

**5.1 Exposure values (continued)**

**Geographical analysis (continued)**

<b>Group 31 December 2015</b>	<b>Malaysia RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>IRB exposures</b>			
Sovereigns/Central banks	6,703,001	-	6,703,001
Banks, development financial institutions & MDBs	7,747,488	6,266,033	14,013,521
Insurance companies, securities firms & fund managers	770,181	227,416	997,597
Corporate exposures (excluding specialised lending and firm-size adjustment)	14,162,712	1,385,974	15,548,686
Corporate exposures (with firm-size adjustment)	2,366,009	1,461	2,367,470
Specialised lending	579,598	67,851	647,449
Retail exposures	22,545,512	-	22,545,512
<i>Residential mortgages</i>	13,460,217	-	13,460,217
<i>Qualifying revolving retail exposures</i>	3,879,553	-	3,879,553
<i>Other retail exposures</i>	5,205,742	-	5,205,742
Total IRB exposures	54,874,501	7,948,735	62,823,236
<b>Standardised exposures</b>			
Corporates	275,886	13,519	289,405
Regulatory retail	146,439	-	146,439
Residential mortgages	14,140	-	14,140
Higher risk assets	177	-	177
Other assets	966,408	13,754	980,162
Total Standardised exposures	1,403,050	27,273	1,430,323
<b>Total credit risk exposures</b>	<b>56,277,551</b>	<b>7,976,008</b>	<b>64,253,559</b>

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**5. Credit risk (continued)**

**5.1 Exposure values (continued)**

**Geographical analysis (continued)**

<b>Bank 31 December 2016</b>	<b>Malaysia RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>IRB exposures</b>			
Sovereigns/Central banks	5,344,221	35	5,344,256
Banks, development financial institutions & MDBs	11,820,663	4,858,843	16,679,506
Insurance companies, securities firms & fund managers	457,513	149,352	606,865
Corporate exposures (excluding specialised lending and firm-size adjustment)	12,910,382	1,032,943	13,943,325
Corporate exposures (with firm-size adjustment)	1,813,977	1,189	1,815,166
Specialised lending	413,518	30,346	443,864
Retail exposures	17,474,644	-	17,474,644
<i>Residential mortgages</i>	9,845,174	-	9,845,174
<i>Qualifying revolving retail exposures</i>	3,904,489	-	3,904,489
<i>Other retail exposures</i>	3,724,981	-	3,724,981
Total IRB exposures	50,234,918	6,072,708	56,307,626
<b>Standardised exposures</b>			
Corporates	329,222	3,658	332,880
Regulatory retail	124,667	-	124,667
Residential mortgages	12,472	-	12,472
Higher risk assets	137	-	137
Other assets	537,438	5	537,443
Total Standardised exposures	1,003,936	3,663	1,007,599
<b>Total credit risk exposures</b>	<b>51,238,854</b>	<b>6,076,371</b>	<b>57,315,225</b>

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**5. Credit risk (continued)**

**5.1 Exposure values (continued)**

**Geographical analysis (continued)**

<b>Bank 31 December 2015</b>	<b>Malaysia RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>IRB exposures</b>			
Sovereigns/Central banks	5,588,687	-	5,588,687
Banks, development financial institutions & MDBs	12,886,341	5,869,208	18,755,549
Insurance companies, securities firms & fund managers	533,410	187,726	721,136
Corporate exposures (excluding specialised lending and firm-size adjustment)	13,427,322	1,058,042	14,485,364
Corporate exposures (with firm-size adjustment)	1,805,664	1,461	1,807,125
Specialised lending	579,598	67,851	647,449
Retail exposures	18,205,851	-	18,205,851
<i>Residential mortgages</i>	10,379,941	-	10,379,941
<i>Qualifying revolving retail exposures</i>	3,879,553	-	3,879,553
<i>Other retail exposures</i>	3,946,357	-	3,946,357
Total IRB exposures	53,026,873	7,184,288	60,211,161
<b>Standardised exposures</b>			
Corporates	207,138	11,979	219,117
Regulatory retail	144,984	-	144,984
Residential mortgages	14,140	-	14,140
Higher risk assets	177	-	177
Other assets	657,071	2	657,073
Total Standardised exposures	1,023,510	11,981	1,035,491
<b>Total credit risk exposures</b>	<b>54,050,383</b>	<b>7,196,269</b>	<b>61,246,652</b>

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**5. Credit risk (continued)**

**5.1 Exposure values (continued)**

**Sector or economic purpose analysis**

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

<b>Group</b>	<b>Agricultural, hunting, forestry and fishing</b>	<b>Mining and quarrying</b>	<b>Manufacturing</b>	<b>Electricity, gas and water</b>	<b>Construction</b>	<b>Wholesale &amp; retail trade and restaurants &amp; hotels</b>	<b>Transportation storage and communication</b>	<b>Finance, insurance and business services</b>	<b>Real estate</b>	<b>Household</b>	<b>Others</b>	<b>Total</b>
<b>31 December 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>IRB exposures</b>												
Sovereigns/Central banks	-	-	-	-	-	-	-	6,110,199	-	-	-	6,110,199
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	13,413,259	-	-	-	13,413,259
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	792,888	-	-	-	792,888
Corporate exposures (excluding specialised lending and firm-size adjustment)	183,978	957,824	5,339,177	383,902	2,086,037	2,426,973	1,236,425	1,280,075	1,342,667	-	138,898	15,375,956
Corporate exposures (with firm-size adjustment)	25,437	52,389	462,066	10,457	128,945	538,034	80,160	84,026	111,874	304,947	507,344	2,305,679
Specialised lending	-	30,346	374,797	23,701	-	600	-	-	14,420	-	-	443,864
Retail exposures	2,734	3,815	143,959	898	83,976	318,361	45,909	81,212	13,077	18,450,677	2,227,849	21,372,467
<i>Residential mortgages</i>	-	-	-	-	-	-	-	-	-	12,732,495	-	12,732,495
<i>Qualifying revolving retail exposures</i>	-	-	-	-	-	-	-	-	-	3,904,489	-	3,904,489
<i>Other retail exposures</i>	2,734	3,815	143,959	898	83,976	318,361	45,909	81,212	13,077	1,813,693	2,227,849	4,735,483
<b>Total IRB exposures</b>	<b>212,149</b>	<b>1,044,374</b>	<b>6,319,999</b>	<b>418,958</b>	<b>2,298,958</b>	<b>3,283,968</b>	<b>1,362,494</b>	<b>21,761,659</b>	<b>1,482,038</b>	<b>18,755,624</b>	<b>2,874,091</b>	<b>59,814,312</b>
<b>Standardised exposures</b>												
Corporates	-	-	44,211	-	168,620	7,673	-	19,503	-	135,919	27,553	403,479
Regulatory retail	-	-	-	-	915	-	-	-	-	318,729	-	319,644
Residential mortgages	-	-	-	-	-	-	-	-	-	12,823	-	12,823
Higher risk assets	-	-	-	-	-	-	-	-	-	137	-	137
Other assets	-	-	-	-	-	1,735	-	5	-	-	609,748	611,488
<b>Total Standardised exposures</b>	<b>-</b>	<b>-</b>	<b>44,211</b>	<b>-</b>	<b>169,535</b>	<b>9,408</b>	<b>-</b>	<b>19,508</b>	<b>-</b>	<b>467,608</b>	<b>637,301</b>	<b>1,347,571</b>
<b>Total credit risk exposures</b>	<b>212,149</b>	<b>1,044,374</b>	<b>6,364,210</b>	<b>418,958</b>	<b>2,468,493</b>	<b>3,293,376</b>	<b>1,362,494</b>	<b>21,781,167</b>	<b>1,482,038</b>	<b>19,223,232</b>	<b>3,511,392</b>	<b>61,161,883</b>

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**5. Credit risk (continued)**

**5.1 Exposure values (continued)**

**Sector or economic purpose analysis (continued)**

<b>Group 31 December 2015</b>	<b>Agricultural, hunting, forestry and fishing RM'000</b>	<b>Mining and quarrying RM'000</b>	<b>Manufacturing RM'000</b>	<b>Electricity, gas and water RM'000</b>	<b>Construction RM'000</b>	<b>Wholesale &amp; retail trade and restaurants &amp; hotels RM'000</b>	<b>Transportation storage and communication RM'000</b>	<b>Finance, insurance and business services RM'000</b>	<b>Real estate RM'000</b>	<b>Household RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>IRB exposures</b>												
Sovereigns/Central banks	-	-	-	-	-	-	-	6,703,001	-	-	-	6,703,001
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	14,013,521	-	-	-	14,013,521
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	997,597	-	-	-	997,597
Corporate exposures (excluding specialised lending and firm-size adjustment)	154,351	972,536	5,671,144	166,388	2,057,402	2,808,545	1,990,934	541,493	1,013,832	-	172,061	15,548,686
Corporate exposures (with firm-size adjustment)	19,025	111,445	502,437	5,686	139,186	451,137	88,725	90,237	150,118	-	809,474	2,367,470
Specialised lending	-	73,468	444,703	26,124	-	600	-	-	102,554	-	-	647,449
Retail exposures	7,899	2,724	114,921	1,210	66,126	266,213	35,919	65,954	13,141	18,806,887	3,164,518	22,545,512
<i>Residential mortgages</i>	-	-	-	-	-	-	-	-	-	13,460,217	-	13,460,217
<i>Qualifying revolving retail exposures</i>	-	-	-	-	-	-	-	-	-	3,879,553	-	3,879,553
<i>Other retail exposures</i>	7,899	2,724	114,921	1,210	66,126	266,213	35,919	65,954	13,141	1,467,117	3,164,518	5,205,742
<b>Total IRB exposures</b>	<b>181,275</b>	<b>1,160,173</b>	<b>6,733,205</b>	<b>199,408</b>	<b>2,262,714</b>	<b>3,526,495</b>	<b>2,115,578</b>	<b>22,411,803</b>	<b>1,279,645</b>	<b>18,806,887</b>	<b>4,146,053</b>	<b>62,823,236</b>
<b>Standardised exposures</b>												
Corporates	44	-	32,312	-	184,657	12,185	-	33,193	-	5,011	22,003	289,405
Regulatory retail	-	-	-	-	1,804	4	-	-	-	144,140	491	146,439
Residential mortgages	-	-	-	-	-	-	-	-	-	14,140	-	14,140
Higher risk assets	-	-	-	-	-	-	-	-	-	177	-	177
Other assets	-	-	72	-	-	15,116	-	2	-	-	964,972	980,162
<b>Total Standardised exposures</b>	<b>44</b>	<b>-</b>	<b>32,384</b>	<b>-</b>	<b>186,461</b>	<b>27,305</b>	<b>-</b>	<b>33,195</b>	<b>-</b>	<b>163,468</b>	<b>987,466</b>	<b>1,430,323</b>
<b>Total credit risk exposures</b>	<b>181,319</b>	<b>1,160,173</b>	<b>6,765,589</b>	<b>199,408</b>	<b>2,449,175</b>	<b>3,553,800</b>	<b>2,115,578</b>	<b>22,444,998</b>	<b>1,279,645</b>	<b>18,970,355</b>	<b>5,133,519</b>	<b>64,253,559</b>

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**5. Credit risk (continued)**

**5.1 Exposure values (continued)**

**Sector or economic purpose analysis (continued)**

<b>Bank 31 December 2016</b>	<b>Agricultural, hunting, forestry and fishing RM'000</b>	<b>Mining and quarrying RM'000</b>	<b>Manufacturing RM'000</b>	<b>Electricity, gas and water RM'000</b>	<b>Construction RM'000</b>	<b>Wholesale &amp; retail trade and restaurants &amp; hotels RM'000</b>	<b>Transportation storage and communication RM'000</b>	<b>Finance, insurance and business services RM'000</b>	<b>Real estate RM'000</b>	<b>Household RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>IRB exposures</b>												
Sovereigns/Central banks	-	-	-	-	-	-	-	5,344,256	-	-	-	5,344,256
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	16,679,506	-	-	-	16,679,506
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	606,865	-	-	-	606,865
Corporate exposures (excluding specialised lending and firm-size adjustment)	46,601	929,162	4,915,925	383,902	2,058,882	2,130,024	1,142,995	1,090,886	1,147,921	-	97,027	13,943,325
Corporate exposures (with firm-size adjustment)	25,437	52,389	444,565	10,457	94,334	508,971	39,503	42,494	108,536	-	488,480	1,815,166
Specialised lending	-	30,346	374,797	23,701	-	600	-	-	14,420	-	-	443,864
Retail exposures	1,362	2,430	105,564	28	41,339	236,419	17,274	45,359	13,053	14,795,800	2,216,016	17,474,644
<i>Residential mortgages</i>	-	-	-	-	-	-	-	-	-	9,845,174	-	9,845,174
<i>Qualifying revolving retail exposures</i>	-	-	-	-	-	-	-	-	-	3,904,489	-	3,904,489
<i>Other retail exposures</i>	1,362	2,430	105,564	28	41,339	236,419	17,274	45,359	13,053	1,046,137	2,216,016	3,724,981
<b>Total IRB exposures</b>	<b>73,400</b>	<b>1,014,327</b>	<b>5,840,851</b>	<b>418,088</b>	<b>2,194,555</b>	<b>2,876,014</b>	<b>1,199,772</b>	<b>23,809,366</b>	<b>1,283,930</b>	<b>14,795,800</b>	<b>2,801,523</b>	<b>56,307,626</b>
<b>Standardised exposures</b>												
Corporates	-	-	44,211	-	99,496	7,673	-	19,503	-	134,444	27,553	332,880
Regulatory retail	-	-	-	-	915	-	-	-	-	123,752	-	124,667
Residential mortgages	-	-	-	-	-	-	-	-	-	12,472	-	12,472
Higher risk assets	-	-	-	-	-	-	-	-	-	137	-	137
Other assets	-	-	-	-	-	1,735	-	5	-	-	535,703	537,443
<b>Total Standardised exposures</b>	<b>-</b>	<b>-</b>	<b>44,211</b>	<b>-</b>	<b>100,411</b>	<b>9,408</b>	<b>-</b>	<b>19,508</b>	<b>-</b>	<b>270,805</b>	<b>563,256</b>	<b>1,007,599</b>
<b>Total credit risk exposures</b>	<b>73,400</b>	<b>1,014,327</b>	<b>5,885,062</b>	<b>418,088</b>	<b>2,294,966</b>	<b>2,885,422</b>	<b>1,199,772</b>	<b>23,828,874</b>	<b>1,283,930</b>	<b>15,066,605</b>	<b>3,364,779</b>	<b>57,315,225</b>



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**5. Credit risk (continued)**

**5.1 Exposure values (continued)**

**Sector or economic purpose analysis (continued)**

<b>Bank</b>	<b>Agricultural, hunting, forestry and fishing</b>	<b>Mining and quarrying</b>	<b>Manufacturing</b>	<b>Electricity, gas and water</b>	<b>Construction</b>	<b>Wholesale &amp; retail trade and restaurants &amp; hotels</b>	<b>Transportation storage and communication</b>	<b>Finance, insurance and business services</b>	<b>Real estate</b>	<b>Household</b>	<b>Others</b>	<b>Total</b>
<b>31 December 2015</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>IRB exposures</b>												
Sovereigns/Central banks	-	-	-	-	-	-	-	5,588,687	-	-	-	5,588,687
Banks, development financial institutions & MDBs	-	-	-	-	-	-	-	18,755,549	-	-	-	18,755,549
Insurance companies, securities firms & fund managers	-	-	-	-	-	-	-	721,136	-	-	-	721,136
Corporate exposures (excluding specialised lending and firm-size adjustment)	154,351	952,696	5,264,804	166,388	2,053,387	2,625,439	1,890,986	429,878	827,845	-	119,590	14,485,364
Corporate exposures (with firm-size adjustment)	19,025	97,148	474,986	5,686	42,604	433,206	44,068	77,401	142,417	-	470,584	1,807,125
Specialised lending	-	73,468	444,703	26,124	-	600	-	-	102,554	-	-	647,449
Retail exposures	6,004	489	62,016	95	17,614	166,811	6,891	20,549	12,985	15,476,097	2,436,300	18,205,851
<i>Residential mortgages</i>	-	-	-	-	-	-	-	-	-	10,379,941	-	10,379,941
<i>Qualifying revolving retail exposures</i>	-	-	-	-	-	-	-	-	-	3,879,553	-	3,879,553
<i>Other retail exposures</i>	6,004	489	62,016	95	17,614	166,811	6,891	20,549	12,985	1,216,603	2,436,300	3,946,357
<b>Total IRB exposures</b>	<b>179,380</b>	<b>1,123,801</b>	<b>6,246,509</b>	<b>198,293</b>	<b>2,113,605</b>	<b>3,226,056</b>	<b>1,941,945</b>	<b>25,593,200</b>	<b>1,085,801</b>	<b>15,476,097</b>	<b>3,026,474</b>	<b>60,211,161</b>
<b>Standardised exposures</b>												
Corporates	44	-	32,312	-	115,909	12,185	-	33,193	-	5,011	20,463	219,117
Regulatory retail	-	-	-	-	840	4	-	-	-	144,140	-	144,984
Residential mortgages	-	-	-	-	-	-	-	-	-	14,140	-	14,140
Higher risk assets	-	-	-	-	-	-	-	-	-	177	-	177
Other assets	-	-	72	-	-	15,116	-	2	-	-	641,883	657,073
<b>Total Standardised exposures</b>	<b>44</b>	<b>-</b>	<b>32,384</b>	<b>-</b>	<b>116,749</b>	<b>27,305</b>	<b>-</b>	<b>33,195</b>	<b>-</b>	<b>163,468</b>	<b>662,346</b>	<b>1,035,491</b>
<b>Total credit risk exposures</b>	<b>179,424</b>	<b>1,123,801</b>	<b>6,278,893</b>	<b>198,293</b>	<b>2,230,354</b>	<b>3,253,361</b>	<b>1,941,945</b>	<b>25,626,395</b>	<b>1,085,801</b>	<b>15,639,565</b>	<b>3,688,820</b>	<b>61,246,652</b>

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**5. Credit risk (continued)**

**5.1 Exposure values (continued)**

**Residual contractual maturity analysis**

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

<b>Group 31 December 2016</b>	<b>Up to 1 year RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>IRB exposures</b>				
Sovereigns/Central banks	3,887,051	2,222,905	243	6,110,199
Banks, development financial institutions & MDBs	10,021,194	2,817,160	574,905	13,413,259
Insurance companies, securities firms & fund managers	622,912	154,180	15,796	792,888
Corporate exposures (excluding specialised lending and firm-size adjustment)	10,911,948	3,204,810	1,259,198	15,375,956
Corporate exposures (with firm-size adjustment)	1,155,740	322,976	826,963	2,305,679
Specialised lending	126,742	263,075	54,047	443,864
Retail exposures	1,294,303	3,574,529	16,503,635	21,372,467
<i>Residential mortgages</i>	517,887	365,897	11,848,711	12,732,495
<i>Qualifying revolving retail exposures</i>	186,660	2,071,126	1,646,703	3,904,489
<i>Other retail exposures</i>	589,756	1,137,506	3,008,221	4,735,483
<b>Total IRB exposures</b>	<b>28,019,890</b>	<b>12,559,635</b>	<b>19,234,787</b>	<b>59,814,312</b>
<b>Standardised exposures</b>				
Corporates	272,945	101,009	29,525	403,479
Regulatory retail	91,965	191,278	36,401	319,644
Residential mortgages	2	728	12,093	12,823
Higher risk assets	10	14	113	137
Other assets	561,566	-	49,922	611,488
<b>Total Standardised exposures</b>	<b>926,488</b>	<b>293,029</b>	<b>128,054</b>	<b>1,347,571</b>
<b>Total credit risk exposures</b>	<b>28,946,378</b>	<b>12,852,664</b>	<b>19,362,841</b>	<b>61,161,883</b>

*Note: The above table shows that exposures with residual contractual maturity more than 5 years, of which 63% are collateralized.*

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**5. Credit risk (continued)**

**5.1 Exposure values (continued)**

**Residual contractual maturity analysis (continued)**

<b>Group 31 December 2015</b>	<b>Up to 1 year RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>IRB exposures</b>				
Sovereigns/Central banks	5,232,807	1,439,667	30,527	6,703,001
Banks, development financial institutions & MDBs	7,625,370	5,166,382	1,221,769	14,013,521
Insurance companies, securities firms & fund managers	583,025	404,198	10,374	997,597
Corporate exposures (excluding specialised lending and firm-size adjustment)	11,048,188	3,443,483	1,057,015	15,548,686
Corporate exposures (with firm-size adjustment)	1,255,445	262,985	849,040	2,367,470
Specialised lending	19,258	508,582	119,609	647,449
Retail exposures	1,169,725	5,466,274	15,909,513	22,545,512
<i>Residential mortgages</i>	312,090	384,559	12,763,568	13,460,217
<i>Qualifying revolving retail exposures</i>	305,666	3,464,530	109,357	3,879,553
<i>Other retail exposures</i>	551,969	1,617,185	3,036,588	5,205,742
<b>Total IRB exposures</b>	<b>26,933,818</b>	<b>16,691,571</b>	<b>19,197,847</b>	<b>62,823,236</b>
<b>Standardised exposures</b>				
Corporates	155,381	109,523	24,501	289,405
Regulatory retail	54,383	8,504	83,552	146,439
Residential mortgages	459	695	12,986	14,140
Higher risk assets	10	14	153	177
Other assets	868,911	23,200	88,051	980,162
<b>Total Standardised exposures</b>	<b>1,079,144</b>	<b>141,936</b>	<b>209,243</b>	<b>1,430,323</b>
<b>Total credit risk exposures</b>	<b>28,012,962</b>	<b>16,833,507</b>	<b>19,407,090</b>	<b>64,253,559</b>

*Note: The above table shows that exposures with residual contractual maturity more than 5 years, of which 66% are collateralized.*

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**5. Credit risk (continued)**

**5.1 Exposure values (continued)**

**Residual contractual maturity analysis (continued)**

<b>Bank 31 December 2016</b>	<b>Up to 1 year RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>IRB exposures</b>				
Sovereigns/Central banks	3,121,108	2,222,905	243	5,344,256
Banks, development financial institutions & MDBs	12,202,610	3,159,526	1,317,370	16,679,506
Insurance companies, securities firms & fund managers	488,540	102,529	15,796	606,865
Corporate exposures (excluding specialised lending and firm-size adjustment)	9,987,790	2,757,401	1,198,134	13,943,325
Corporate exposures (with firm-size adjustment)	1,058,238	224,350	532,578	1,815,166
Specialised lending	126,742	263,075	54,047	443,864
Retail exposures	1,078,081	3,353,400	13,043,163	17,474,644
<i>Residential mortgages</i>	427,036	353,585	9,064,553	9,845,174
<i>Qualifying revolving retail exposures</i>	186,660	2,071,126	1,646,703	3,904,489
<i>Other retail exposures</i>	464,385	928,689	2,331,907	3,724,981
<b>Total IRB exposures</b>	<b>28,063,109</b>	<b>12,083,186</b>	<b>16,161,331</b>	<b>56,307,626</b>
<b>Standardised exposures</b>				
Corporates	263,082	41,687	28,111	332,880
Regulatory retail	89,972	2,456	32,239	124,667
Residential mortgages	2	728	11,742	12,472
Higher risk assets	10	14	113	137
Other assets	487,521	-	49,922	537,443
<b>Total Standardised exposures</b>	<b>840,587</b>	<b>44,885</b>	<b>122,127</b>	<b>1,007,599</b>
<b>Total credit risk exposures</b>	<b>28,903,696</b>	<b>12,128,071</b>	<b>16,283,458</b>	<b>57,315,225</b>

*Note: The above table shows that exposures with residual contractual maturity more than 5 years, of which 57% are collateralized.*

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**5. Credit risk (continued)**

**5.1 Exposure values (continued)**

**Residual contractual maturity analysis (continued)**

<b>Bank 31 December 2015</b>	<b>Up to 1 year RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>IRB exposures</b>				
Sovereigns/Central banks	4,118,493	1,439,667	30,527	5,588,687
Banks, development financial institutions & MDBs	11,986,425	5,446,106	1,323,018	18,755,549
Insurance companies, securities firms & fund managers	547,561	163,201	10,374	721,136
Corporate exposures (excluding specialised lending and firm-size adjustment)	10,255,473	3,271,782	958,109	14,485,364
Corporate exposures (with firm-size adjustment)	1,155,838	111,652	539,635	1,807,125
Specialised lending	19,258	508,582	119,609	647,449
Retail exposures	1,030,926	5,097,291	12,077,634	18,205,851
<i>Residential mortgages</i>	<i>310,915</i>	<i>376,195</i>	<i>9,692,831</i>	<i>10,379,941</i>
<i>Qualifying revolving retail exposures</i>	<i>305,666</i>	<i>3,464,530</i>	<i>109,357</i>	<i>3,879,553</i>
<i>Other retail exposures</i>	<i>414,345</i>	<i>1,256,566</i>	<i>2,275,446</i>	<i>3,946,357</i>
<b>Total IRB exposures</b>	<b>29,113,974</b>	<b>16,038,281</b>	<b>15,058,906</b>	<b>60,211,161</b>
<b>Standardised exposures</b>				
Corporates	147,737	48,340	23,040	219,117
Regulatory retail	54,361	7,130	83,493	144,984
Residential mortgages	459	695	12,986	14,140
Higher risk assets	10	14	153	177
Other assets	545,822	23,200	88,051	657,073
<b>Total Standardised exposures</b>	<b>748,389</b>	<b>79,379</b>	<b>207,723</b>	<b>1,035,491</b>
<b>Total credit risk exposures</b>	<b>29,862,363</b>	<b>16,117,660</b>	<b>15,266,629</b>	<b>61,246,652</b>

*Note: The above table shows that exposures with residual contractual maturity more than 5 years, of which 64% are collateralized.*

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**5. Credit risk (continued)**

**5.2 Credit risk mitigation**

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

<b>Group</b>	<b>Exposures before CRM</b>	<b>Exposures covered by guarantees or credit derivatives</b>	<b>Exposures covered by eligible financial collateral</b>	<b>Exposures covered by Other eligible collateral</b>
<b>31 December 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On-balance sheet exposures</b>				
Sovereigns/Central banks	6,035,427	-	-	-
Banks, development financial institutions & MDBs	5,763,930	28,996	-	-
Insurance companies, securities firms & fund managers	312,754	111,559	2,741	-
Corporates	9,652,863	162,436	715,193	1,076,355
Regulatory retail	6,113,839	6,176	121,592	89,316
Residential mortgages	11,873,054	-	-	11,629,727
Higher risk assets	-	-	-	-
Other assets	609,830	-	5,442	-
Specialised financing/investment	23,701	-	-	-
Defaulted exposures	1,756,705	-	38,911	390,205
<b>Total on-balance sheet exposures</b>	<b>42,142,103</b>	<b>309,167</b>	<b>883,879</b>	<b>13,185,603</b>
<b>Off-balance sheet exposures</b>				
OTC derivatives	8,050,513	111,676	33	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	10,918,114	32,824	191,514	576,133
Defaulted exposures	51,153	-	4,785	1,765
<b>Total off-balance sheet exposures</b>	<b>19,019,780</b>	<b>144,500</b>	<b>196,332</b>	<b>577,898</b>
<b>Total on and off-balance sheet exposures</b>	<b>61,161,883</b>	<b>453,667</b>	<b>1,080,211</b>	<b>13,763,501</b>

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**5. Credit risk (continued)**

**5.2 Credit risk mitigation (continued)**

<b>Group 31 December 2015</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees or credit derivatives RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>	<b>Exposures covered by Other eligible collateral RM'000</b>
<b>On-balance sheet exposures</b>				
Sovereigns/Central banks	6,703,001	-	-	-
Banks, development financial institutions & MDBs	5,631,133	32,816	-	-
Insurance companies, securities firms & fund managers	459,304	183,985	2,592	-
Corporates	8,580,321	25,125	323,542	863,694
Regulatory retail	6,441,975	10,643	111,083	70,022
Residential mortgages	12,579,488	-	-	12,385,479
Higher risk assets	-	-	-	-
Other assets	978,503	-	8,731	-
Specialised financing/investment	113,126	-	-	-
Defaulted exposures	1,704,212	-	66,457	319,212
<b>Total on-balance sheet exposures</b>	<b>43,191,063</b>	<b>252,569</b>	<b>512,405</b>	<b>13,638,407</b>
<b>Off-balance sheet exposures</b>				
OTC derivatives	8,028,026	34	472	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	12,839,131	44,445	1,203,206	394,868
Defaulted exposures	195,339	-	1,754	491
<b>Total off-balance sheet exposures</b>	<b>21,062,496</b>	<b>44,479</b>	<b>1,205,432</b>	<b>395,359</b>
<b>Total on and off-balance sheet exposures</b>	<b>64,253,559</b>	<b>297,048</b>	<b>1,717,837</b>	<b>14,033,766</b>

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**5. Credit risk (continued)**

**5.2 Credit risk mitigation (continued)**

<b>Bank 31 December 2016</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees or credit derivatives RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>	<b>Exposures covered by other eligible collateral RM'000</b>
<b>On-balance sheet exposures</b>				
Sovereigns/Central banks	5,269,484	-	-	-
Banks, development financial institutions & MDBs	8,682,769	28,996	-	-
Insurance companies, securities firms & fund managers	184,059	111,559	-	-
Corporates	8,109,179	161,876	646,552	833,572
Regulatory retail	5,071,495	6,132	120,266	82,408
Residential mortgages	9,119,618	-	-	8,916,447
Higher risk assets	-	-	-	-
Other assets	535,785	-	5,442	-
Specialised financing/investment	23,701	-	-	-
Defaulted exposures	1,640,724	-	38,911	369,137
<b>Total on-balance sheet exposures</b>	<b>38,636,814</b>	<b>308,563</b>	<b>811,171</b>	<b>10,201,564</b>
<b>Off-balance sheet exposures</b>				
OTC derivatives	8,338,184	111,676	33	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	10,289,301	28,659	166,620	485,974
Defaulted exposures	50,926	-	4,785	1,538
<b>Total off-balance sheet exposures</b>	<b>18,678,411</b>	<b>140,335</b>	<b>171,438</b>	<b>487,512</b>
<b>Total on and off-balance sheet exposures</b>	<b>57,315,225</b>	<b>448,898</b>	<b>982,609</b>	<b>10,689,076</b>



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**5. Credit risk (continued)**

**5.2 Credit risk mitigation (continued)**

<b>Bank 31 December 2015</b>	<b>Exposures before CRM RM'000</b>	<b>Exposures covered by guarantees or credit derivatives RM'000</b>	<b>Exposures covered by eligible financial collateral RM'000</b>	<b>Exposures covered by other eligible collateral RM'000</b>
<b>On-balance sheet exposures</b>				
Sovereigns/Central banks	5,588,687	-	-	-
Banks, development financial institutions & MDBs	9,984,990	32,816	-	-
Insurance companies, securities firms & fund managers	258,126	183,985	-	-
Corporates	7,585,470	23,346	281,785	795,156
Regulatory retail	5,374,196	9,000	109,999	64,648
Residential mortgages	9,691,247	-	-	9,540,579
Higher risk assets	-	-	-	-
Other assets	655,414	-	8,731	-
Specialised financing/investment	113,126	-	-	-
Defaulted exposures	1,594,654	-	66,457	317,575
<b>Total on-balance sheet exposures</b>	<b>40,845,910</b>	<b>249,147</b>	<b>466,972</b>	<b>10,717,958</b>
<b>Off-balance sheet exposures</b>				
OTC derivatives	8,268,388	34	472	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	11,937,014	41,055	1,188,692	236,247
Defaulted exposures	195,340	-	1,754	491
<b>Total off-balance sheet exposures</b>	<b>20,400,742</b>	<b>41,089</b>	<b>1,190,918</b>	<b>236,738</b>
<b>Total on and off-balance sheet exposures</b>	<b>61,246,652</b>	<b>290,236</b>	<b>1,657,890</b>	<b>10,954,696</b>

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**5. Credit risk (continued)**

**5.3 Exposures under IRB approach**

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

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

<b>Group</b>	<b>0-0.04%</b>	<b>0.04-0.17%</b>	<b>0.17-0.59%</b>	<b>0.59-3.05%</b>	<b>3.05-12.00%</b>	<b>12.00-100%</b>	<b>Default or 100%</b>
<b>31 December 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-retail exposures (EAD)</b>							
<b><u>On balance sheet exposures</u></b>							
Sovereign	-	6,035,427	-	-	-	-	-
Bank	189,153	5,089,292	277,128	192,229	16,119	9	-
Corporate	123,155	1,644,377	2,682,233	3,921,244	1,044,170	283,648	1,057,338
Total on-balance sheet exposures	312,308	12,769,096	2,959,361	4,113,473	1,060,289	283,657	1,057,338
<b><u>Undrawn commitments</u></b>							
Sovereign	-	-	-	-	-	-	-
Bank	11,886	178,035	1,330	530	-	-	-
Corporate	29,056	309,778	565,644	636,905	88,995	16,099	8,780
Total undrawn commitments	40,942	487,813	566,974	637,435	88,995	16,099	8,780
<b><u>Derivatives</u></b>							
Sovereign	35	74,737	-	-	-	-	-
Bank	3,744	5,709,475	445,543	315,752	-	-	-
Corporate	117,031	628,526	250,729	475,410	13,708	15,790	-
Total derivatives	120,810	6,412,738	696,272	791,162	13,708	15,790	-
<b><u>Contingent</u></b>							
Sovereign	-	-	-	-	-	-	-
Bank	38,391	853,790	6,836	77,803	3,190	3,024	-
Corporate	10,303	1,162,693	1,866,999	1,117,812	575,970	235,814	36,180
Total contingent	48,694	2,016,483	1,873,835	1,195,615	579,160	238,838	36,180
<b>Exposure weighted average LGD (%)</b>							
Sovereign	45.00%	46.39%	-	-	-	-	-
Bank	26.20%	32.81%	35.96%	41.20%	41.20%	37.29%	-
Corporate	44.47%	42.27%	44.27%	39.72%	43.55%	36.80%	41.34%
<b>Exposure weighted average risk weight (%)</b>							
Sovereign	0.00%	18.49%	-	-	-	-	-
Bank	4.51%	12.81%	33.47%	76.89%	122.35%	173.26%	-
Corporate	11.16%	31.79%	63.43%	84.16%	146.41%	194.92%	137.95%

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**5. Credit risk (continued)**

**5.3 Exposures under IRB approach (continued)**

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

<b>Group</b>	<b>0-0.04%</b>	<b>0.04-0.17%</b>	<b>0.17-0.59%</b>	<b>0.59-3.05%</b>	<b>3.05-12.00%</b>	<b>12.00-100%</b>	<b>Default or 100%</b>
<b>31 December 2015</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-retail exposures (EAD)</b>							
<b><u>On balance sheet exposures</u></b>							
Sovereign	-	6,703,001	-	-	-	-	-
Bank	1,244,650	3,885,549	282,983	199,656	18,295	-	-
Corporate	50,888	1,138,167	2,379,082	4,536,284	880,611	36,429	976,384
Total on-balance sheet exposures	1,295,538	11,726,717	2,662,065	4,735,940	898,906	36,429	976,384
<b><u>Undrawn commitments</u></b>							
Sovereign	-	-	-	-	-	-	-
Bank	516,309	66,770	1,208	-	-	-	-
Corporate	44,526	373,919	664,912	603,275	140,701	7,424	22,980
Total undrawn commitments	560,835	440,689	666,120	603,275	140,701	7,424	22,980
<b><u>Derivatives</u></b>							
Sovereign	-	-	-	-	-	-	-
Bank	2,443,907	3,548,970	428,476	293,310	-	-	-
Corporate	2,890	599,692	396,041	305,730	871	6,870	152,506
Total derivatives	2,446,797	4,148,662	824,517	599,040	871	6,870	152,506
<b><u>Contingent</u></b>							
Sovereign	-	-	-	-	-	-	-
Bank	544,862	433,018	53,892	34,910	14,610	2,146	-
Corporate	6,845	1,354,432	1,866,824	2,537,965	143,009	319,260	12,685
Total contingent	551,707	1,787,450	1,920,716	2,572,875	157,619	321,406	12,685
<b>Exposure weighted average LGD (%)</b>							
Sovereign	45.00%	26.20%	-	-	-	-	-
Bank	26.20%	25.36%	26.96%	41.14%	41.20%	41.20%	-
Corporate	49.18%	40.33%	39.78%	38.58%	50.39%	50.54%	43.03%
<b>Exposure weighted average risk weight (%)</b>							
Sovereign	-	7.53%	-	-	-	-	-
Bank	8.06%	11.25%	33.49%	87.25%	127.03%	193.21%	-
Corporate	9.13%	18.91%	46.61%	79.14%	166.45%	234.62%	85.56%

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**5. Credit risk (continued)**

**5.3 Exposures under IRB approach (continued)**

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

<b>Bank 31 December 2016</b>	<b>0-0.04% RM'000</b>	<b>0.04-0.17% RM'000</b>	<b>0.17-0.59% RM'000</b>	<b>0.59-3.05% RM'000</b>	<b>3.05-12.00% RM'000</b>	<b>12.00-100% RM'000</b>	<b>Default or 100% RM'000</b>
<b>Non-retail exposures (EAD)</b>							
<b><u>On balance sheet exposures</u></b>							
Sovereign	-	5,269,484	-	-	-	-	-
Bank	189,153	8,008,131	277,128	192,229	16,119	9	-
Corporate	123,155	1,502,707	2,224,637	3,127,077	806,760	274,433	1,056,920
Total on-balance sheet exposures	312,308	14,780,322	2,501,765	3,319,306	822,879	274,442	1,056,920
<b><u>Undrawn commitments</u></b>							
Sovereign	-	-	-	-	-	-	-
Bank	11,886	179,070	1,330	530	-	-	-
Corporate	29,056	263,753	466,888	589,107	59,504	16,020	8,780
Total undrawn commitments	40,942	442,823	468,218	589,637	59,504	16,020	8,780
<b><u>Derivatives</u></b>							
Sovereign	35	74,737	-	-	-	-	-
Bank	3,744	6,170,043	381,122	266,016	-	-	-
Corporate	117,031	575,531	250,729	469,674	13,702	15,787	-
Total derivatives	120,810	6,820,311	631,851	735,690	13,702	15,787	-
<b><u>Contingent</u></b>							
Sovereign	-	-	-	-	-	-	-
Bank	38,391	853,752	6,836	77,803	3,190	3,024	-
Corporate	10,303	1,073,851	1,865,563	1,033,405	563,065	235,602	36,180
Total contingent	48,694	1,927,603	1,872,399	1,111,208	566,255	238,626	36,180
<b>Exposure weighted average LGD (%)</b>							
Sovereign	45.00%	46.42%	0.00%	0.00%	0.00%	0.00%	0.00%
Bank	26.20%	35.09%	35.53%	41.20%	41.20%	37.29%	0.00%
Corporate	44.47%	43.95%	43.79%	39.05%	44.38%	36.22%	41.32%
<b>Exposure weighted average risk weight (%)</b>							
Sovereign	0.00%	19.39%	0.00%	0.00%	0.00%	0.00%	0.00%
Bank	4.51%	15.27%	35.37%	75.96%	122.35%	173.26%	0.00%
Corporate	11.16%	33.43%	64.79%	81.16%	148.35%	192.68%	137.65%

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**5. Credit risk (continued)**

**5.3 Exposures under IRB approach (continued)**

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

<b>Bank 31 December 2015</b>	<b>0-0.04% RM'000</b>	<b>0.04-0.17% RM'000</b>	<b>0.17-0.59% RM'000</b>	<b>0.59-3.05% RM'000</b>	<b>3.05-12.00% RM'000</b>	<b>12.00-100% RM'000</b>	<b>Default or 100% RM'000</b>
<b>Non-retail exposures (EAD)</b>							
<b><u>On balance sheet exposures</u></b>							
Sovereign	-	5,588,687	-	-	-	-	-
Bank	1,244,650	8,239,406	282,983	199,656	18,295	-	-
Corporate	50,888	862,968	2,170,590	3,954,730	771,328	33,234	975,475
Total on-balance sheet exposures	1,295,538	14,691,061	2,453,573	4,154,386	789,623	33,234	975,475
<b><u>Undrawn commitments</u></b>							
Sovereign	-	-	-	-	-	-	-
Bank	516,309	135,805	1,208	-	-	-	-
Corporate	44,526	300,676	560,664	443,702	120,352	7,424	22,980
Total undrawn commitments	560,835	436,481	561,872	443,702	120,352	7,424	22,980
<b><u>Derivatives</u></b>							
Sovereign	-	-	-	-	-	-	-
Bank	2,419,057	4,032,470	380,213	202,097	-	-	-
Corporate	2,890	527,594	396,041	299,021	871	6,865	152,507
Total derivatives	2,421,947	4,560,064	776,254	501,118	871	6,865	152,507
<b><u>Contingent</u></b>							
Sovereign	-	-	-	-	-	-	-
Bank	544,862	432,980	53,892	34,910	14,610	2,146	-
Corporate	6,845	1,274,136	1,864,801	2,344,629	133,425	319,227	12,685
Total contingent	551,707	1,707,116	1,918,693	2,379,539	148,035	321,373	12,685
<b>Exposure weighted average LGD (%)</b>							
Sovereign	45.00%	26.20%	-	-	-	-	-
Bank	26.20%	25.76%	26.00%	41.13%	41.20%	41.20%	-
Corporate	49.18%	40.25%	39.67%	38.28%	53.49%	50.64%	43.00%
<b>Exposure weighted average risk weight (%)</b>							
Sovereign	-	7.86%	-	-	-	-	-
Bank	8.06%	12.72%	29.61%	85.18%	127.03%	193.21%	-
Corporate	9.13%	18.84%	44.21%	77.56%	176.40%	239.27%	85.07%

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**5. Credit risk (continued)**

**5.3 Exposures under IRB approach (continued)**

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

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

<b>Group</b>	<b>0-0.11%</b>	<b>0.11-0.30%</b>	<b>0.30-0.43%</b>	<b>0.43-3.05%</b>	<b>3.05-9.20%</b>	<b>9.20-100%</b>	<b>Default or 100%</b>
<b>31 December 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Retail exposures (EAD)</b>							
<b><u>On balance sheet exposures</u></b>							
Residential mortgage	324,902	2,640,418	1,290,031	6,516,675	719,720	368,926	203,798
Qualifying revolving retail	32,658	198,924	87,210	732,428	525,141	222,569	180,392
Other retail	602,200	600,063	329,041	1,573,653	421,154	501,764	280,363
Total on-balance sheet exposures	959,760	3,439,405	1,706,282	8,822,756	1,666,015	1,093,259	664,553
<b><u>Undrawn commitments</u></b>							
Residential mortgage	4,926	34,722	24,731	593,028	3,557	4,999	2,062
Qualifying revolving retail	374,469	483,045	115,382	666,300	227,481	58,490	-
Other retail	1,815	26,882	1,364	309,115	27,001	57,173	3,895
Total undrawn commitments	381,210	544,649	141,477	1,568,443	258,039	120,662	5,957
<b>Exposure weighted average LGD (%)</b>							
Residential mortgage	12.41%	12.51%	12.46%	12.58%	12.48%	12.92%	14.88%
Qualifying revolving retail	67.07%	67.07%	67.07%	67.07%	67.07%	67.07%	60.13%
Other retail	15.04%	18.10%	18.57%	32.62%	54.93%	62.86%	64.87%
<b>Exposure weighted average risk weight (%)</b>							
Residential mortgage	3.04%	5.43%	8.18%	15.88%	43.51%	66.28%	95.40%
Qualifying revolving retail	3.64%	7.43%	12.81%	31.94%	83.59%	168.60%	344.51%
Other retail	3.00%	9.50%	11.21%	38.82%	86.45%	139.37%	301.95%

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**5. Credit risk (continued)**

**5.3 Exposures under IRB approach (continued)**

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

<b>Group</b>	<b>0-0.11%</b>	<b>0.11-0.30%</b>	<b>0.30-0.43%</b>	<b>0.43-3.05%</b>	<b>3.05-9.20%</b>	<b>9.20-100%</b>	<b>Default or 100%</b>
<b>31 December 2015</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Retail exposures (EAD)</b>							
<b><u>On balance sheet exposures</u></b>							
Residential mortgage	246,303	2,290,484	1,317,992	7,266,642	969,584	475,452	200,056
Qualifying revolving retail	33,144	202,730	81,251	738,400	570,074	239,924	174,909
Other retail	675,250	572,007	438,990	1,818,905	649,401	308,458	313,177
Total on-balance sheet exposures	954,697	3,065,221	1,838,233	9,823,947	2,189,059	1,023,834	688,142
<b><u>Undrawn commitments</u></b>							
Residential mortgage	3,519	29,507	29,759	611,849	9,888	6,551	2,631
Qualifying revolving retail	358,700	476,074	103,625	637,805	205,744	57,173	-
Other retail	2,054	26,784	7,976	320,390	49,407	18,663	4,280
Total undrawn commitments	364,273	532,365	141,360	1,570,044	265,039	82,387	6,911
<b>Exposure weighted average LGD (%)</b>							
Residential mortgage	12.40%	12.16%	12.18%	12.26%	12.28%	12.71%	14.66%
Qualifying revolving retail	67.07%	67.07%	67.07%	67.07%	67.07%	67.07%	60.17%
Other retail	15.00%	22.88%	24.80%	34.98%	62.41%	61.60%	68.01%
<b>Exposure weighted average risk weight (%)</b>							
Residential mortgage	3.20%	6.07%	9.51%	17.98%	45.81%	70.02%	92.17%
Qualifying revolving retail	3.66%	7.40%	12.83%	32.27%	83.62%	169.79%	337.44%
Other retail	2.91%	11.53%	15.52%	39.58%	97.69%	131.58%	291.81%

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**5. Credit risk (continued)**

**5.3 Exposures under IRB approach (continued)**

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

<b>Bank 31 December 2016</b>	<b>0-0.11% RM'000</b>	<b>0.11-0.30% RM'000</b>	<b>0.30-0.43% RM'000</b>	<b>0.43-3.05% RM'000</b>	<b>3.05-9.20% RM'000</b>	<b>9.20-100% RM'000</b>	<b>Default or 100% RM'000</b>
<b>Retail exposures (EAD)</b>							
<b><u>On balance sheet exposures</u></b>							
Residential mortgage	322,292	2,001,958	996,569	4,939,523	559,249	287,996	181,726
Qualifying revolving retail	32,658	198,924	87,210	732,428	525,141	222,569	180,392
Other retail	502,050	475,101	213,800	1,218,350	326,398	437,822	193,846
Total on-balance sheet exposures	857,000	2,675,983	1,297,579	6,890,301	1,410,788	948,387	555,964
<b><u>Undrawn commitments</u></b>							
Residential mortgage	3,977	27,451	21,895	493,104	2,909	4,690	1,835
Qualifying revolving retail	374,469	483,045	115,382	666,300	227,481	58,490	-
Other retail	1,411	26,882	982	240,800	26,471	57,173	3,895
Total undrawn commitments	379,857	537,378	138,259	1,400,204	256,861	120,353	5,730
<b>Exposure weighted average LGD (%)</b>							
Residential mortgage	12.36%	12.52%	12.47%	12.61%	12.47%	12.91%	14.69%
Qualifying revolving retail	67.07%	67.07%	67.07%	67.07%	67.07%	67.07%	60.13%
Other retail	15.04%	18.64%	18.60%	31.39%	57.66%	63.70%	60.66%
<b>Exposure weighted average risk weight (%)</b>							
Residential mortgage	3.03%	5.46%	8.19%	15.71%	43.22%	65.65%	94.41%
Qualifying revolving retail	3.64%	7.43%	12.81%	31.94%	83.59%	168.60%	344.51%
Other retail	3.00%	9.74%	11.23%	37.43%	91.00%	142.25%	304.96%



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**5. Credit risk (continued)**

**5.3 Exposures under IRB approach (continued)**

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

<b>Bank 31 December 2015</b>	<b>0-0.11% RM'000</b>	<b>0.11-0.30% RM'000</b>	<b>0.30-0.43% RM'000</b>	<b>0.43-3.05% RM'000</b>	<b>3.05-9.20% RM'000</b>	<b>9.20-100% RM'000</b>	<b>Default or 100% RM'000</b>
<b>Retail exposures (EAD)</b>							
<b><u>On balance sheet exposures</u></b>							
Residential mortgage	240,159	2,100,925	1,078,384	5,298,229	607,399	353,120	198,473
Qualifying revolving retail	33,144	202,730	81,251	738,400	570,074	239,924	174,909
Other retail	590,411	495,770	302,229	1,334,998	473,328	199,927	206,136
Total on-balance sheet exposures	863,714	2,799,425	1,461,864	7,371,627	1,650,801	792,971	579,518
<b><u>Undrawn commitments</u></b>							
Residential mortgage	3,519	29,507	29,642	425,669	6,124	6,160	2,631
Qualifying revolving retail	358,700	476,074	103,625	637,805	205,744	57,173	-
Other retail	1,523	26,641	7,898	235,601	48,953	18,662	4,280
Total undrawn commitments	363,742	532,222	141,165	1,299,075	260,821	81,995	6,911
<b>Exposure weighted average LGD (%)</b>							
Residential mortgage	12.40%	12.17%	12.21%	12.33%	12.31%	12.76%	14.66%
Qualifying revolving retail	67.07%	67.07%	67.07%	67.07%	67.07%	67.07%	60.17%
Other retail	14.99%	23.61%	26.79%	34.17%	59.54%	60.03%	60.79%
<b>Exposure weighted average risk weight (%)</b>							
Residential mortgage	3.04%	5.31%	8.04%	15.14%	42.80%	67.06%	92.16%
Qualifying revolving retail	3.66%	7.40%	12.83%	32.27%	83.62%	169.79%	337.44%
Other retail	2.91%	11.80%	16.85%	37.78%	93.50%	127.87%	299.15%

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**5. Credit risk (continued)**

**5.3 Exposures under IRB approach (continued)**

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

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

<b>Group</b>	<b>Up to 0.10%</b>	<b>&gt;0.10 to 0.20%</b>	<b>&gt;0.20 to 0.50%</b>	<b>&gt;0.50 to 1.00%</b>	<b>&gt;1.00 to 30.00%</b>	<b>&gt;30 to &lt;100%</b>	<b>100%</b>
<b>31 December 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Retail exposures (EAD)</b>							
<b><u>On balance sheet exposures</u></b>							
Residential mortgage	7,832,476	2,082,355	1,077,136	388,767	683,736	-	-
Qualifying revolving retail	71,617	159,965	288,260	216,930	1,023,357	219,193	-
Other retail	1,998,557	477,827	108,813	323,482	1,085,368	314,165	26
Total on-balance sheet exposures	9,902,650	2,720,147	1,474,209	929,179	2,792,461	533,358	26
<b><u>Undrawn commitments</u></b>							
Residential mortgage	157,785	123,653	376,222	2,074	8,291	-	-
Qualifying revolving retail	492,495	365,019	328,466	250,263	482,469	6,455	-
Other retail	44,511	2,934	265,100	6,969	97,241	10,186	304
Total undrawn commitments	694,791	491,606	969,788	259,306	588,001	16,641	304
<b>Exposure weighted average risk weight (%)</b>							
Residential mortgage	8.44%	17.45%	28.31%	44.43%	73.15%	-	-
Qualifying revolving retail	4.09%	8.08%	16.59%	26.46%	83.58%	315.77%	-
Other retail	10.84%	15.04%	28.50%	52.30%	122.07%	263.15%	0.00%
<b>31 December 2015</b>							
<b>Retail exposures (EAD)</b>							
<b><u>On balance sheet exposures</u></b>							
Residential mortgage	6,423,632	1,884,471	2,170,483	1,400,084	887,843	-	-
Qualifying revolving retail	72,754	163,120	278,268	215,725	1,113,967	196,598	-
Other retail	1,707,983	963,267	275,944	345,005	1,155,945	327,750	294
Total on-balance sheet exposures	8,204,369	3,010,858	2,724,695	1,960,814	3,157,755	524,348	294
<b><u>Undrawn commitments</u></b>							
Residential mortgage	121,847	115,739	262,771	179,711	13,636	-	-
Qualifying revolving retail	486,056	348,717	303,159	239,771	458,434	2,984	-
Other retail	24,958	15,185	280,979	15,304	88,190	4,918	20
Total undrawn commitments	632,861	479,641	846,909	434,786	560,260	7,902	20
<b>Exposure weighted average risk weight (%)</b>							
Residential mortgage	8.31%	17.20%	23.36%	35.65%	71.83%	-	-
Qualifying revolving retail	4.14%	8.10%	16.62%	26.44%	86.53%	317.43%	-
Other retail	8.05%	15.85%	35.44%	57.56%	113.97%	278.53%	135.90%

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**5. Credit risk (continued)**

**5.3 Exposures under IRB approach (continued)**

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

<b>Bank 31 December 2016</b>	<b>Up to 0.10% RM'000</b>	<b>&gt;0.10 to 0.20% RM'000</b>	<b>&gt;0.20 to 0.50% RM'000</b>	<b>&gt;0.50 to 1.00% RM'000</b>	<b>&gt;1.00 to 30.00% RM'000</b>	<b>&gt;30 to &lt;100% RM'000</b>	<b>100% RM'000</b>
<b>Retail exposures (EAD)</b>							
<b><u>On balance sheet exposures</u></b>							
Residential mortgage	6,110,498	1,553,122	778,884	296,767	550,042	-	-
Qualifying revolving retail	71,617	159,965	288,260	216,930	1,023,357	219,193	-
Other retail	1,576,416	384,510	87,842	187,763	903,198	227,612	26
Total on-balance sheet exposures	7,758,531	2,097,597	1,154,986	701,460	2,476,597	446,805	26
<b><u>Undrawn commitments</u></b>							
Residential mortgage	136,101	106,798	303,781	1,799	7,382	-	-
Qualifying revolving retail	492,495	365,019	328,466	250,263	482,469	6,455	-
Other retail	43,122	2,934	197,495	6,611	96,962	10,186	304
Total undrawn commitments	671,718	474,751	829,742	258,673	586,813	16,641	304
<b>Exposure weighted average risk weight (%)</b>							
Residential mortgage	8.44%	17.34%	28.43%	44.45%	73.58%	0.00%	0.00%
Qualifying revolving retail	4.09%	8.08%	16.59%	26.46%	83.58%	315.77%	0.00%
Other retail	10.08%	15.17%	28.99%	53.26%	123.51%	260.14%	0.00%
<b>31 December 2015</b>							
<b>Retail exposures (EAD)</b>							
<b><u>On balance sheet exposures</u></b>							
Residential mortgage	6,322,528	1,814,695	778,228	308,381	652,857	-	-
Qualifying revolving retail	72,754	163,120	278,268	215,725	1,113,967	196,598	-
Other retail	1,406,601	743,973	219,432	229,402	797,227	205,871	294
Total on-balance sheet exposures	7,801,883	2,721,788	1,275,928	753,508	2,564,051	402,469	294
<b><u>Undrawn commitments</u></b>							
Residential mortgage	121,678	115,739	250,920	3,324	11,591	-	-
Qualifying revolving retail	486,056	348,717	303,159	239,771	458,434	2,984	-
Other retail	24,080	14,445	196,913	15,304	87,878	4,918	20
Total undrawn commitments	631,814	478,901	750,992	258,399	557,903	7,902	20
<b>Exposure weighted average risk weight (%)</b>							
Residential mortgage	8.29%	17.17%	27.33%	43.86%	72.47%	-	-
Qualifying revolving retail	4.14%	8.10%	16.62%	26.44%	86.53%	317.43%	-
Other retail	7.95%	15.96%	37.97%	56.95%	111.81%	284.22%	-

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**5. Credit risk (continued)**

**5.3 Exposures under IRB approach (continued)**

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

<b>Group</b>	<b>Strong or 70% RM'000</b>	<b>Good or 90% RM'000</b>	<b>Satisfactory or 115% RM'000</b>	<b>Weak or 250% RM'000</b>	<b>Default or 0% RM'000</b>
<b>31 December 2016</b>					
Income producing real estate					
- Total Exposures	-	15,020	-	-	-
- Risk Weighted Assets	-	13,518	-	-	-
<b>31 December 2015</b>					
Income producing real estate					
- Total Exposures	-	16,152	87,002	-	-
- Risk Weighted Assets	-	14,537	100,052	-	-
<b>Bank</b>					
	<b>Strong or 70% RM'000</b>	<b>Good or 90% RM'000</b>	<b>Satisfactory or 115% RM'000</b>	<b>Weak or 250% RM'000</b>	<b>Default or 0% RM'000</b>
<b>31 December 2016</b>					
Income producing real estate					
- Total Exposures	-	15,020	-	-	-
- Risk Weighted Assets	-	13,518	-	-	-
<b>31 December 2015</b>					
Income producing real estate					
- Total Exposures	-	16,152	87,002	-	-
- Risk Weighted Assets	-	14,537	100,052	-	-

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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
	Corporates* RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000		
<b>31 December 2016</b>							
<b>Risk weights</b>							
0%	382	-	-	-	150,884	151,266	-
20%	-	-	-	-	-	-	-
35%	-	-	12,388	-	-	12,388	4,342
50%	3,658	407	2	-	-	4,067	2,034
75%	-	56,820	50	-	-	56,870	42,653
100%	358,447	180,160	340	-	453,504	992,451	992,451
150%	218	27,441	44	137	-	27,840	41,760
1250%	-	-	-	-	1,658	1,658	20,725
<b>Total exposures</b>	<b>362,705</b>	<b>264,828</b>	<b>12,824</b>	<b>137</b>	<b>606,046</b>	<b>1,246,540</b>	<b>1,103,965</b>
<b>Risk-weighted assets by exposures</b>	<b>360,603</b>	<b>264,140</b>	<b>4,780</b>	<b>206</b>	<b>474,236</b>	<b>1,103,965</b>	
<b>Average risk weight</b>	<b>99.4%</b>	<b>99.7%</b>	<b>37.3%</b>	<b>150.0%</b>	<b>78.3%</b>	<b>88.6%</b>	
<b>Deduction from capital base</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	← Exposures after netting and credit risk mitigation →					Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
	Corporates* RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000		
<b>31 December 2015</b>							
<b>Risk weights</b>							
0%	-	-	-	-	255,918	255,918	-
20%	-	-	-	-	-	-	-
35%	-	-	13,138	-	-	13,138	4,598
50%	11,979	1	161	-	-	12,141	6,071
75%	-	46,963	171	-	-	47,134	35,351
100%	236,151	5,375	626	-	713,855	956,007	955,910
150%	1,426	29,974	45	177	-	31,622	47,533
1250%	-	-	-	-	1,658	1,658	20,725
<b>Total exposures</b>	<b>249,556</b>	<b>82,313</b>	<b>14,141</b>	<b>177</b>	<b>971,431</b>	<b>1,317,618</b>	<b>1,070,188</b>
<b>Risk-weighted assets by exposures</b>	<b>244,280</b>	<b>85,559</b>	<b>5,501</b>	<b>266</b>	<b>734,582</b>	<b>1,070,188</b>	
<b>Average risk weight</b>	<b>97.9%</b>	<b>103.9%</b>	<b>38.9%</b>	<b>150.0%</b>	<b>75.6%</b>	<b>81.2%</b>	
<b>Deduction from capital base</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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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
	Corporates* RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000		
<b>31 December 2016</b>							
<b>Risk weights</b>							
0%	382	-	-	-	147,498	147,880	-
20%	-	-	-	-	-	-	-
35%	-	-	12,037	-	-	12,037	4,221
50%	3,658	-	2	-	-	3,660	1,830
75%	-	44,715	50	-	-	44,765	33,574
100%	289,398	1,765	340	-	382,845	674,348	674,348
150%	218	23,371	44	137	-	23,770	35,655
1250%	-	-	-	-	1,658	1,658	20,725
<b>Total exposures</b>	<b>293,656</b>	<b>69,851</b>	<b>12,473</b>	<b>137</b>	<b>532,001</b>	<b>908,118</b>	<b>770,353</b>
<b>Risk-weighted assets by exposures</b>	<b>291,554</b>	<b>70,358</b>	<b>4,657</b>	<b>206</b>	<b>403,578</b>	<b>770,353</b>	
<b>Average risk weight</b>	<b>99.3%</b>	<b>100.7%</b>	<b>37.3%</b>	<b>150.0%</b>	<b>75.9%</b>	<b>84.8%</b>	
<b>Deduction from capital base</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	← Exposures after netting and credit risk mitigation →						
	Corporates* RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
<b>31 December 2015</b>							
<b>Risk weights</b>							
0%	-	-	-	-	247,212	247,212	-
20%	-	-	-	-	-	-	-
35%	-	-	13,138	-	-	13,138	4,598
50%	11,979	1	161	-	-	12,141	6,071
75%	-	45,694	171	-	-	45,865	34,399
100%	167,570	5,214	626	-	399,472	572,882	572,885
150%	1,426	29,949	45	177	-	31,597	47,396
1250%	-	-	-	-	1,658	1,658	20,725
<b>Total exposures</b>	<b>180,975</b>	<b>80,858</b>	<b>14,141</b>	<b>177</b>	<b>648,342</b>	<b>924,493</b>	<b>686,074</b>
<b>Risk-weighted assets by exposures</b>	<b>175,699</b>	<b>84,409</b>	<b>5,501</b>	<b>266</b>	<b>420,199</b>	<b>686,074</b>	
<b>Average risk weight</b>	<b>97.1%</b>	<b>104.4%</b>	<b>38.9%</b>	<b>150.0%</b>	<b>64.8%</b>	<b>74.2%</b>	
<b>Deduction from capital base</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

\* All corporate standardised exposures are unrated.

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**5. Credit risk (continued)**

**5.5 Problem credit management and provisioning**

**Impairment provisions analysed by borrowers' business or industry**

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

<b>Group</b>	<b>Collective impairment provisions as at</b>	<b>Individual impairment provisions held as at</b>	<b>Transfer from provision for commitments and contingencies</b>	<b>Net individual impairment charge during the financial year</b>	<b>Amounts written off or other movements during the financial year</b>	<b>Individual impairment provisions held as at</b>
<b>31 December 2016</b>	<b>31 December 2016</b>	<b>1 January 2016</b>				<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Mortgages	40,033	47,694	-	36,094	(36,676)	47,112
Others	194,889	104,236	-	177,775	(181,136)	100,875
<b>Retail Clients</b>	<b>234,922</b>	<b>151,930</b>	<b>-</b>	<b>213,869</b>	<b>(217,812)</b>	<b>147,987</b>
Agriculture	3,945	20,623	-	860	(685)	20,798
Mining and quarrying	5,621	-	-	-	-	-
Manufacturing	60,054	445,661	102,388	98,164	(109,909)	536,304
Electricity, gas and water	1,108	-	-	-	-	-
Construction	14,167	1,496	-	620	(1,427)	689
Real estate	7,802	-	-	-	-	-
Wholesale & retail trade and restaurants & hotels	25,725	81,121	-	30,998	(53,219)	58,900
Transportation, storage and communication	9,622	1,928	-	3,186	(1,671)	3,443
Finance, insurance and business services	36,177	-	-	-	-	-
Household	18	-	-	-	-	-
Others	2,470	-	-	-	-	-
<b>Corporates, Institutional and Commercial Clients</b>	<b>166,709</b>	<b>550,829</b>	<b>102,388</b>	<b>133,828</b>	<b>(166,911)</b>	<b>620,134</b>
<b>Total Impairment Provisions</b>	<b>401,631</b>	<b>702,759</b>	<b>102,388</b>	<b>347,697</b>	<b>(384,723)</b>	<b>768,121</b>

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**5. Credit risk (continued)**

**5.5 Problem credit management and provisioning (continued)**

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

<b>Group 31 December 2015</b>	<b>Collective impairment provisions as at 31 December 2015 RM'000</b>	<b>Individual impairment provisions held as at 1 January 2015 RM'000</b>	<b>Transfer from provision for commitments and contingencies RM'000</b>	<b>Net individual impairment charge during the financial year RM'000</b>	<b>Amounts written off or other movements during the financial year RM'000</b>	<b>Individual impairment provisions held as at 31 December 2015 RM'000</b>
Mortgages	50,872	47,700	-	34,218	(34,224)	47,694
Others	229,472	100,885	-	167,352	(164,001)	104,236
<b>Retail Clients</b>	<b>280,344</b>	<b>148,585</b>	<b>-</b>	<b>201,570</b>	<b>(198,225)</b>	<b>151,930</b>
Agriculture	-	17,235	-	-	3,388	20,623
Mining and quarrying	766	-	-	-	-	-
Manufacturing	39,398	128,026	-	321,711	(4,076)	445,661
Electricity, gas and water	605	-	-	-	-	-
Construction	11,772	59,554	-	1,427	(59,485)	1,496
Real estate	7,317	-	-	-	-	-
Wholesale & retail trade and restaurants & hotels	9,791	53,231	-	45,951	(18,061)	81,121
Transportation, storage and communication	708	-	-	1,928	-	1,928
Finance, insurance and business services	30,025	-	-	-	-	-
Household	-	-	-	-	-	-
Others	888	-	-	-	-	-
<b>Corporates, Institutional and Commercial Clients</b>	<b>101,270</b>	<b>258,046</b>	<b>-</b>	<b>371,017</b>	<b>(78,234)</b>	<b>550,829</b>
<b>Total Impairment Provisions</b>	<b>381,614</b>	<b>406,631</b>	<b>-</b>	<b>572,587</b>	<b>(276,459)</b>	<b>702,759</b>



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**5. Credit risk (continued)**

**5.5 Problem credit management and provisioning (continued)**

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

<b>Bank 31 December 2016</b>	<b>Collective impairment provisions as at 31 December 2016 RM'000</b>	<b>Individual impairment provisions held as at 1 January 2016 RM'000</b>	<b>Transfer from provision for commitments and contingencies RM'000</b>	<b>Net individual impairment charge during the financial year RM'000</b>	<b>Amounts written off or other movements during the financial year RM'000</b>	<b>Individual impairment provisions held as at 31 December 2016 RM'000</b>
Mortgages	33,018	44,284	-	27,285	(29,105)	42,464
Others	144,580	80,208	-	112,379	(112,042)	80,545
<b>Retail Clients</b>	<b>177,598</b>	<b>124,492</b>	<b>-</b>	<b>139,664</b>	<b>(141,147)</b>	<b>123,009</b>
Agriculture	148	20,623	-	860	(685)	20,798
Mining and quarrying	4,977	-	-	-	-	-
Manufacturing	52,170	444,477	102,388	98,164	(109,909)	535,120
Electricity, gas and water	1,108	-	-	-	-	-
Construction	12,801	1,496	-	620	(1,427)	689
Real estate	7,145	-	-	-	-	-
Wholesale & retail trade and restaurants & hotels	20,522	81,121	-	30,998	(53,219)	58,900
Transportation, storage and communication	8,933	1,928	-	3,186	(1,671)	3,443
Finance, insurance and business services	33,354	-	-	-	-	-
Household	18	-	-	-	-	-
Others	2,191	-	-	-	-	-
<b>Corporates, Institutional and Commercial Clients</b>	<b>143,367</b>	<b>549,645</b>	<b>102,388</b>	<b>133,828</b>	<b>(166,911)</b>	<b>618,950</b>
<b>Total Impairment Provisions</b>	<b>320,965</b>	<b>674,137</b>	<b>102,388</b>	<b>273,492</b>	<b>(308,058)</b>	<b>741,959</b>

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**5. Credit risk (continued)**

**5.5 Problem credit management and provisioning (continued)**

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

<b>Bank 31 December 2015</b>	<b>Collective impairment provisions as at 31 December 2015 RM'000</b>	<b>Individual impairment provisions held as at 1 January 2015 RM'000</b>	<b>Transfer from provision for commitments and contingencies RM'000</b>	<b>Net individual impairment charge during the financial year RM'000</b>	<b>Amounts written off or other movements during the financial year RM'000</b>	<b>Individual impairment provisions held as at 31 December 2015 RM'000</b>
Mortgages	41,403	47,179	-	28,944	(31,839)	44,284
Others	153,198	78,336	-	107,979	(106,107)	80,208
<b>Retail Clients</b>	<b>194,601</b>	<b>125,515</b>	<b>-</b>	<b>136,923</b>	<b>(137,946)</b>	<b>124,492</b>
Agriculture	-	17,235	-	-	3,388	20,623
Mining and quarrying	688	-	-	-	-	-
Manufacturing	35,396	127,306	-	321,238	(4,067)	444,477
Electricity, gas and water	605	-	-	-	-	-
Construction	11,617	59,554	-	1,427	(59,485)	1,496
Real estate	6,708	-	-	-	-	-
Wholesale & retail trade and restaurants & hotels	7,850	53,231	-	45,951	(18,061)	81,121
Transportation, storage and communication	681	-	-	1,928	-	1,928
Finance, insurance and business services	29,244	-	-	-	-	-
Others	875	-	-	-	-	-
<b>Corporates, Institutional and Commercial Clients</b>	<b>93,664</b>	<b>257,326</b>	<b>-</b>	<b>370,544</b>	<b>(78,225)</b>	<b>549,645</b>
<b>Total Impairment Provisions</b>	<b>288,265</b>	<b>382,841</b>	<b>-</b>	<b>507,467</b>	<b>(216,171)</b>	<b>674,137</b>

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**5. Credit risk (continued)**

**5.5 Problem credit management and provisioning (continued)**

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 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Mortgages	1,192,222	1,320,580	877,358	1,010,702
Others	391,774	402,527	284,941	278,230
<b>Retail Clients</b>	<b>1,583,996</b>	<b>1,723,107</b>	<b>1,162,299</b>	<b>1,288,932</b>
Agriculture	-	-	-	-
Mining and quarrying	-	30,347	-	30,347
Manufacturing	82,737	22,714	82,737	22,714
Electricity, gas and water	-	-	-	-
Construction	2,000	122	2,000	122
Real estate	-	-	-	-
Wholesale & retail trade and restaurants & hotels	42,338	12,139	42,338	12,139
Transportation, storage and communication	-	216	-	216
Finance, insurance and business services	27,314	288	27,314	288
Education, Health & Others	4,921	-	4,921	-
Household	-	-	-	-
Others	-	-	-	-
<b>Corporates, Institutional and Commercial Clients</b>	<b>159,310</b>	<b>65,826</b>	<b>159,310</b>	<b>65,826</b>

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	1,743,306	1,788,933	1,321,609	1,354,758
Others	-	-	-	-
	<b>1,743,306</b>	<b>1,788,933</b>	<b>1,321,609</b>	<b>1,354,758</b>

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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.

<b>Group</b>	<b>Principal amount RM'000</b>	<b>Positive fair value of contracts RM'000</b>	<b>Negative fair value of contracts RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted assets RM'000</b>
<b>31 December 2016</b>					
Direct credit substitutes	2,141,367	-	-	2,141,367	1,284,151
Transaction related contingent items	3,776,779	-	-	3,776,779	1,175,690
Short term self liquidating trade related contingencies	184,446	-	-	183,862	37,893
Sell and buy back agreements					
Foreign exchange related contracts					
<i>One year or less</i>	49,581,064	2,159,245	1,692,979	3,009,224	689,570
<i>Over one year to five years</i>	12,551,181	1,097,546	1,438,512	1,961,981	772,759
<i>Over five years</i>	2,641,904	589,142	349,215	870,460	136,908
Interest/profit rate related contracts					
<i>One year or less</i>	21,155,218	19,138	24,695	53,426	7,569
<i>Over one year to five years</i>	32,199,345	246,884	232,280	890,570	188,180
<i>Over five years</i>	7,761,427	89,327	86,809	618,786	120,372
Equity related contracts					
<i>One year or less</i>	45,410	678	-	2,420	141
<i>Over one year to five years</i>	88,053	3,024	252	9,316	959
<i>Over five years</i>	-	-	-	-	-
Commodity contracts					
<i>One year or less</i>	5,080,399	194,651	194,651	464,394	157,652
<i>Over one year to five years</i>	2,087,097	36,971	36,971	168,380	102,698
<i>Over five years</i>	-	-	-	-	-
Credit derivative contracts *					
<i>One year or less</i>	-	-	-	-	-
<i>Over one year to five years</i>	20,475	532	-	1,556	396
<i>Over five years</i>	-	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,429,059	-	-	694,304	587,007
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	891,397	-	-	853,576	206,096
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	35,366,484	-	-	3,319,379	1,534,299
	<u>178,001,105</u>	<u>4,437,138</u>	<u>4,056,364</u>	<u>19,019,780</u>	<u>7,002,340</u>

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

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted assets RM'000</b>
* <i>Credit derivative contracts</i>			
Total return swap			
- protection sold	20,475	1,556	396

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**5. Credit risk (continued)**

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

<b>Group</b>	<b>Principal amount RM'000</b>	<b>Positive fair value of contracts RM'000</b>	<b>Negative fair value of contracts RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted assets RM'000</b>
<b>31 December 2015</b>					
Direct credit substitutes	3,057,485	-	-	3,057,485	1,177,455
Transaction related contingent items	4,143,266	-	-	4,143,266	1,052,663
Short term self liquidating trade related contingencies	257,117	-	-	256,653	69,028
Sell and buy back agreements					
Foreign exchange related contracts					
<i>One year or less</i>	37,895,111	1,362,821	1,514,965	1,980,582	480,918
<i>Over one year to five years</i>	17,890,717	2,178,748	1,969,976	3,331,737	761,596
<i>Over five years</i>	2,775,301	544,263	349,497	849,789	187,708
Interest/profit rate related contracts					
<i>One year or less</i>	14,047,615	11,364	24,821	36,978	7,203
<i>Over one year to five years</i>	44,620,631	279,435	271,817	1,241,425	198,539
<i>Over five years</i>	7,017,272	103,110	109,794	566,229	87,435
Equity related contracts					
<i>One year or less</i>	172,399	9,150	9,145	16,030	1,671
<i>Over one year to five years</i>	206,513	8,196	5,054	19,204	2,114
<i>Over five years</i>	-	-	-	-	-
Commodity contracts					
<i>One year or less</i>	1,759,487	151,351	175,550	93,897	22,099
<i>Over one year to five years</i>	51,457	34,531	10,420	38,703	2,444
<i>Over five years</i>	-	-	-	-	-
Credit derivative contracts *					
<i>One year or less</i>	128,755	3,619	-	3,619	169
<i>Over one year to five years</i>	20,475	292	-	2,340	484
<i>Over five years</i>	-	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	3,307,784	-	-	1,139,661	846,055
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	789,534	-	-	756,919	191,073
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	35,861,295	-	-	3,527,979	1,439,474
	<u>174,002,214</u>	<u>4,686,880</u>	<u>4,441,039</u>	<u>21,062,496</u>	<u>6,528,128</u>

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

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted assets RM'000</b>
<i>* Credit derivative contracts</i>			
Total return swaps			
- protection sold	20,475	2,340	484
Credit default swap			
- protection sold	128,755	3,619	169

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**5. Credit risk (continued)**

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

<b>Bank</b>	<b>Principal amount RM'000</b>	<b>Positive fair value of contracts RM'000</b>	<b>Negative fair value of contracts RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted assets RM'000</b>
<b>31 December 2016</b>					
Direct credit substitutes	2,138,550	-	-	2,139,904	1,283,614
Transaction related contingent items	3,564,104	-	-	3,619,175	1,153,576
Short term self liquidating trade related contingencies	143,256	-	-	146,281	28,906
Sell and buy back agreements					
Foreign exchange related contracts					
<i>One year or less</i>	49,536,213	2,159,117	1,691,254	3,007,750	686,077
<i>Over one year to five years</i>	12,551,180	1,145,132	1,474,682	2,249,466	868,321
<i>Over five years</i>	2,641,904	589,142	349,215	870,460	136,908
Interest rate related contracts					
<i>One year or less</i>	21,155,218	19,138	24,695	53,426	7,569
<i>Over one year to five years</i>	32,174,557	246,884	232,280	889,910	206,389
<i>Over five years</i>	7,761,427	89,327	86,809	618,786	120,372
Equity related contracts					
<i>One year or less</i>	45,410	678	-	2,420	141
<i>Over one year to five years</i>	107,664	3,775	583	11,636	1,844
<i>Over five years</i>	-	-	-	-	-
Commodity contracts					
<i>One year or less</i>	5,080,399	194,651	194,651	464,394	157,652
<i>Over one year to five years</i>	2,087,097	36,971	36,971	168,380	102,698
<i>Over five years</i>	-	-	-	-	-
Credit derivative contracts *					
<i>One year or less</i>	-	-	-	-	-
<i>Over one year to five years</i>	20,475	532	-	1,556	396
<i>Over five years</i>	-	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,024,073	-	-	601,746	509,514
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	707,356	-	-	670,739	159,368
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	37,985,421	-	-	3,162,382	1,414,459
	<u>179,724,304</u>	<u>4,485,347</u>	<u>4,091,140</u>	<u>18,678,411</u>	<u>6,837,804</u>

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

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted assets RM'000</b>
* <i>Credit derivative contracts</i>			
Total return swap			
- protection sold	20,475	1,556	396

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**5. Credit risk (continued)**

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

<b>Bank</b>	<b>Principal amount RM'000</b>	<b>Positive fair value of contracts RM'000</b>	<b>Negative fair value of contracts RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted assets RM'000</b>
<b>31 December 2015</b>					
Direct credit substitutes	3,056,141	-	-	3,056,141	1,177,153
Transaction related contingent items	3,972,160	-	-	3,972,160	1,010,282
Short term self liquidating trade related contingencies	132,058	-	-	131,594	30,604
Sell and buy back agreements					
Foreign exchange related contracts					
<i>One year or less</i>	37,956,009	1,362,393	1,515,590	1,981,713	479,727
<i>Over one year to five years</i>	17,890,717	2,178,747	1,969,649	3,331,736	527,351
<i>Over five years</i>	2,775,301	544,263	349,497	849,789	187,708
Interest rate related contracts					
<i>One year or less</i>	14,360,918	11,364	39,127	36,978	7,203
<i>Over one year to five years</i>	43,768,589	279,436	252,075	1,215,706	196,205
<i>Over five years</i>	7,017,272	103,110	109,794	566,229	87,435
Equity related contracts					
<i>One year or less</i>	172,399	9,150	9,145	16,030	1,671
<i>Over one year to five years</i>	226,124	9,690	5,054	22,267	3,013
<i>Over five years</i>	-	-	-	-	-
Commodity contracts					
<i>One year or less</i>	1,776,184	151,351	179,576	93,897	22,099
<i>Over one year to five years</i>	34,759	34,532	9,863	38,703	2,444
<i>Over five years</i>	-	-	-	-	-
Credit derivative contracts **					
<i>One year or less</i>	128,755	3,619	-	3,619	169
<i>Over one year to five years</i>	20,475	292	-	2,340	484
<i>Over five years</i>	-	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	2,598,880	-	-	880,538	647,950
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	526,132	-	-	509,738	118,117
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	35,484,394	-	-	3,429,676	1,376,136
	<u>171,897,267</u>	<u>4,687,947</u>	<u>4,439,370</u>	<u>20,138,854</u>	<u>5,875,751</u>

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

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted assets RM'000</b>
<i>* Credit derivative contracts</i>			
Total return swaps			
- protection sold	20,475	2,340	484
Credit default swap			
- protection sold	128,755	3,619	169

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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 Bank's taking moderate market risk position. All trading teams support client activity; there are no proprietary trading teams. Hence, income earned from market risk related activities is broadly stable. Market risk also arises in the non-trading book from the requirement to hold a large liquid assets buffer of high quality liquid debt securities.

Our market risk management governance, measurement, valuation framework and exposures are disclosed in Note 39(c) and 43 of the Group's financial statements.

**7. Equity exposures in banking book**

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

Group and Bank	31-Dec-16		31-Dec-15	
	Gross exposures	Risk assets	Gross exposures	Risk assets
	RM'000	RM'000	RM'000	RM'000
<u>Privately Held</u>				
For socio-economic purposes	9,098	9,098	9,098	9,098
For non socio-economic purposes	-	-	-	-
	<u>9,098</u>	<u>9,098</u>	<u>9,098</u>	<u>9,098</u>

**8. Operational risk**

Operational risk is the potential for loss from inadequate or failed internal processes, people, and systems or from the impact of external events, including legal risks.

Our operational risk governance, approach and measurement methodology are disclosed in Note 39(a) 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's Pillar 3 Disclosures report for the financial year ended 31 December 2016 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.

.....  
**Mahendra Gursahani**  
**Chief Executive Officer**

Date: 13 April 2017