Standard Chartered Bank (Thai) PCL
and Financial Business Group
Pillar 3 Disclosures
31 December 2015

Registered Office: 90 North Sathorn Road, Silom Bangkok, 10500, Thailand

Overview

During 2013, the Bank of Thailand ("BOT") published the notifications re. Disclosure of Capital Maintenance of Commercial Banks and Disclosure of Capital Maintenance of Commercial Banks under Consolidation which are based on "Basel IIII: A global regulatory framework for more resilient banks and banking systems" (Revised Version: June 2011) from the Basel Committee on Banking Supervision ("BCBS"). The objectives of these notifications (commonly referred to as "Basel IIII") are to strengthen capital rules with the goal of promoting a more resilient banking sector. The objective of the reforms is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

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1. Scope of Basel III Framework

Pillar 1: Minimum Capital Requirement

The BOT has approved Standard Chartered Bank (Thai) PCL ("the Bank") and Financial Business Group ("the SCBT Group") to adopt the AIRB approach which is more advanced Risk Management Framework for the measurement of credit risk capital and under the notification, the SCBT Group and the Bank have been using AIRB approach for the credit risk capital calculation as regulatory capital since December 2009.

The SCBT Group and the Bank are also required to calculate a capital charge to cover market risk and operational risk for which the SCBT Group and the Bank apply the Standardised Approach.

Pillar 2: Supervisory Review Process

Pillar 2 requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available. This risk and capital assessment is commonly referred to as an Internal Capital Adequacy Assessment Process ("ICAAP") which covers much broader risk types than Pillar 1, which cover only credit risk, market risk, and operational risk.

The SCBT Group and the Bank have developed an ICAAP policy and framework which closely integrates the risk and capital assessment processes, and ensures that adequate levels of capital are maintained to support the SCBT Group and the Bank's current and projected demand for capital under expected and stressed conditions.

Under Pillar 2, the BOT would undertake a review of the SCBT Group and the Banks' ICAAP. This is referred to as the Supervisory Review and Evaluation Process ("SREP").

Pillar 3: Market Discipline

Pillar 3 aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices. According to the BOT notification, The SCBT Group and the Bank are required to disclose the data and information relative to risk profile, risk management and capital funds.

The SCBT Group and the Bank have implemented a Pillar 3 policy and procedure framework to address the requirements laid down for Pillar 3 disclosure. The information provided has been reviewed and validated by senior management and the Risk Committee. In accordance with the SCBT Group and the Bank policy, the Pillar 3 disclosure will be published on the Standard Chartered Bank (Thai) PCL - website www.sc.com/th

The BOT has also set the frequency of disclosure on semi-annual basis and annual basis. Quantitative data of Capital Structure & Adequacy and Market risk will be disclosed on a semi-annual basis. Whereas, the full Pillar 3 disclosures will be made annually on both qualitative and quantitative data.

2. Scope of Application

In compliance with the requirement under Basel III Pillar 3 and sets of the BOT's disclosure requirements, the SCBT Group, which consists of the Standard Chartered Bank (Thai) PCL, Thai Exclusive Leasing Company Limited ("TEL"), Standard Chartered (Thailand) Limited ("SCT") and Standard Chartered (Thai) Asset Management Company Limited ("SCTAMC") have developed a set of disclosures for its position at both the Bank level (Solo basis) and the SCBT Group level (Full Consolidated basis) as at 31 December 2015 covering the following areas:

- Qualitative and quantitative data for Capital and the minimum capital requirement for Credit risk, Market risk and Operational risk
- Qualitative for Risk Exposure and Assessment
  - Credit Risk
  - Market Risk
  - Operational Risk
  - Equities Exposure in the Non-trading Book (Banking Book)
  - Interest Rate Risk in the Non-trading Book (Banking Book)
- Quantitative data for Credit Risk, Market risk, Equities Exposure in Non-Trading Book (Banking Book) and Interest Rate Risk in Non-trading Book (Banking Book)

3. Capital Management

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

The SCBT Group and the Bank's capital planning is dynamic and regularly refreshed to reflect the business forecasts as they evolve during the course of each year. The strategy-setting and planning is presented to the Board on an annual basis with regular update on the financial outlook and performance as to the capital adequacy is aligned with the business plan. The capital plan takes the following into account:

- Current regulatory capital requirements and the SCBT Group and the Bank's assessment of on-going regulatory expectation.
- Demand for capital due to business growth forecasts, loan impairment outlook and market shocks or stresses.
- Forecast demand for capital to support credit ratings and as a signaling tool to the market
- Available supply of capital and capital raising options

The Asset and Liabilities Management Committee ("ALCO") as appointed by Executive Committee ("EXCO") is responsible for the management of capital and liquidity and the establishment of and compliance with policies relating to balance sheet management, including management of the Bank's liquidity and capital adequacy.

3.1 Capital Structure

The SCBT Group and the Bank maintain capital to meet the minimum regulatory capital requirements set by the BOT. In addition the SCBT Group and the Bank assess its capital adequacy to support current and future business activities.

The following table is a breakdown of total regulatory capital of the SCBT Group and the Bank as at 31 December 2015, comparing with the position of the SCBT Group and the Bank as at 30 June 2015.

Table 1: Capital Structure

Unit: Million Baht

	The SCBT Group		The Bank	
	31-Dec-15	**30-Jun-15**	**31-Dec-15**	**30-Jun-15**
Paid up share capital	14,837	14,837	14,837	14,837
Share premium account	9,056	9,056	9,056	9,056
Legal reserve	1,071	1,071	1,063	1,063
Net profit after appropriation	13,962	13,962	13,146	13,146
Accummulated other comprehensive income	20	14	20	14
Owner Changes	(497)	(497)	-	-
Other adjustment items which not effected capital fund	(3)	(3)	(3)	(3)
Deductions from Common Equity Tier 1	(991)	(801)	(660)	(541)
Total Common Equity Tier 1 (CET1)	**37,455**	**37,639**	**37,460**	**37,572**
Additional Tier 1 (AT1)	-	-	-	-
Total Tier 1 Capital	**37,455**	**37,639**	**37,460**	**37,572**
Tier 2 Capital				
General Provision for normal/performing loans	336	322	309	289
Surplus of provision	521	608	529	621
Total Tier 2 Capital	**857**	**930**	**838**	910
Total Regulatory Capital	**38,312**	**38,569**	**38,298**	**38,482**

3.2 Capital Sources

The SCBT Group and the Bank's Tier 1 Capital consist of Common Equity Tier 1 which are issued and paid up share capital & premium, statutory reserve, net profit after appropriation and other comprehensive income & regulatory adjustment. There is no additional tier 1.

The SCBT Group and the Bank's Tier 2 Capital comprise of the general provision for normal performing loans and surplus of provision.

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Table 2: Reconciliation of Regulatory Capital to Financial Statement

Unit: Million Baht

Capital related items as of 31 December 2015	Statement of Financial Position as in published financial statements	Statement of Financial Position as under Consolidated Supervision	References
Assets			
Cash	381	381	
Interbank and money market items, net	50,178	50,178	
Claims on security	-	-	
Derivative assets	34,013	34,013	
Investments, net	30,314	30,314	
Investments in subsidiaries	-	-	
Loans to customers and accrued interest receivable, net			
Loans to customers	91,712	91,712	
Accrued interest receivable	276	276	
Total loans to customers and accrued interest receivable	91,988	91,988	
Less allowance for doubtful accounts	(9,336)	(9,336)	
Total loans to customers and accrued interest receivable, net	82,652	82,652	
Properties for sale, net	110	110	
Premises and equipment, net	534	534	
Intangible assets, net	210	210	H[/2]
Deferred tax assets	848	848	I
Accounts receivable from sales of investments and debt securities in issue	2,674	2,674	
Collateral from Credit Support Annex agreements and margin receivables from private repo transactions	4,581	4,581	
Other assets, net	1,843	1,851	
Total assets	**208,338**	**208,346**	

Unit: Million Baht

Capital related items as of 31 December 2015	Statement of Financial Position as in published financial statements	Statement of Financial Position as under Consolidated Supervision	References
Liabilities			
Deposits	98,326	98,319	
Interbank and money market items	20,739	20,739	
Liabilities payable on demand	1,277	1,277	
Liabilities to deliver security	-	-	
Derivative liabilities	34,138	34,138	
Debt issued and borrowings	3,026	2,683	
Provisions	541	541	
Accounts payable from purchase of investments	101	101	
Collateral from Credit Support Annex agreements and margin payables from private repo transactions	7,103	7,103	
Accrued expenses	2,915	2,915	
Other liabilities	1,755	1,777	
Total liabilities	**169,921**	**169,594**	

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Unit: Million Baht

Capital related items as of 31 December 2015	Statement of Financial Position as in published financial statements	Statement of Financial Position as under Consolidated Supervision	References
Equity			
Share capital			
Authorised share capital	14,843	14,843	
Issued and paid-up share capital	14,837	14,837	A
Premium on share capital	9,056	9,056	B
Reserve arising from business combination under common control	(497)	(497)	G
Other reserves			
Fair value change in available -for-sale investments	43	43	E/1
Cash flow hedges	3	3	F
Total other reserves			
Retained earnings			
Appropriated			
Legal reserve	1,083	1,083	C/3
Unappropriated			
Net profit after appropriation	13,950	13,950	D/3
Actuarial gain (loss) on defined benefit plans	(12)	(12)	J
Net loss subject to capital deduction	(47)	(47)	K
Total Unappropriated	13,891	13,891	
Total shareholders' equity	38,416	**38,416**	
Non-controlling interest	1	336	
Total equity	**38,417**	**38,752**	
Total liabilities and equity	**208,338**	**208,346**	

Unit: Million Baht

Items	Component of regulatory capital reported by Financial Group	References base on Statement of Financial Position as under Consolidated Supervision
Common Equity Tier 1 Capital (CET1)		
Issued and paid-up share capital	14,837	A
Premium on share capital	9,056	B
Legal reserve	1,071	C[/3]
Net profit after appropriation	13,962	D[/3]
Other reserves		
Fair value change in available -for-sale investments	17	E[/1]
Cash flow hedges	3	F
Other owner changes items		
Item of reserve arising from business combination under common control, shareholders' equity which shall be regarded as CET 1	(497)	G
Total CET1 capital before regulatory adjustments and deduction	38,449	
Regulatory adjustments on CET1		
Cash flow hedges	(3)	F
Regulatory deduction on CET1		
Intangible assets	(84)	H[/2]
Deferred tax assets	(848)	I
Actuarial gain (loss) on defeined benefit plans	(12)	J
Net loss subject to capital deduction	(47)	K
Total Common Equity Tier 1 (CET1)	37,455	
Additional Tier 1 (AT1)	-	
Total Tier 1 capital	**37,455**	
Tier 2 Capital		
General Provision for normal/performing loans	336	
Surplus of provision (Excess Provision)	521	
Total Tier 2 capital	857	
Total Regulatory capital	**38,312**	

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Table 3: Basel III Capital during transitional period

Unit: Million Baht

Capital Amount as at 31 December 2015	The SCBT Group		The Bank	
	Capital value	Net value of items with transitional phase subject to Basel III	Capital value	Net value of items with transitional phase subject to Basel III
Tier 1 Capital				
Common Equity Tier 1 Capital	38,449	26[1/]	38,123	26[1/]
Total regulatory adjustments to CET1	(3)		(3)	
Total regulatory deduction to CET1	(991)	(126)[2/]	(660)	(126)[2/]
Total Common Equity Tier 1 Capital (CET1)	**37,445**		**37460**	
Additional Tier 1 Capital (AT1)	-		-	
Total Tier 1 Capital	**37,455**		**37,460**	
Tier 2 Capital	**857**		**838**	
Total Regulatory Capital	**38,312**		**38,298**	

[1/] From 1 January 2014, gain/(loss) from fair value change in available -for-sale investments shall be gradually included in/(deducted from) CET1 for 5 years by 20%, 40%, 60%, 80% and 100%. And after 2018, it shall be included in/(deducted from) CET 1 for the whole amount.

[2/] From 1 January 2014, intangible assets shall be gradually deducted from CET1 for 5 years by 20%, 40%, 60%, 80% and 100%. And after 2018, it shall be deducted from CET 1 for the whole amount.

[3/] The Bank will allocate 5% of the annual net profit of the year net with accumulated loss brought forward to the legal reserve until this fund attains an amount not less than 10% of the registered capital, as a result, the amount of Baht 12 million will be allocated from 2015 net profit and such balance will be appropriated to CET 1 Capital after the shareholder meeting approval.

3.3 Capital Adequacy

Under the BOT guidelines, the SCBT Group and the Bank are required to maintain a minimum ratio of total capital to risk weighted assets of 8.50%, with the minimum ratio of Common Equity Tier 1 and tier 1 capital to risk weighted assets at 4.50% and 6.00%, respectively.

Total Capital Adequacy Ratios of the SCBT Group and the Bank as at 31 December 2015 were 25.16% and 25.36% respectively. CET1 Ratios were 24.59% and 24.80% respectively and Tier 1 Capital Ratios were 24.59% and 24.80% respectively which exceeded minimum requirements of the BOT.

Table 4: Capital Adequacy

Unit: Percent

	BOT Minimum Requirement	The SCBT Group		The Bank	
		31-Dec-15	30-Jun-15	31-Dec-15	30-Jun-15
Total capital funds to risk weighted assets	8.50	25.16	23.22	25.36	23.33
Common Equity Tier 1 capital funds to risk weighted assets	4.50	24.59	22.66	24.80	22.77
Tier 1 capital funds to risk weighted assets	6.00	24.59	22.66	24.80	22.77

3.4 Minimum Capital Requirement

The SCBT Group and the Bank maintain minimum capital in line with the BOT's requirement. Table 5 shows the breakdown of minimum capital requirement for Credit Risk, Market Risk and Operational risk of the SCBT Group and the Bank as at 31 December 2015.

Table 5: Minimum Capital Requirement

Unit: Million Baht

Minimum Capital	The SCBT Group		The Bank	
	31-Dec-15	30-Jun-15	31-Dec-15	30-Jun-15
Credit Risk	9,662	10,805	9,602	10,758
Market Risk	1,518	1,416	1,518	1,416
Operational Risk	1,765	1,896	1,718	1,849
Total Minimum Capital Requirements	**12,945**	**14,117**	**12,838**	**14,023**

AIRB Adoption

The SCBT Group and the Bank use AIRB approach to calculate credit risk for material portfolios whilst SA approach is applied to portfolios that are classified as permanently exempt from the AIRB approach as well as those portfolios that are currently under transition to the AIRB approach.

The following tables show Minimum Capital Requirement for Credit Risk Classified by Asset Classes under AIRB (table 6), Minimum Capital Requirement for Credit Risk Classified by Asset Classes under SA (table 7) and Minimum Capital Requirement for Equity Exposure under AIRB (table 8).

Table 6: Minimum Capital Requirement for Credit Risk Classified by Asset Classes under AIRB

Unit: Million Baht

Asset Class	The SCBT Group		The Bank	
	31-Dec-15	**30-Jun-15**	**31-Dec-15**	**30-Jun-15**
Non-Default exposures				
Claims on sovereigns, financial institutions and Corporates	5,734	6,600	5,875	6,782
Claims on retail portfolios				
-Claims on residential mortgage	-	-	-	-
-Qualifying revolving retail exposures	886	856	886	856
-Other retail exposures	309	353	308	353
Equity exposures	1	1	60	61
Other assets	239	97	225	89
Default exposures	206	712	206	712
First-to-default credit derivatives and Securitisation	**-**	**-**	**-**	**-**
Total minimum capital requirement for credit risk – AIRB	**7,375**	**8,619**	**7,561**	**8,853**

Minimum capital requirement for credit risk under AIRB for the SCBT Group and the Bank decreased by THB 1,244 million and THB 1,292 million respectively, mainly due to decrease in non default exposures of claim on Sovereigns, Financial institutions and Corporates.

Table 7: Minimum Capital Requirement for Credit Risk Classified by Asset Classes under SA

Unit: Million Baht

Asset Class	The SCBT Group		The Bank	
	31-Dec-15	**30-Jun-15**	**31-Dec-15**	**30-Jun-15**
Non-Default exposures				
Claims on sovereigns and central banks, MDBs and PSEs treated as claims on sovereigns	-	-	-	-
Claims on financial institutions, PSEs treated as claims on financial institutions, and securities firms	2	-	2	-
Claims on corporates, PSEs treated as claims on corporate	552	228	552	228
Claims on retail portfolios	761	944	762	944
Claims on residential mortgage	665	674	665	674
Other assets	-	-	-	-
Default exposures	307	340	60	59
First-to-default credit derivatives and Securitisation	**-**	**-**	**-**	**-**
Total minimum capital requirement for credit risk – SA	**2,287**	**2,186**	**2,041**	**1,905**

Note: PSE is non-central government public sector entities

Total minimum capital requirement for credit risk under SA approach for the SCBT Group and the Bank also increased by THB 101 million and THB 136 million respectively, mainly due to increase in Claims on corporate, PSEs treated as claims on corporate.

Table 8: Minimum Capital Requirement for Equity Exposure under AIRB

Unit: Million Baht

Item	The SCBT Group		The Bank	
	31-Dec-15	30-Jun-15	31-Dec-15	30-Jun-15
Equity exposure exempted from credit risk calculation by IRB	1	1	61	61
Equity exposure subject to the IRB approach				
1. Equity holdings subject to the Market-based approach				
1.1 Simple Risk Weight Approach	-	-	-	-
1.2 Internal Model Approach (for equity exposure in non-trading book (banking book))	-	-	-	-
2. Equity holdings subject to a PD/LGD approach	-	-	-	-
Total minimum capital requirement for equity exposure – AIRB	**1**	**1**	**61**	**61**

Total minimum capital requirement for equity exposure under AIRB approach for the Bank remained constant.

4. Risk Management

The management of risk lies at the heart of the SCBT Group and the Bank's business. One of the main risks incur arises from extending credit to customers through trading and lending operations. Beyond credit risk, the SCBT Group and the Bank are also exposed to a range of other risk types such as country cross border, market, liquidity, capital, operational, pension, reputational and other risks that are inherent to the SCBT Group and the Bank's strategy and its product range.

4.1 Risk Management Framework ("RMF")

Effective risk management is fundamental to being able to generate profits consistently and sustainably and is therefore a central part of the financial and operational management of the SCBT Group and the Bank.

Through our Risk Management Framework, the SCBT Group and the Bank manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our risk tolerance .

As part of this framework, the SCBT Group and the Bank have obtained its Board approval to apply SCB Group Risk Management Framework as follows:

Balancing risk and return

- We manage our risks to build a sustainable franchise, in the interests of all our stakeholders
- We only take risk within our risk tolerance, and where consistent with our approved strategy
- We manage our risk profile so as to maintain a low probability of an unexpected loss event that would materially undermine the confidence of our investors

Conduct of business

- We demonstrate we are Here for good through our conduct, and are mindful of the reputational consequences of inappropriate conduct
- We seek to achieve good outcomes for clients, investors and the markets in which we

operate, while abiding by the spirit and letter of laws and regulations

- We treat our colleagues fairly and with respect

Responsibility and accountability

- We take individual responsibility to ensure risk-taking is disciplined and focused, particularly within our area of authority
- We make sure risk-taking is transparent, controlled and reported in line with the Risk Management Framework, within risk tolerance boundaries and only where there is appropriate infrastructure and resource
- Our approach is to work with clients who are committed to managing their impacts on communities and the environment in a sustainable manner

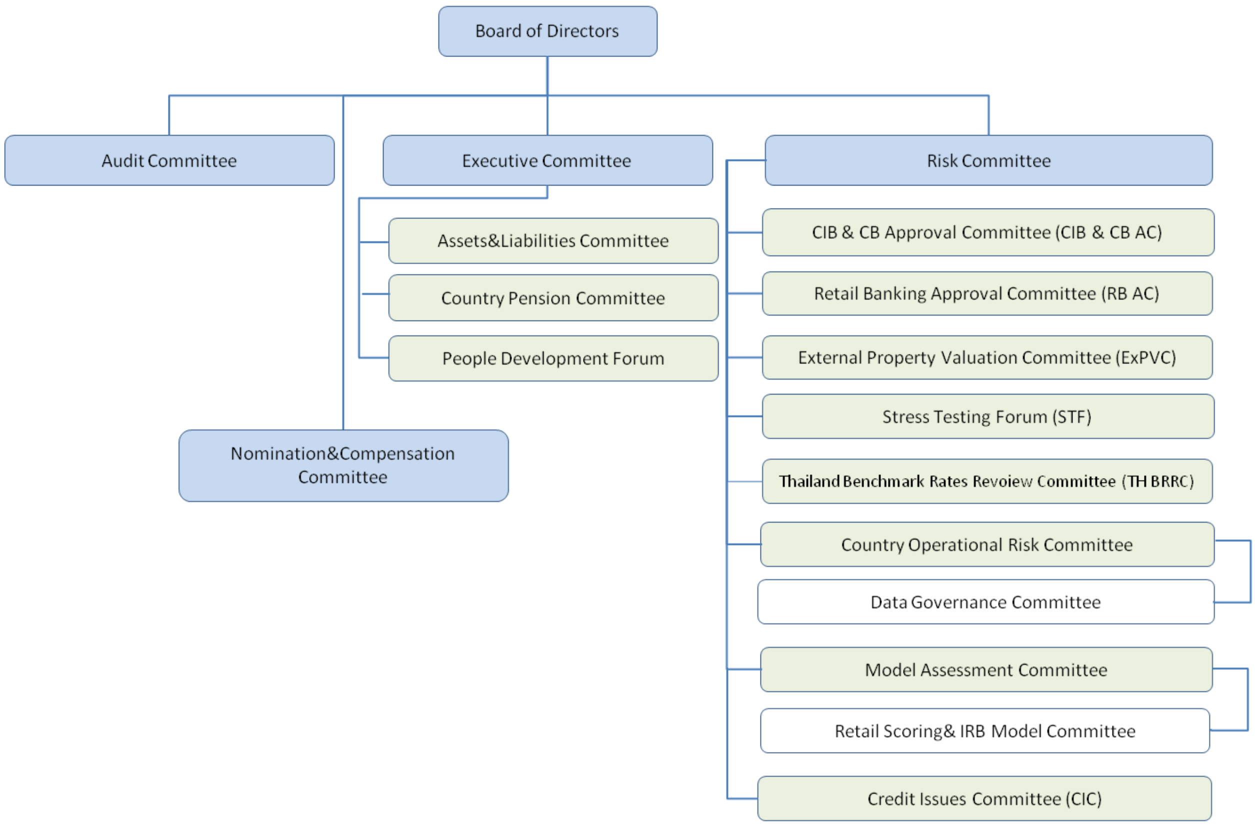
Anticipation

- We seek to anticipate material future risks, learn lessons from events that have produced adverse outcomes and ensure awareness of known risks

Competitive advantage

- We seek to achieve competitive advantage through efficient and effective risk management and control

The following diagram illustrates the high level risk committee structure:



4.2 Risk Governance

Ultimate responsibility for setting the SCBT Group and the Bank's risk tolerance boundaries and for the effective management of risk rests with the Board. The Board delegates the authority for the management of risks to several committees.

The Executive Committee ("EXCO") is responsible for the day to day management, operation and control of the SCBT Group and the Bank in conformity with policies and strategies approved by the Board of Directors. The EXCO is chaired by the CEO and comprises senior executives from RetailBanking, Corporate and Institutional Banking, CommercialBanking, Financial Markets, Finance, Group Technology & Operations, Legal & Compliance, Risk Management, Human Resources, and Audit.

The Asset & Liability Committee ("ALCO") ensures that the balance sheet of the SCBT Group and the Bank are managed in accordance with the policies of Standard Chartered Bank Group adopted by the SCBT Group and the Bank and any other applicable regulatory requirements relating to management of liquidity, capital adequacy and structural market risks.

The Country Risk Committee's ("CRC") main responsibilities are to provide leadership on forward looking and anticipated risk issues covering strategic risk, operational risk, credit risk, market & liquidity risk, legal & regulatory risk, and reputational risk etc. The Committee also supervises and directs the management of all risks within the SCBT Group and the Bank to be in accordance with standards of Standard Chartered Bank Group and policies laid down by the CRC.

Roles and responsibilities for risk management are defined under a Three Lines of Defence model. Each line of defence describes a specific set of responsibilities for risk management and control.

The first line of defence is that all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. Business unit and function heads are accountable for risk management in their respective businesses and functions.

The second line of defence comprises the Risk Control Owners supported by their respective control functions. Risk Control Owners are responsible for ensuring that the residual risks within the scope of their responsibilities remain within risk tolerance boundaries. The scope of each Risk Control Owner's responsibilities is defined by a given type of risk and is not constrained by function and business. The second line control functions must be independent of the businesses they control, to ensure that the risk types are defined as mentioned above.

The third line of defence is the independent assurance provided by the Internal Audit function. Its role is defined and overseen by the Audit Committee of the Board.
The Internal Audit provides independent assurance of the effectiveness of management's control of its own business activities (the first line) and of the processes maintained by the Risk Control Function (the second line). As a result, the Internal Audit provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

The Risk Function

The Country Chief Risk Officer ("CCRO") directly manages a Risk function that is separated and independent from the origination, trading and sales functions of the businesses. The CCRO also alternate chairs the CRC and is a member of EXCO.

The roles of the Risk function are:

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

The independence of the Risk function is to ensure that the necessary balance in risk/ return is not compromised by short-term pressures to generate revenues. This is particularly important given that revenues are recognized from the point of sales, while losses arising from risk positions typically manifest themselves over time.

In addition, the Risk function is a centre of excellence that provides specialist capabilities of relevance to risk management processes in the wider organization

5. Credit Risk

5.1 Credit Risk

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the SCBT Group and the Bank in accordance with agreed terms. Credit exposures arise from both the non-trading (banking) and trading books.

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework.

Credit Policies

The SCBT Group and the Bank's credit policies and standards are considered and approved by the Board, which also oversees the delegation of credit approval and loan impairment provisioning authorities via the CRC.

Policies and procedures specific to each client or product segment are established by authorised risk committees within Corporate and Institutional Banking ("CIB"), Commercial Banking ("CB") and

Retail Banking ("RB"). These are consistent with the SCB Group's credit policies, but are more detailed and adapted to reflect the different risk characteristics across client and product segments.. Policies are regularly reviewed and monitored to ensure these remain effective and consistent with the risk environment and risk tolerance.

Credit Rating and Measurement

Risk measurement plays a central role, along with judgment and experience, in informing risk taking and portfolio management decisions.

A standard alphanumeric credit risk grade ("CG") system is used in CIB, CB (only Local Corporates and Middle Market segments), and RB.

The numeric grades run from 1 to 14 and some of the grades are further sub-classified A, B or C. 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.

Retail Banking IRB portfolios use application and behavior credit scores that are calibrated to generate a probability of default and then mapped to the standard alphanumeric credit risk grade system.

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

Material IRB risk measurement models are approved by CRC, on the recommendation of the Model Assessment Committee ("MAC"). The MAC supports CRC in ensuring risk identification and measurement capabilities are objective and consistent, so that risk control and risk origination decisions are properly informed. Prior to review by the MAC, all IRB models are validated in detail by a model validation team of Standard Chartered Bank Group which is separated from the teams that develop and maintain the models. Models undergoannual periodic review. Reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process.

Credit Approval

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by either Corporate and Institutional Banking and Commercial Banking Approval Committee ("CIB & CB AC") or Retail Banking Approval Committee "RBAC"). Both committees derive their authorities from CRC.

The CRC delegates credit approval authorities to Country Chief Risk Officer ("CCRO"), Senior Credit Officer-CIB & CB, Country Credit Head Retail Banking ("CCH") and Country Head GSAM. These individuals in turn, delegate credit authorities within their departments. The level of credit authority delegated is based on their judgment and experience and a risk-adjusted scale that takes account of the estimated maximum potential loss from a given customer or portfolio.

Credit origination and approval roles are segregated in all but a very few authorised cases for Retail Banking . In those very few exceptions where they are not, originators can only approve limited exposures within defined risk parameters which are subject to oversight from the credit risk function.

Concentration Risk

Credit concentration risk may arise from a single large exposure to a counterparty or groups of connected counterparties, or from multiple exposures across the portfolio that are closely correlated. Large exposure concentration risk is managed through concentration limits set by counterparty or group of connected counterparties.

At the portfolio level, credit concentration thresholds are set and monitored to control concentrations, where appropriate, by country, industry, product, tenor, collateral type, collateralization level and credit risk profile. Credit concentrations are monitored by the responsible risk committees in each of the businesses and concentration limits that are material to the SCBT Group and the Bank are reviewed and reportedat least annually to CRC and SCBT Board.

Credit Monitoring

The SCBT Group and the Bank regularly monitor credit exposures, portfolio performance, and external trends that may impact risk management outcomes. Internal risk management reports are presented to CRC, containing information on key environmental, political and economic trends; portfolio delinquency and loan impairment performance; and IRB portfolio metrics including credit grade migration.

CIB & CB AC is a subcommittee of CRC. CIB & CB ACmeets regularly to assess the impact of external events and trends on the CIB & CB AC credit risk portfolio and to define and implement the response in terms of appropriate changes to portfolio shape, portfolio and underwriting standards, risk policy and procedures.

Clients or portfolios are placed on early alert when they display signs of actual or potential weakness, for example, where there is a decline in the client's position within the industry, financial deterioration, a breach of covenants, non-performance of an obligation within the stipulated period, or there are concerns relating to ownership or management.

Such accounts and portfolios are subjected to a dedicated process overseen by Credit Issue Committees in the SCBT Group and the Bank. Client account plans and credit grades are re-evaluated. In addition, remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of Group Special Assets Management ("GSAM"), the SCBT Group and the Bank's specialist recovery unit.

For Retail Banking exposures, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and is considered for lending decisions. Accounts that are past due are subject to a collections process, managed independently by the Risk function. Charged-off accounts are managed by specialist recovery teams.

The small and medium-sized enterprise ("SME") business is managed within Retail Banking("RB") and Commercial Banking ("CB") in two distinct customer subsegments Business Clients (within

RB) and Medium Enterprises (“ME”)/ High Value Small Business (“HVSB”) (within CB), differentiated by the annual sale turnover of the counterparty. The credit processes are further refined based on this segmentation. ME/HVSB are managed through the Discretionary Lending approach, in line with CB procedures, and BC is managed through Programmed Lending, in line with Retail Banking procedures.

Traded products

Credit risk from traded products is managed within the overall credit risk tolerance for corporates and financial institutions.

The credit risk exposure from traded products is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

For derivative contracts, the SCBT Group and the Bank limits exposure to credit losses in the event of default by entering into master netting agreements with certain counterparties. In addition, the SCBT Group and the Bank enters into Credit Support Annexes (“CSA”) with counterparties where collateral is deemed a necessary or desirable mitigant to the exposure.

Securities

Within CIB & CB, the Underwriting Committee approves the portfolio limits and parameters by business unit for the underwriting and purchase of all pre-defined securities assets to be held for sale. The Underwriting Committee is established under the authority of the CRC. CIB & CB clients operate within set limits, which include country, single issuer, holding period and credit grade limits.

The Underwriting Committee approves individual proposals to underwrite new security issues for our clients. Where an underwritten security is held for a period longer than the target sell-down period, the final decision on whether to sell the position rests with the Risk function.

As part of the trading business in SCBT, government securities are traded on a day-to-day basis.

This activity is governed by the local limits that are approved and is being monitored daily. Currently, buying and selling of non-government securities is done on a back-to-back basis and trading of non-government securities will commence once local limit monitoring framework is in place. Issuer credit risk, including settlement and pre-settlement risk, is controlled by CIB & CB Risk, while price risk is controlled by Market Risk.

Tables 9 to 16 belows show outstanding balance of On-balance and Off-balance sheet assets before taking the effect of Credit Risk Mitigation into account. The outstanding is presented in different aspects, for instance, as classified by country or geographic area of debtor. The loan and investment in debt securities, as well as their respective provision and charge-off amounts are also illustrated.

Table 9: Outstanding Balance of On-Balance Sheet and Off-Balance Sheet Assets before Credit Risk Mitigation

Unit: Million Baht

Item	The SCBT Group		The Bank	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
1. On Balance sheet assets				
1.1 Net loans[1/] (including interbank and money market item)	116,540	126,145	118,022	127,636
1.2 Net investment in debt securities [2/]	25,504	42,604	22,077	40,584
1.3 Deposits (including accrued interests)	19,069	14,278	19,061	14,266
2. Off Balance sheet assts [3/]				
2.1 Aval of bills, loan guarantees, and letters of credit	2,398	1,662	2,398	1,662
2.2 OTC derivatives [4/]	1,826,921	2,090,873	1,826,921	2,090,873
2.3 Undrawn committed line	7,123	11,940	7,123	11,940
2.4 Repo-style transaction	909	14,245	909	14,245

[1/] Including accrued interests and net of deferred revenues, allowances for doubtful accounts (specific provisions) and revaluation allowances for debt restructuring.

[2/] Excluding accrued interests and net of revaluation allowances for equity and impairment allowances for equities.

[3/] Before applying credit conversion factor (CCF)

[4/] Including equity derivatives

Table 10: Outstanding balance of On-balance sheet and Off-balance sheet assets before Credit Risk Mitigation Classified by Country or Geographic Area of Debtor

The SCBT Group

Unit: Million Baht

31-Dec-15

Item	Thailand	Asia Pacific (exclude Thailand)	North America & Latin	Africa & Middle East	Europe	Total
On-balance sheet items						
Net loans[1/]	108,481	566	996	-	6,497	116,540
Net Investment in debt securities[2/]	23,758	612	-	-	1,133	25,503
Deposits (including accrued interests)	1,198	3,806	3	3,254	10,808	19,069
Total	**133,437**	**4,984**	**999**	**3,254**	**18,438**	**161,112**
Off-balance sheet items [3/]						
Aval of bills, guarantees, and letters of credit	2,079	141	26	152	-	2,398
OTC derivatives	959,512	148,275	186,330	-	532,804	1,826,921
Undrawn committed line	5,074	578	1,449	-	22	7,123
Repo-style transaction	-	-	909	-	-	909
Total	**966,665**	**148,994**	**188,714**	**152**	**532,826**	**1,837,351**

The SCBT Group

Unit: Million Baht

31-Dec-14

Item	Thailand	Asia Pacific (exclude Thailand)	North America & Latin	Africa & Middle East	Europe	Total
On-balance sheet items						
Net loans[1/]	118,658	2,311	994	91	4,091	126,145
Net Investment in debt securities[2/]	39,318	1,721	-	-	1,565	42,604
Deposits (including accrued interests)	1,079	3,553	7	3,306	6,333	14,278
Total	**159,055**	**7,585**	**1,001**	**3,397**	**11,989**	**183,027**
Off-balance sheet items [3/]						
Aval of bills, guarantees, and letters of credit	1,402	196	26	12	26	1,662
OTC derivatives	1,054,765	246,148	197,953	-	592,007	2,090,873
Undrawn committed line	10,253	127	1,560	-	-	11,940
Repo-style transaction	6,973	-	6,264	-	1,008	14,245
Total	**1,073,393**	**246,271**	**205,803**	**12**	**593,041**	**2,118,720**

[1/] Including accrued interests and net of deferred revenues, allowances for doubtful accounts (specific provisions) and revaluation allowances for debt restructuring, interbank and money market items.

[2/] Excluding accrued interests and net of revaluation allowances for equity and impairment allowances for equities.

[3/] Before applying credit conversion factor (CCF)

The Bank

Unit: Million Baht

31-Dec-15

Item	Thailand	Asia Pacific (exclude Thailand)	North America & Latin	Africa & Middle East	Europe	Total
On-balance sheet items						
Net loans[1/]	109,963	566	996	-	6,497	118,022
Net Investment in debt securities[2/]	22,331	612	-	-	1,133	24,076
Deposits (including accrued interests)	1,190	3,806	3	3,254	10,808	19,061
Total	**133,484**	**4,984**	**999**	**3,254**	**18,438**	**161,159**
Off-balance sheet items [3/]						
Aval of bills, guarantees, and letters of credit	2,079	141	26	152	-	2,398
OTC derivatives	959,512	148,275	186,330	-	532,804	1,826,921
Undrawn committed line	5,074	578	1,449	-	22	7,123
Repo-style transaction	-	-	909	-	-	909
Total	**966,665**	**148,994**	**188,714**	**152**	**532,826**	**1,837,351**

The Bank

Unit: Million Baht

31-Dec-14

Item	Thailand	Asia Pacific (exclude Thailand)	North America & Latin	Africa & Middle East	Europe	Total
On-balance sheet items						
Net loans[1/]	120,149	2,311	994	91	4,091	127,636
Net Investment in debt securities[2/]	37,298	1,721	-	-	1,566	40,585
Deposits (including accrued interests)	1,067	3,553	7	3,306	6,333	14,266
Total	**158,514**	**7,585**	**1,001**	**3,397**	**11,990**	**182,487**
Off-balance sheet items [3/]						
Aval of bills, guarantees, and letters of credit	1,402	196	26	12	26	1,662
OTC derivatives	1,054,765	246,148	197,953	-	592,007	2,090,873
Undrawn committed line	10,253	127	1,560	-	-	11,940
Repo-style transaction	6,973	-	6,264	-	1,008	14,245
Total	**1,073,393**	**246,471**	**205,803**	**12**	**593,041**	**2,118,720**

[1/] Including accrued interests and net of deferred revenues, allowances for doubtful accounts (specific provisions) and revaluation allowances for debt restructuring, interbank and money market items.

[2/] Excluding accrued interests and net of revaluation allowances for equity and impairment allowances for equities.

[3/] Before applying credit conversion factor (CCF)

Table 11: Outstanding Balance of On-Balance Sheet and Off-Balance Sheet Assets before Credit Risk Mitigation Classified by Residual Maturity

The SCBT Group

Unit: Million Baht

Item	31-Dec-15			31-Dec-14		
	Maturity ≤ 1 year	Maturity > 1 year	Total	Maturity ≤ 1 year	Maturity > 1 year	Total
1. On Balance sheet assets	**96,717**	**64,395**	**161,112**	**98,308**	**84,719**	**183,027**
1.1 Net loans[1/] (including interbank and money market item)	71,361	45,179	116,540	75,755	50,390	126,145
1.2 Net investment in debt securities[2/]	6,648	18,855	25,503	8,605	33,999	42,604
1.3 Deposits (including accrued interests)	18,708	361	19,069	13,948	330	14,278
2. Off Balance sheet assts[3/]	**918,684**	**918,666**	**1,837,351**	**1,094,558**	**1,024,163**	**2,118,720**
2.1 Aval of bills, loan guarantees, and letters of credit	2,398	-	2,398	1,629	34	1,662
2.2 OTC derivatives[4/]	908,953	917,968	1,826,921	1,069,910	1,020,964	2,090,873
2.3 Undrawn committed line	6,424	698	7,123	8,774	3,165	11,940
2.4 Repo-style transaction	909	-	909	14,245	-	14,245

The Bank

Unit: Million Baht

Item	31-Dec-15			31-Dec-14		
	Maturity ≤ 1 year	Maturity > 1 year	Total	Maturity ≤ 1 year	Maturity > 1 year	Total
1. On Balance sheet assets	**98,689**	**62,469**	**161,169**	**100,213**	**82,273**	**182,486**
1.1 Net loans[1/] (including interbank and money market item)	73,341	44,680	118,022	77,671	49,965	127,636
1.2 Net investment in debt securities[2/]	6,648	17,428	24,076	8,606	31,978	40,584
1.3 Deposits (including accrued interests)	18,700	361	19,061	13,936	330	14,266
2. Off Balance sheet assts[3/]	**918,684**	**918,666**	**1,837,351**	**1,094,558**	**1,024,163**	**2,118,720**
2.1 Aval of bills, loan guarantees, and letters of credit	2,398	-	2,398	1,629	34	1,662
2.2 OTC derivatives[4/]	908,953	917,968	1,826,921	1,069,910	1,020,964	2,090,873
2.3 Undrawn committed line	6,424	698	7,123	8,774	3,165	11,940
2.4 Repo-style transaction	909	-	909	14,245	-	14,245

[1/] Including accrued interests and net of deferred revenues, allowances for doubtful accounts (specific provisions) and revaluation allowances for debt restructuring.

[2/] Excluding accrued interests and net of revaluation allowances for equity and impairment allowances for equities.

[3/] Before applying credit conversion factor (CCF)

[4/] Including equity derivatives

Outstanding Balance of On-Balance Sheet and Off-Balance Sheet Assets before Credit Risk Mitigation are classified by maturity of EAD of asset classes. Approximately 51 percent of the SCBT Group and the Bank’s exposure to customers are short term, having contractual maturity of one year or less.

Table 12: Loans and Accrued Interests and Investments in Debt Securities before Credit Risk Mitigation Classified by Country or Geographic Area of Debtor and by Asset Classification Specified by the Bank of Thailand

The SCBT Group

Unit: Million Baht
31-Dec-15

Country or geographic area of debtor	Loans and accrued interests [1/]						Investment in debt securities
	Normal	Special mentioned	Sub standard	Doubtful	Doubtful loss	Total	Doubtful loss
1. Thailand	105,846	1,664	604	189	7,294	**115,597**	11
2. Asia Pacific (exclude Thailand)	2,311	-	-	-	-	**2,311**	-
3. North America & Latin	994	-	-	-	-	**994**	-
4. Africa & Middle East	91	-	-	-	-	**91**	-
5. Europe	4,091	-	-	-	-	**4,091**	-
Total	**113,333**	**1,664**	**604**	**189**	**7,294**	**123,084**	**11**

The SCBT Group

Unit: Million Baht
31-Dec-14

Country or geographic area of debtor	Loans and accrued interests [1/]						Investment in debt securities
	Normal	Special mentioned	Sub standard	Doubtful	Doubtful loss	Total	Doubtful loss
1. Thailand	113,853	3,861	630	107	6,895	**125,346**	11
2. Asia Pacific (exclude Thailand)	2,311	-	-	-	-	**2,311**	-
3. North America & Latin	994	-	-	-	-	**994**	-
4. Africa & Middle East	91	-	-	-	-	**91**	-
5. Europe	4,091	-	-	-	-	**4,091**	-
Total	**121,340**	**3,861**	**630**	**107**	**6,895**	**132,833**	**11**

[1/] Including loans and accrued interest receivables of interbank and money market item

The Bank

Unit: Million Baht
31-Dec-15

Country or geographic area of debtor	Loans and accrued interests [1/]						Investment in debt securities Doubtful loss
	Normal	Special mentioned	Sub standard	Doubtful	Doubtful loss	Total	
1. Thailand	107,826	1,664	604	189	6,796	**117,079**	11
2. Asia Pacific (exclude Thailand)	2,311	-	-	-	-	**2,311**	-
3. North America & Latin	994	-	-	-	-	**994**	-
4. Africa & Middle East	91	-	-	-	-	**91**	-
5. Europe	4,091	-	-	-	-	**4,091**	-
Total	**115,313**	**1,664**	**604**	**189**	**6,796**	**124,566**	**11**

The Bank

Unit: Million Baht
31-Dec-14

Country or geographic area of debtor	Loans and accrued interests [1/]						Investment in debt securities Doubtful loss
	Normal	Special mentioned	Sub standard	Doubtful	Doubtful loss	Total	
1. Thailand	115,769	3,861	630	107	6,470	**126,837**	11
2. Asia Pacific (exclude Thailand)	2,311	-	-	-	-	**2,311**	-
3. North America & Latin	994	-	-	-	-	**994**	-
4. Africa & Middle East	91	-	-	-	-	**91**	-
5. Europe	4,091	-	-	-	-	**4,091**	-
Total	**123,256**	**3,861**	**630**	**107**	**6,470**	**134,324**	**11**

[1/] Including loans and accrued interest receivables of interbank and money market item

The outstanding of Loans and accrued interest and investment in Debt securities is broken down by the booking location of the exposure. Majority of the SCBT Group and the Bank’s exposure are domestic loans (94 percent of total exposure).

Table 13: Provisions (Divided into General Provisions and Specific Provision) and Charge-offs for Loans and Accrued Interests and Investments in Debt Securities Classified by Country or Geographic Area

The SCBT Group

Unit: Million Baht
31-Dec-15

Country or geographic area of debtor	Loans and accrued interests [1/]			Investment in debt securities Doubtful loss
	General provision	Specific provision	Charge-off between period	
1. Thailand		6,545	2,935	11
2. Asia Pacific (exclude Thailand)		-	-	-
3. North America & Latin		-	-	-
4. Africa & Middle East		-	-	-
5. Europe		-	-	-
Total	**2,797**	**6,545**	**2,935**	**11**

The SCBT Group

Unit: Million Baht
31-Dec-14

Country or geographic area of debtor	Loans and accrued interests [1/]			Investment in debt securities Doubtful loss
	General provision	Specific provision	Charge-off between period	
1. Thailand		6,688	3,080	11
2. Asia Pacific (exclude Thailand)		-	-	-
3. North America & Latin		-	-	-
4. Africa & Middle East		-	-	-
5. Europe		-	-	-
Total	**2,251**	**6,688**	**3,080**	**11**

[1/] Including loans and accrued interest receivables of interbank and money market item

The Bank

Unit: Million Baht
31-Dec-15

Country or geographic area of debtor	Loans and accrued interests [1/]			Investment in debt securities Doubtful loss
	General provision	Specific provision	Charge-off between period	
1. Thailand		6,545	2,935	11
2. Asia Pacific (exclude Thailand)				
3. North America & Latin		-	-	-
4. Africa & Middle East		-	-	-
5. Europe		-	-	-
Total	**2,797**	**6,545**	**2,935**	**11**

The Bank

Unit: Million Baht
31-Dec-14

Country or geographic area of debtor	Loans and accrued interests [1/]			Investment in debt securities Doubtful loss
	General provision	Specific provision	Charge-off between period	
1. Thailand		6,688	3,080	11
2. Asia Pacific (exclude Thailand)		-	-	-
3. North America & Latin		-	-	-
4. Africa & Middle East		-	-	-
5. Europe		-	-	-
Total	**2,251**	**6,688**	**3,080**	**11**

[1/] Including loans and accrued interest receivables of interbank and money market item

The SCBT Group and the Bank's provision of THB 9,342 million as of December 2015 comprising of general provision with amount THB 2,797 million and specific provision with amount THB 6,545 million. The SCBT Group and the Bank also have charge-off item and allowance for investment in debt instruments at amount of THB 2,935 million and THB 11 million, respectively.

The following tables present the amount of loans and accrued interest and provision classified by business together with movement of the SCBT Group and the Bank's provision.

Table 14: Loans and Accrued Interests before Credit Risk Mitigation Classified by Type of Business and by Asset Classification Specified by the Bank of Thailand

The SCBT Group

Unit: Million Baht
31-Dec-15

Type of business	Normal	Special mentioned	Sub standard	Doubtful	Doubtful loss	Total
Agriculture and Quarry	9	-	1	-	-	**10**
Manufacturing and Commerce	29,788	531	93	3	5,265	**35,680**
Commercial real estate and Construction	1,695	61	16	-	201	**1,973**
Public utility and Service	5,879	18	15	-	489	**6,401**
Residential real estate	20,319	364	170	141	588	**21,582**
Others	55,643	690	309	45	751	**57,438**
Total	**113,333**	**1,664**	**604**	**189**	**7,294**	**123,084**

The SCBT Group

Unit: Million Baht

31-Dec-14

Type of business	Normal	Special mentioned	Sub standard	Doubtful	Doubtful loss	Total
Agriculture and Quarry	492	1	-	-	7	**500**
Manufacturing and Commerce	36,674	2,284	50	-	4,692	**43,700**
Commercial real estate and Construction	3,125	83	16	-	242	**3,466**
Public utility and Service	6,513	60	16	-	582	**7,171**
Residential real estate	22,002	454	154	89	511	**23,210**
Others	52,534	979	394	18	861	**54,786**
Total	**121,340**	**3,861**	**630**	**107**	**6,895**	**132,833**

The Bank

Unit: Million Baht
31-Dec-15

Type of business	Normal	Special mentioned	Sub standard	Doubtful	Doubtful loss	Total
Agriculture and Quarry	9	-	1	-	-	**10**
Manufacturing and Commerce	29,788	531	93	3	5,245	**35,660**
Commercial real estate and Construction	1,695	61	16	-	39	**1,811**
Public utility and Service	5,879	18	15	-	173	**6,085**
Residential real estate	20,391	364	170	141	588	**21,582**
Others	57,551	690	309	45	751	**59,418**
Total	**115,313**	**1,664**	**604**	**189**	**6,796**	**124,566**

The Bank

Unit: Million Baht

31-Dec-14

Type of business	Normal	Special mentioned	Sub standard	Doubtful	Doubtful loss	Total
Agriculture and Quarry	492	1	-	-	7	**500**
Manufacturing and Commerce	36,674	2,284	50	-	4,672	**43,680**
Commercial real estate and Construction	3,125	83	16	-	157	**3,381**
Public utility and Service	6,513	60	16	-	262	**6,851**
Residential real estate	22,002	454	154	89	511	**23,210**
Others	54,450	979	394	18	861	**56,702**
Total	**123,256**	**3,861**	**630**	**107**	**6,470**	**134,324**

Table 15: Provisions (Divided into General Provisions and Specific Provision) and Charge-offs for Loans and Accrued Interests Classified by Type of Business

The SCBT Group

Unit: Million Baht

Type of business	31-Dec-15			31-Dec-14		
	General provision	Specific provision	Charge-off between period	General provision	Specific provision	Charge-off between period
Agriculture and Quarry		1	1		7	2
Manufacturing and Commerce		4,942	546		4,522	596
Commercial real estate and Construction		69	70		195	72
Public utility and Service		171	111		279	80
Residential real estate		286	20		253	11
Others		1,076	2,187		1,432	2,319
Total	**2,797**	**6,545**	**2,935**	**2,251**	**6,688**	**3,080**

The Bank

Unit: Million Baht

Type of business	31-Dec-15			31-Dec-14		
	General provision	Specific provision	Charge-off between period	General provision	Specific provision	Charge-off between period
Agriculture and Quarry		1	1		7	2
Manufacturing and Commerce		4,942	546		4,522	596
Commercial real estate and Construction		69	70		195	72
Public utility and Service		171	111		279	80
Residential real estate		286	20		253	11
Others		1,076	2,187		1,432	2,319
Total	**2,797**	**6,545**	**2,935**	**2,251**	**6,688**	**3,080**

Table 16: Movement in Provisions for Loans including Accrued Interests*

The SCBT Group

Unit: Million Baht

Item	31-Dec-15			31-Dec-14		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Provisions at the beginning of the period	2,251	6,688	8,939	2,250	5,389	7,639
Charge-offs during the period	-	(2,935)	(2,935)	-	(3,080)	(3,080)
Increases of provisions during the period	546	2,792	3,338	1	4,379	4,380
Other provisions (provisions for losses from foreign exchange, provisions for merger and sale of business)	-	-	-	-	-	-
Provisions at the end of period	**2,797**	**6,545**	**9,342**	**2,251**	**6,688**	**8,939**

The Bank

Unit: Million Baht

Item	31-Dec-15			31-Dec-14		
	General provision	Specific provision	Total	General provision	Specific provision	Total
Provisions at the beginning of the period	2,251	6,688	8,939	2,250	5,389	7,639
Charge-offs during the period	-	(2,935)	(2,935)	-	(3,080)	(3,080)
Increases of provisions during the period	546	2,792	3,338	1	4,379	4,380
Other provisions (provisions for losses from foreign exchange, provisions for merger and sale of business)	-	-	-	-	-	-
Provisions at the end of period	**2,797**	**6,545**	**9,342**	**2,251**	**6,688**	**8,939**

* Including loans and accrued interests of interbank and money market item

5.2 Internal Ratings Based Approach to Credit Risk

The SCBT Group and the Bank uses the AIRB approach to manage credit risk for the majority of its portfolios. This allows the SCBT Group and the Bank to use its own internal estimates of Probability of Default ("PD"), Loss Given Default ("LGD") Exposure at Default ("EAD") and Credit Conversion Factor ("CCF") to determine an asset risk weighting. The IRB models cover 76.33 per cent and 78.61 per cent of the SCBT Group and the Bank's credit risk RWA respectively (2014: 77 and 79.64 per cent). The SCBT Group and the Bank also applied the Standardised Approach to portfolios that are currently being transitioned to the IRB approach in accordance with the Standard Chartered Bank Group roll out plan.

PD is the likelihood that an obligor will default on an obligation within 12 months. The SCBT Group and the Bank must produce an internal estimate of PD for all borrowers in each borrower grade. EAD is the expected amount of exposure to a particular obligor at the point of default. CCF is an internally modeled parameter based on historical experience to determine the amount that is expected to be further drawn down from the undrawn portion in a committed facility. LGD is the percentage of EAD that a lender expects to lose in the event of obligor default, EAD/CCF and LGD are measured based on expectation in economic downturn periods.

All assets under the AIRB approach have sophisticated PD, LGD and EAD/CCF models developed to support the credit decision making process. RWA under the AIRB approach is determined by regulatory specified formulae dependent on the SCBT Group and the Bank's estimates of residual maturity PD, LGD, and EAD. The development, use and governance of models under the AIRB approach is covered in more detail in section 5.5 Internal Ratings Based models.

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Table 17: Outstanding of On-Balance Sheet Assets and Off-Balance Sheet Items* for Credit Risk under the AIRB Approach Classified by Type of Asset

The SCBT Group

Unit: Million Baht

Type of asset	31-Dec-15			31-Dec-14		
	On-balance sheet asset	Off-balance sheet asset**	Total	On-balance sheet asset	Off-balance sheet asset**	Total
1. Non-defaulted assets						
1.1 Claims on sovereigns, banks, and corporate	112,446	88,762	201,208	125,634	96,598	222,232
1.2 Claims on retail portfolios						
1.2.1 Residential mortgage exposures	-	-	-	-	-	-
1.2.2 Qualifying revolving retail exposures	6,560	18,989	25,549	7,004	21,559	28,563
1.2.3 Other claims on retail portfolios	2,866	-	2,866	4,122	-	4,122
1.3 Equity exposures	711	-	711	713	-	713
1.4 Other assets	40,554	-	40,554	35,791	-	35,791
2. Defaulted assets	211	252	463	678	1	679
3. First-to-default credit derivatives and Securitisation	-	-	-	-	-	-
Total	**163,348**	**108,003**	**271,351**	**173,942**	**118,158**	**292,100**

The Bank

Unit: Million Baht

Type of asset	31-Dec-15			31-Dec-14		
	On-balance sheet asset	Off-balance sheet asset**	Total	On-balance sheet asset	Off-balance sheet asset**	Total
1. Non-defaulted assets						
1.1 Claims on sovereigns, banks, and corporate	114,426	88,762	203,188	127,550	96,598	224,148
1.2 Claims on retail portfolios				-	-	-
1.2.1 Residential mortgage exposures	-	-	-	-	-	-
1.2.2 Qualifying revolving retail exposures	6,560	18,989	25,549	7,004	21,559	28,563
1.2.3 Other claims on retail portfolios	2,866	-	2,866	4,122	-	4,122
1.3 Equity exposures	711	-	711	713	-	713
1.4 Other assets	40,087	-	40,087	35,493	-	35,493
2. Defaulted assets	211	252	463	678	1	679
3. First-to-default credit derivatives and Securitisation	-	-	-	-	-	-
Total	**164,861**	**108,003**	**272,864**	**175,560**	**118,158**	**293,718**

* After credit conversion factor and specific provision

** Including Repo and Reverse Repo transactions

Table 18: Undrawn Lines after Multiplying by CCF and Exposure-weighted-average EAD for Credit Risk under the AIRB Approach Classified by Type of Asset

The SCBT Group

Unit: Million Baht

Type of asset	31-Dec-15		31-Dec-14	
	Undrawn lines multiplied by CCF	Exposure-weighted average EAD	Undrawn lines multiplied by CCF	Exposure-weighted average EAD
Sovereigns, bank and corporate exposures *	811	24.45%	1,335	22.58%
Equity exposures under the PD/LGD method	-	-	-	-
Total	**811**	**24.45%**	**1,335**	**22.58%**

The Bank

Unit: Million Baht

Type of asset	31-Dec-15		31-Dec-14	
	Undrawn lines multiplied by CCF	Exposure-weighted average EAD	Undrawn lines multiplied by CCF	Exposure-weighted average EAD
Sovereigns, bank and corporate exposures *	811	24.45%	1,335	22.58%
Equity exposures under the PD/LGD method	-	-	-	-
Total	**811**	**24.45%**	**1,335**	**22.58%**

* Including purchased receivables

5.3 Standardised Approach to Credit Risk

For Sovereigns, Corporates and Institutions, external ratings are used to assign risk weights. These external ratings must come from BOT approved rating agencies, known as External Credit Assessment Institutions ("ECAI"); namely Moody's, Standard & Poor's and Fitch. The SCBT Group and the Bank uses ratings from these agencies as part of its day to day business. External ratings for the counterparty are determined as soon as a relationship is established and these ratings are tracked and kept updated.

The following major assets are applied for Standardised Approach:

1. Residential Mortgages
2. Auto Loans
3. Business Client Loans and Commercial Client Loans (business exposures with annual sales amount less than USD 150 million)
4. Receivable Services
5. Income-Producing Real Estate ("IPRE")

The Standardised Approach measures credit risk pursuant to fixed risk weights and is the least sophisticated of the capital requirement calculation methodologies under Basel III. The risk weight applied under the Standardised Approach is given by the BOT and is based on the asset class to which the exposure is assigned.

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Table 19: Outstanding of On-Balance Sheet Assets and Off-Balance Sheet Items* for Credit Risk under the SA Approach Classified by Type of Asset

The SCBT Group

Unit: Million Baht

Type of asset	31-Dec-15			31-Dec-14		
	On-balance sheet asset	Off-balance sheet asset**	Total	On-balance sheet asset	Off-balance sheet asset**	Total
1. ***Non-defaulted assets***						
1.1 Claims on sovereigns and central banks [1/]	-	450	450	447	387	834
1.2 Claims on banks and securities companies [2/]	-	22	22	-	-	-
1.3 Claims on corporate [3/]	7,310	121	7,431	3,529	234	3,763
1.4 Claims on retail portfolios	12,737	398	13,135	19,155	88	19,243
1.5 Residential mortgage exposures	20,943	6	20,949	22,583	18	22,601
1.6 Other assets	-	-	-	-	-	-
2. ***Defaulted assets*** [4/]	2,677	7	2,684	3,142	7	3,149
3. ***First-to-default credit derivatives and Securitisation***	-	-	-	-	-	-
Total	**43,667**	**1,004**	**44,671**	**48,856**	**734**	**49,590**

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The Bank

Unit: Million Baht

Type of asset	31-Dec-15			31-Dec-14		
	On-balance sheet asset	Off-balance sheet asset**	Total	On-balance sheet asset	Off-balance sheet asset**	Total
1. ***Non-defaulted assets***						
1.1 Claims on sovereigns and central banks [1/]	-	450	450	447	387	834
1.2 Claims on banks and securities companies [2/]	-	22	22	-	-	-
1.3 Claims on corporate [3/]	7,310	121	7,431	3,529	234	3,763
1.4 Claims on retail portfolios	12,737	398	13,135	19,155	88	19,243
1.5 Residential mortgage exposures	20,943	6	20,949	22,583	18	22,601
1.6 Other assets	-	-	-	-	-	-
2. ***Defaulted assets*** [4/]	752	7	759	696	7	703
3. ***First-to-default credit derivatives and Securitisation***	-	-	-	-	-	-
Total	**41,742**	**1,004**	**42,746**	**46,410**	**734**	**47,144**

* After applying credit conversion factor and specific provision

** Including Repo and Reverse Repo transactions

[1/] Including Claims on Multilateral development banks (MDBs), Provincial administrations, government entities and state enterprises (PSEs) using the same risk weight as Claims on Sovereigns and Central Bank

[2/] Including Claims on Provincial administrations, government entities and state enterprises (PSEs) using the same risk weight as Claims on Financial Institutions

[3/] Including Claims on Provincial administrations, government entities and state enterprises (PSEs) using the same risk weight as Claims on Corporate

[4/] Risk-weight (%) for unsecured portion is based on its provision reserved.

5.4 Credit Risk Mitigation

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

The SCBT Group and the Bank's credit risk mitigation policy determine the key considerations for eligibility, enforceability and effectiveness of credit risk mitigation arrangements.

The SCBT Group and the Bank have policies and procedures in place setting out the criteria for collateral to be recognised as a credit risk mitigant, including requirements concerning legal certainty, priority, concentration, correlation, liquidity and valuation parameters such as frequency of review and independence

Collateral

Collateral types that are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees and letters of credit. The SCBT Group and the Bank also enter into collateralised reverse repurchase agreements.

In order to be recognised as security and for the loan to be classified as secured, all items pledged must be valued independently and an active secondary resale market for the collateral must exist.

Documentation must be held to enable the SCBT Group and the Bank to realise the asset without the cooperation of the asset owner in the event that this is necessary. The SCBT Group and the Bank also seeks to diversify its collateral holdings across asset classes and markets.

For certain types of lending, typically mortgages or asset financing where a first charge over the risk mitigant must be attained,the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default.

The requirement for collateral is, however, not a substitute for the ability to pay, which is the primary consideration for any lending decisions. Regular valuation of collateral is required in accordance with the SCBT Group and the Bank’s credit risk mitigation policy, which prescribes both the process of valuation and the frequency of valuation for different collateral types. The collateral must be independently valued prior to drawdown and regularly thereafter. The valuation frequency is typically annually and more frequent valuations are driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Risk mitigation benefits may be removed where the collateral value is not supported by a recent independent valuation.

For financial collateral to be eligible for recognition, the risk mitigant relied upon must be sufficiently liquid and their value over time sufficiently stable to provide appropriate certainty as to the credit protection achieved. Stress tests are performed on changes in collateral values for key portfolios to assist senior management in managing the risks in those portfolios. Physical collateral is required to be insured at all times against risk of physical loss or damage; insurance for other risks is kept under review.

Collateral values are, where appropriate, adjusted to reflect, current market conditions, the probability of recovery and the period of time to realise the collateral in the event of possession.

Where guarantees or credit derivatives are used as Credit Risk Mitigation (“CRM”) the creditworthiness of the guarantor is assessed and established using the credit approval process in addition to that of the obligor or main counterparty. The main types of guarantors include bank guarantees, insurance companies, parent companies, shareholders and export credit agencies.

The SCBT Group and the Bank use bilateral and multilateral netting to reduce pre- settlement and settlement counterparty risk. Pre-settlement risk exposures are normally netted using the bilateral netting documentation in legally approved jurisdictions. Settlement exposures are generally netted using Delivery vs. Payments or Payment vs. Payments systems.

5.5 Internal Rating Based Models

Model Governance

The AIRB models used by the SCBT Group and the Bank calculate a conservative Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"), as borne out by the model performance data contained in this section. The product of this is a conservative view of Regulatory Expected Loss, which is considered necessary for the prudent calculation of regulatory capital.

Models are developed by Standard Chartered Bank Group Risk Measurement Teams within the RB and CIB & CB Risk functions. The model development process is conducted and documented in line with specific criteria setting out the minimum standards for model development. All AIRB models developed by Standard Chartered Bank Group are validated annually by a model validation team reporting to Standard Chartered Bank Group Chief Credit Officer, thereby maintaining independence from the model build processes. Model validation findings are presented to Standard Chartered Bank Group ("SCB Group"). Model Assessment Committee which in turn makes approval recommendations to the SCB Group Risk Committees. These decision making bodies are comprised of divisional senior management whose role is to challenge model assumptions and performance and agree on appropriate model use for business decision making and regulatory capital requirement calculations.

The SCBT Group and the Bank leverage models developed by Standard Chartered Bank Group by having the Model Assessment Committee ("MAC") as appointed by CRC to review and recommend any model development to ensure full compliance with local regulatory requirements. The CRC approves the overall risk model.

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 observed/realised performance and stability over time with pre-defined thresholds for passing such tests.

PD model development

Standard Chartered Bank Group, the SCBT Group and the Bank employ 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, the SCBT Group and the Bank deploy a variety of statistical methods to determine the likelihood that counterparties would default on existing exposures. These methods afford very high discriminatory power by identifying counterparty exposure characteristics that have a significant predictive ability. The majority of the SCBT Group and the Bank's retail and corporate exposures are rated under such an approach.

Shadow Rating Approach – if it is determined that the SCBT Group and the Bank internal data does not provide a sufficient default history (for example, so called 'low default portfolios'), then Standard Chartered Bank Group or the SCBT Group and the Bank develop models which are designed to be comparable to the ranking of issuer ratings assigned by established external credit assessment institutions where those agencies having 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 default history, and no reliable external ratings. In such rare cases, Standard Chartered Bank Group, with contribution from the SCBT Group and the Bank, has quantitative frameworks to incorporate the expert opinions of Standard Chartered Bank Group's credit risk management personnel into the model development process.

LGD model development

Standard Chartered Bank Group and the SCBT Group and the Bank develop LGD models by assessing unsecured recoveries and the forced sale value of collateral together with the economic costs in securing these recoveries, and the timing with which such cash flows occur. All such cash 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, product and geography have predictive content.

All LGD models are conservatively calibrated to a 'downturn' – with lower assumed 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 exposure products such as lines of credit, credit cards, overdrafts and other commitments. Based on Standard Chartered Bank Group and the SCBT

Group and the Bank ’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 Bank Group and the SCBT Group and the Bank have used conservative assumptions in assessing EAD, in keeping with the expected experience in an economic downturn.

Corporate and Institutional Banking Model Results

Corporate and Institutional Banking Internal Rating 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 SCB Group’s long run experience. Actual (‘point in time’) default rates will typically differ from this ‘through the cycle’ experience as economies move above or below cyclical norms.

Probability of Default

Estimated of PD are computed as of 1 January 2015 and are compared with default observations through 31 December 2015.

The historical default experience for institutions, central government or central bank is minimal, so the predicted PD for institutions reflects a particularly low number of defaults. For central government or central bank, there were no defaults during 2015.

The actual default rate among corporates and institutions exposures in 2015 exceeded IRB model predictions as at the beginning of 2015, due to the default of one large exposure. However, given the model is designed to estimate PD on the long run basis, this PD underestimation is not unexpected as both Thai and global economy have suffered mild downturn since 2014.

Loss Given Default

The calculation of realised versus predicted LGD is affected by the fact that it may takes a number of years for the workout process to complete. As such, an observed recovery value cannot be assigned to the majority of the 2015 defaults, making it therefore not meaningful to compare realised versus predicted outcomes in a manner similar to that for PD and EAD.

To address this, for corporate and institutions we have adopted a different approach based on a four-year rolling period of predicted and realised LGD. This includes 2012 to 2015 defaults that have completed their workout process as at the end of 2015. This approach compares the four-year rolling predicted LGD, providing the predicted outcome of these resolved defaults one year prior to default, against the realised LGD for the same set of defaults. These two figures are fully comparable, providing thereby a meaningful assessment of LGD model performance.

However under this approach, there was no resolved defaulted case in the 2012-2015 periods for Thailand, as such all LGD numbers for Thailand during this period are not available for comparison. For Central Government and Central Bank no values are provided reflecting the fact that there have been no defaults in the past four years.

Exposure at Default

EAD takes into consideration the potential drawdown of a commitment as an obligor defaults by estimating the Credit Conversion Factor (CCF) of undrawn commitments. For assets which defaulted in 2015, 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 regulator guidance to assign conservatism to the CCF of certain exposure types, as well as by the impact of management action leading to a reduction in actual exposure prior to default.

Retail Banking Model Results

Retail Banking models have been developed from datasets which capture five years of performance data. This history includes periods of higher than average default rates contributed by downturn economy, political crisis and the regulatory change e.g. credit card minimum payment.

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

- Each model is governed by a separate policy and procedure which defines the applicability of that model and details the procedure for use;
- The SCB Group Model Risk Policy - IRB Models specifies that models are subject to regular monitoring and review with the underlying Group Model Development Standards for IRB Credit Risk Models specifying statistical thresholds and other triggers which determine when models need to be redeveloped;

For December 2015 reporting, PD was computed as at 31 December 2014 and compared to the actual default observations during the year to 31 December 2015. The observed default rate for all asset classes is in line with, or lower than, the predicted PD with the exception of the other retail asset class where a post model adjustment is applied to correct for underprediction of the PD model or redevelopment of PD IRB model - if material. The observed default rate for this asset class has increased since 2013, due to a higher PD rates experienced in personal loans. Across all other retail asset classes the observed default rates have reduced or remained comparable to the December 2014 results.

The observed LGD shown below is calculated based on recoveries that were realised as of December 2015 on defaults that had occurred at December 2012 and within the following 12 month period. This is compared to the predicted LGD of these assets at December 2014. Observed LGDs are lower than the predicted values for all asset classes, primarily due to the models using ‘downturn’ parameter settings to predict LGD. This is most evident in the mortgage portfolios, where the predicted LGDs include a significant assumed reduction in property values. The Group has a strong monitoring and governance process in place to identify and mitigate model performance issues. While the majority of Retail Clients’s IRB models are conservative and over predict PD, LGD and EAD, any under predicting portfolios are subject to a post model adjustment, to ensure adequate capital is assigned, and have a remediation plan. The estimates detailed in Table 26 below are before any conservative adjustments are applied.

5.6 Risk Grade Profile

Exposures by Internal Credit Grading

For IRB portfolios a standard alphanumeric credit risk-grading system is used in bothCIB and RB. The grading is based on Standard Chartered Bank Group and the SCBT Group and the Bank's internal estimate of probability of default over a one-year horizon, with customers or portfolios assessed against a range of quantitative and qualitative factors.

As an indicative guide for reference the mapping below presents Standard Chartered Bank Group and the SCBT Group and the Bank's credit grades in relation to that of Standard and Poor's credit ratings.

	Standard & Poors Mapping	
Credit Grade	Corp / Non BFIs	Banks
1A	AAA	AAA, AA+
1B	AA+	AA, AA-
2A	AA	A+
2B	AA-	A
3A	AA-	A, A-
3B	A+	A-, BBB+
4A	A, A-	BBB+
4B	A-, BBB+	BBB
5A	BBB	BBB, BBB-
5B	BBB-	BBB-, BB+
6A	BB+	BB+
6B		BB
7A	BB	BB, BB-
7B		BB-
8A	BB-	BB-,B+
8B		B+
9A	B+	B
9B		B, B-
10A	B	B-
10B		B-, CCC
11A - C	B-	CCC
12A - C	N/A	N/A

Credit grades for RB accounts covered by AIRB models are based on a probability of default rates which are used to estimate RWA. These models are based on application and behavioural scorecards which make use of credit bureau information as well as the SCBT Group and the Bank's own data.

For RB portfolios where AIRB models have not yet been developed, the probability of default is calculated using historical portfolio delinquency flow rates and expert judgement, where applicable.

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

The SCBT Group and the Bank make use of internal risk estimates of PD, LGD and EAD in the areas of:

- Credit Approval and Decision – The level of authority required for the sanctioning of credit requests and the decision made is based on a combination of PD, LGD and EAD of the obligor with reference to the nominal exposure;
- Pricing – In CIB & CB a pre-deal pricing calculator is used which takes into consideration PD, LGD and EAD in the calculation of expected loss and risk-weighted assets and for the proposed transactions to ensure appropriate return. In RB a standard approach to risk-return assessment is used to assess the risk using PD, LGD and EAD against the expected income for pricing and risk decisions;
- Limit Setting – In CIB & CB single name concentration limits are determined by PD, LGD and EAD. The limits operate on a sliding scale to ensure that the SCBT Group and the Bank do not have over concentration of low credit quality assets. In RB, the estimates of PD, LGD and EAD are used in the credit approval documents to define the credit boundaries and risk limits. It is also used in the score cut-off analysis to limit underwriting within the lower quality or unprofitable score bands;
- Provisioning – Portfolio Impairment Provisions ("PIP") are raised at the portfolio level and are set with reference to expected loss which is based on PD, LGD and EAD amongst other quantitative and qualitative factors; and

- Risk tolerance – PD, LGD and EAD models provide some of the key inputs into the risk-based methodologies used in the assessment of business and market variables which in turn are key components in the approach taken in setting Risk tolerance.

The following table sets out analysis of EAD, PD and LGD within the AIRB portfolios by internal credit grading. EAD has been calculated after taking into account the impact of credit risk mitigation. Where exposure is guaranteed or covered by credit derivatives, exposure is shown against the asset class of the guarantor or derivative counterparty.

Table 20: Credit Risk Assessment under the AIRB Approach for Sovereign, Bank and Corporate Exposures and Equity Exposures under the PD/LGD Approach Classified by Rating Grade*

The SCBT Group

Type of asset		31-Dec-15			31-Dec-14		
		Sovereign, bank and corporate exposures **	Equity exposures under PD/LGD approach	Total	Sovereign, bank and corporate exposures **	Equity exposures under PD/LGD approach	Total
Grade 1 - 4	EAD 1/ (Million Baht)	139,755	-	139,755	154,812	-	154,812
	⦸ PD 2/ (%)	0.07%	-	-	0.07%	-	-
	⦸ RW 3/ (%)	19.65%	-	-	17.61%	-	-
	⦸ LGD 4/ (%)	36.72%	-	-	35.72%	-	-
Grade 5 - 8	EAD 1/ (Million Baht)	56,791	-	56,791	60,611	-	60,661
	⦸ PD 2/ (%)	0.70%	-	-	0.68%	-	-
	⦸ RW 3/ (%)	58.28%	-	-	66.58%	-	-
	⦸ LGD 4/ (%)	40.11%	-	-	36.44%	-	-
Grade 9 -12	EAD 1/ (Million Baht)	4,759	-	4,759	5,615	-	5,615
	⦸ PD 2/ (%)	9.23%	-	-	12.62%	-	-
	⦸ RW 3/ (%)	145.20%	-	-	192.07%	-	-
	⦸ LGD 4/ (%)	38.08%	-	-	43.38%	-	-
Grade 13 - 14 (Default)	EAD 1/ (Million Baht)	4,869	-	4,869	4,266	-	4,266
	⦸ PD 2/ (%)	100.00%	-	-	100.00%	-	-
	⦸ RW 3/ (%)	24.50%	-	-	38.80%	-	-
	⦸ LGD 4/ (%)	52.03%	-	-	50.30%	-	-

The Bank

Type of asset		31-Dec-15 Sovereign, bank and corporate exposures **	31-Dec-15 Equity exposures under PD/LGD approach	31-Dec-15 Total	31-Dec-14 Sovereign, bank and corporate exposures **	31-Dec-14 Equity exposures under PD/LGD approach	31-Dec-14 Total
Grade 1 - 4	EAD [1/] (Million Baht)	139,755	-	139,755	154,812	-	154,812
	⃠ PD [2/] (%)	0.07%	-	-	0.07%	-	-
	⃠ RW [3/] (%)	19.65%	-	-	17.16%	-	-
	⃠ LGD [4/] (%)	36.27%	-	-	35.72%	-	-
Grade 5 - 8	EAD [1/] (Million Baht)	58,770	-	58,770	64,551	-	64,551
	⃠ PD [2/] (%)	0.69%	-	-	0.72%	-	-
	⃠ RW [3/] (%)	59.12%	-	-	59.35%	-	-
	⃠ LGD [4/] (%)	40.48%	-	-	39.62%	-	-
Grade 9 -12	EAD [1/] (Million Baht)	4,759	-	4,759	5,621	-	5,621
	⃠ PD [2/] (%)	9.23%	-	-	15.97%	-	-
	⃠ RW [3/] (%)	145.20%	-	-	222.81%	-	-
	⃠ LGD [4/] (%)	38.08%	-	-	50.46%	-	-
Grade 13 - 14 (Default)	EAD [1/] (Million Baht)	4,869	-	4,869	4,266	-	4,266
	⃠ PD [2/] (%)	100.00%	-	-	100.00%	-	-
	⃠ RW [3/] (%)	24.50%	-	-	38.80%	-	-
	⃠ LGD [4/] (%)	52.03%	-	-	50.30%	-	-

* A number of grades is an example. FIs shall disclose the number of grades as appropriate in order for users to recognise the difference of credit risk levels.

** Including purchased receivables

1/ Outstanding of on-balance sheet assets and off-balance sheet items after multiplying by CCF and after CRM

2/ ⃠ PD is the EAD-weighted average PD for each rating grade (For purchased receivables, FIs shall report only PD of default risk)

3/ ⃠ RW is the EAD-weighted average risk weights for each rating grade

4/ ⃠ LGD is the EAD-weighted average LGD for each rating grade (only for FIs that use the AIRB approach)

Table 21: Credit Risk Assessment under the AIRB Approach for Retail Exposures* (Pooled Basis)

The SCBT Group

Type of asset		31-Dec-15				31-Dec-14			
		Residential mortgage exposures	Qualifying revolving retail exposures	Other retail exposures	Total	Residential mortgage exposures	Qualifying revolving retail exposures	Other retail exposures	Total
	EAD [1/] (Million Baht)	-	5,545	-	5,545	-	8,237	-	8,237
Grade	⦸ PD [2/] (%)	-	0.12%	-	-	-	0.10%	-	-
1 - 4	⦸ RW [3/] (%)	-	6.22%	-	-	-	5.64%	-	-
	⦸ LGD [4/] (%)	-	85.84%	-	-	-	85.73%	-	-
	EAD [1/] (Million Baht)	-	15,045	1,282	16,327	-	15,806	1,847	17,653
Grade	⦸ PD [2/] (%)	-	0.72%	1.34%	-	-	0.70%	1.24%	-
5 - 8	⦸ RW [3/] (%)	-	26.10%	103.92%	-	-	24.97%	100.80%	-
	⦸ LGD [4/] (%)	-	84.88%	88.51%	-	-	85.01%	88.51%	-

The SCBT Group

Type of asset		31-Dec-15				31-Dec-14			
		Residential mortgage exposures	Qualifying revolving retail exposures	Other retail exposures	Total	Residential mortgage exposures	Qualifying revolving retail exposures	Other retail exposures	Total
Grade 9 - 12	EAD 1/ (Million Baht)	-	4,958	1,584	6,542	-	4,519	2,275	6,794
	⃠ PD 2/ (%)	-	10.87%	13.93%	-	-	11.41%	16.90%	-
	⃠ RW 3/ (%)	-	124.12%	145.14%	-	-	133.28%	144.39%	-
	⃠ LGD 4/ (%)	-	85.83%	88.51%	-	-	86.31%	88.51%	-
Grade 13 - 14 (Default)	EAD 1/ (Million Baht)	-	225	197	422	-	235	291	526
	⃠ PD 2/ (%)	-	100.00%	100.00%	-	-	100.00%	100.00%	-
	⃠ RW 3/ (%)	-	297.88%	285.45%	-	-	289.46%	280.96%	-
	⃠ LGD 4/ (%)	-	81.05%	81.49%	-	-	81.57%	83.44%	-

The Bank

Grade	Type of asset	31-Dec-15 Residential mortgage exposures	31-Dec-15 Qualifying revolving retail exposures	31-Dec-15 Other retail exposures	31-Dec-15 Total	31-Dec-14 Residential mortgage exposures	31-Dec-14 Qualifying revolving retail exposures	31-Dec-14 Other retail exposures	31-Dec-14 Total
Grade 1 - 4	EAD [1/] (Million Baht)	-	5,545	-	5,545	-	8,237	-	8,237
	⦸ PD [2/] (%)	-	0.12%	-	-	-	0.10%	-	-
	⦸ RW [3/] (%)	-	6.22%	-	-	-	5.64%	-	-
	⦸ LGD [4/] (%)	-	85.84%	-	-	-	85.73%	-	-
Grade 5 - 8	EAD [1/] (Million Baht)	-	15,045	1,282	16,327	-	15,806	1,847	17,653
	⦸ PD [2/] (%)	-	0.72%	1.34%	-	-	0.70%	1.24%	-
	⦸ RW [3/] (%)	-	26.10%	103.92%	-	-	24.97%	100.80%	-
	⦸ LGD [4/] (%)	-	84.88%	88.51%	-	-	85.01%	88.51%	-
Grade 9 -12	EAD [1/] (Million Baht)	-	4,958	1,584	6,542	-	4,519	2,275	6,794
	⦸ PD [2/] (%)	-	10.87%	13.93%	-	-	11.41%	16.90%	-
	⦸ RW [3/] (%)	-	124.12%	145.14%	-	-	133.28%	144.39%	-
	⦸ LGD [4/] (%)	-	85.83%	88.51%	-	-	86.31%	88.51%	-

The Bank

Type of asset		31-Dec-15				31-Dec-14			
		Residential mortgage exposures	Qualifying revolving retail exposures	Other retail exposures	Total	Residential mortgage exposures	Qualifying revolving retail exposures	Other retail exposures	Total
Grade 13 - 14 (Default)	EAD [1/] (Million Baht)	-	225	197	422	-	235	291	526
	⃠ PD [2/] (%)	-	100.00%	100.00%	-	-	100.00%	100.00%	-
	⃠ RW [3/] (%)	-	297.88%	285.45%	-	-	289.46%	280.96%	-
	⃠ LGD [4/] (%)	-	81.05%	81.49%	-	-	81.57%	83.44%	-

[*] Including purchased receivables

[1/] Outstanding of on-balance sheet assets and off-balance sheet items after multiplying by CCF and after CRM

[2/] ⃠ PD is the EAD-weighted average PD for each rating grade (For purchased receivables, FIs shall report only PD of default risk)

[3/] ⃠ RW is the EAD-weighted average risk weights for each rating grade

[4/] ⃠ LGD is the EAD-weighted average LGD for each rating grade (only for FIs that use the AIRB approach)

The following table shows the EAD of retail exposure after taking impact of credit risk mitigation into account. Approximately 65 percent of expected loss of retail portfolio is fallen in grade 9-12.

Table 22: Outstanding and Undrawn Lines of each Group of Exposures* after Multiplying by CCF and after Credit Risk Mitigation under the AIRB Approach Classified by Rating Grade of Expected Losses**

The SCBT Group

31-Dec-15

Retail Asset Class	EAD [1/] (Million Baht)	EL [2/] (%)			
		CG 1- 4	CG 5- 8	CG 9-12	CG 13-14
Qualifying revolving retail exposures	25,774	0.81%	13.43	67.05%	18.72%
Other claims on retail portfolios	3,063	0.00%	4.66%	59.96%	35.38%
Total	**28,837**	**-**	**-**	**-**	**-**

31-Dec-14

Retail Asset Class	EAD [1/] (Million Baht)	EL [2/] (%)			
		CG 1- 4	CG 5- 8	CG 9-12	CG 13-14
Qualifying revolving retail exposures	28,798	1.09%	13.74%	65.05%	20.12%
Other claims on retail portfolios	4,413	0.00%	3.76%	63.24%	33.00%
Total	**33,211**	**-**	**-**	**-**	**-**

The Bank

31-Dec-15

Retail Asset Class	EAD [1/]	EL [2/] (%)			
		CG 1- 4	CG 5- 8	CG 9-12	CG 13-14
Qualifying revolving retail exposures	25,774	0.81%	13.43	67.05%	18.72%
Other claims on retail portfolios	3,063	0.00%	4.66%	59.96%	35.38%
Total	**28,837**	**-**	**-**	**-**	**-**

31-Dec-14

Retail Asset Class	EAD [1/]	EL [2/] (%)			
		CG 1- 4	CG 5- 8	CG 9-12	CG 13-14
Qualifying revolving retail exposures	28,798	1.09%	13.74%	65.05%	20.12%
Other claims on retail portfolios	4,413	0.00%	3.76%	63.24%	33.00%
Total	**33,211**	**-**	**-**	**-**	**-**

* Including purchased receivables

** A number of grades is an example. FIs shall disclose the number of grades as appropriate in order for users to recognise the difference of credit risk levels.

[1/] Outstanding of retail exposures and Undrawn Committed Line after CCF and Credit Risk Mitigation

[2/] $EL = \sum(EL_i * EAD_i) \div \sum EAD_i$

Table 23: Part of Outstanding that is Secured by Collateral** under the AIRB Approach Classified by Type of Asset and Collateral

The SCBT Group

Unit: Million Baht

Type of asset	31-Dec-15			31-Dec-14		
	Eligible financial collateral [1/]	Other collateral [2/]	Guarantee and credit derivatives	Eligible financial collateral [1/]	Other collateral [2/]	Guarantee and credit derivatives
1. ***Non-defaulted assets***						
1.1 Claims on sovereigns, banks, and corporate	10,675	660	669	21,629	386	1,531
1.2 Claims on retail portfolios						
1.2.1 Residential mortgage exposures						
1.2.2 Qualifying revolving retail exposures	-	-	-	-	-	-
1.2.3 Other claims on retail portfolios	-	-	-	-	-	-
1.3 Equity exposures	-	-	-	-	-	-
1.4 Other assets	-	-	-	-	-	-
2. ***Defaulted assets***	70	971	-	136	540	-
Total	**10,745**	**1,631**	**669**	**21,765**	**926**	**1,531**

The Bank

Unit: Million Baht

Type of asset	31-Dec-15			31-Dec-14		
	Eligible financial collateral [1/]	Other collateral [2/]	Guarantee and credit derivatives	Eligible financial collateral [1/]	Other collateral [2/]	Guarantee and credit derivatives
1. ***Non-defaulted assets***						
1.1 Claims on sovereigns, banks, and corporate	10,675	660	669	21,629	386	1,531
1.2 Claims on retail portfolios						
1.2.1 Residential mortgage exposures						
1.2.2 Qualifying revolving retail exposures	-	-	-	-	-	-
1.2.3 Other claims on retail portfolios	-	-	-	-	-	-
1.3 Equity exposures	-	-	-	-	-	-
1.4 Other assets	-	-	-	-	-	-
2. ***Defaulted assets***	70	971	-	136	540	-
Total	**10,745**	**1,631**	**669**	**21,765**	**926**	**1,531**

** Values after netting of on-balance sheets and off-balance sheets

[1/] Eligible financial collateral that the Bank of Thailand allows to use for risk mitigation

[2/] Other collaterals that the Bank of Thailand allows to use for risk mitigation

Table 24: Outstanding of On-Balance Sheet Assets and Off-Balance Sheet Items* after Credit Risk Mitigation for each Type of Assets Classified by Risk Weight under the SA Approach

The SCBT Group

Unit: Million Baht

31-Dec-15

Type of Asset	Rated outstanding					Unrated outstanding									
Risk Weight (%)	0	20	50	100	150	0	20	35	50	75	100	150	625	937.5	100/8.5%
Non-Default exposures															
1. Claims on sovereigns and central bank [1/]	450	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Claims on financial institutions and securities companies [2/]	-	-	-	22	-	-	-	-	-	-	-	-	-	-	-
3. Claims on corporate [3/]	-	-	724	6,136	-	-	-	-	-	-	-	-	-	-	-
4. Claims on retail portfolios	-	-	-	-	-	-	-	-	-	11,733	160	-	-	-	-
5. Claims on residential mortgage	-	-	-	-	-	-	-	19,798	-	1,031	120	-	-	-	-
6. Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk Weight (%)			50	100	150					75		150			
Default exposures [4/]	-	-	234	392	133	-	-	-	-	-	-	1,925	-	-	-
Deducted Items	Nil														

Standard Chartered Bank (Thai) PCL and its Financial Business Group

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The SCBT Group

Unit: Million Baht

31-Dec-14

Type of Asset	Rated outstanding					Unrated outstanding									
Risk Weight (%)	0	20	50	100	150	0	20	35	50	75	100	150	625	937.5	100/8.5%
Non-Default exposures															
1. Claims on sovereigns and central bank [1/]	1,280	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Claims on financial institutions and securities companies [2/]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Claims on corporate [3/]	-	-	990	1,716	-	-	-	-	-	-	-	-	-	-	-
4. Claims on retail portfolios	-	-	-	-	-	-	-	-	-	17,761	182	-	-	-	-
5. Claims on residential mortgage	-	-	-	-	-	-	-	21,542	-	1,033	26	-	-	-	-
6. Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk Weight (%)	-	-	50	100	150	-	-	-	-	75	-	-	-	-	-
Default exposures [4/]	-	-	221	263	217	-	-	-	-	-	-	-	-	-	-
Deducted Items								Nil							

Standard Chartered Bank (Thai) PCL and its Financial Business Group

Pillar 3 Consolidated Disclosures

31 December 2015

The Bank

Unit: Million Baht

31-Dec-15

Type of Asset	Rated outstanding					Unrated outstanding									
Risk Weight (%)	0	20	50	100	150	0	20	35	50	75	100	150	625	937.5	100/8.5%
Non-Default exposures															
1. Claims on sovereigns and central bank [1/]	450	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Claims on financial institutions and securities companies [2/]	-	-	-	22	-	-	-	-	-	-	-	-	-	-	-
3. Claims on corporate [3/]	-	-	724	6,136	-	-	-	-	-	-	-	-	-	-	-
4. Claims on retail portfolios	-	-	-	-	-	-	-	-	-	11,733	160	-	-	-	-
5. Claims on residential mortgage	-	-	-	-	-	-	-	19,798	-	1,031	120	-	-	-	-
6. Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk Weight (%)			50	100	150					75					
Default exposures [4/]	-	-	234	392	133	-	-	-	-	-	-	-	-	-	-
Deducted Items	Nil														

Standard Chartered Bank (Thai) PCL and its Financial Business Group

Pillar 3 Consolidated Disclosures

31 December 2015

The Bank

Unit: Million Baht

31-Dec-14

Type of Asset	Rated outstanding					Unrated outstanding									
Risk Weight (%)	0	20	50	100	150	0	20	35	50	75	100	150	625	937.5	100/8.5%
Non-Default exposures															
1. Claims on sovereigns and central bank [1/]	1,280	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Claims on financial institutions and securities companies [2/]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Claims on corporate [3/]	-	-	990	1,716	-	-	-	-	-	-	-	-	-	-	-
4. Claims on retail portfolios	-	-	-	-	-	-	-	-	-	17,761	182	-	-	-	-
5. Claims on residential mortgage	-	-	-	-	-	-	-	21,542	-	1,033	26	-	-	-	-
6. Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk Weight (%)	-	-	50	100	150	-	-	-	-	75	-	-	-	-	-
Default exposures [4/]	-	-	221	263	217	-	-	-	-	-	-	-	-	-	-
Deducted Items	Nil														

* After applying credit conversion factor

[1/] Including Claims on Multilateral development banks (MDBs), Provincial administrations, government entities and state enterprises (PSEs) using the same risk weight as Claims on Sovereigns and Central Bank

[2/] Including Claims on Provincial administrations, government entities and state enterprises (PSEs) using the same risk weight as Claims on Financial Institutions

[3/] Including Claims on Provincial administrations, government entities and state enterprises (PSEs) using the same risk weight as Claims on Corporate

[4/] RW(%) of part of Outstanding that is not secured by CRM

Table 25: Part of Outstanding that is Secured by Collateral* under the SA Approach Classified by Type of Asset and Collateral

The SCBT Group

Unit: Million Baht

Type of asset	31-Dec-15		31-Dec-14	
	Eligible financial collateral [1/]	**Guarntee and credit derivativeas**	**Eligible financial collateral [1/]**	**Guarantee and credit derivatives**
1. ***Non-defaulted assets***				
1.1 Claims on sovereigns and central banks [2/]	-	-	-	1
1.2 Claims on banks and securities companies [3/]	-	-	-	-
1.3 Claims on corporate [4/]	598	4,827	1,092	1,297
1.4 Claims on retail portfolios	1,302	-	912	442
1.5 Residential mortgage exposures	-	-	-	-
1.6 Other assets	-	-	-	-
2. ***Defaulted assets***	-	-	1	-
Total	**1,900**	**4,827**	**2,005**	**1,740**

The Bank

Unit: Million Baht

Type of asset	31-Dec-15		31-Dec-14	
	Eligible financial collateral [1/]	Guarantee and credit derivatives	Eligible financial collateral [1/]	Guarantee and credit derivatives
1. ***Non-defaulted assets***				
1.1 Claims on sovereigns and central banks [2/]	-	-	-	1
1.2 Claims on banks and securities companies [3/]	-	-	-	-
1.3 Claims on corporate [4/]	598	4,827	1,092	1,297
1.4 Claims on retail portfolios	1,302	-	912	442
1.5 Residential mortgage exposures	-	-	-	-
1.6 Other assets	-	-	-	-
2. ***Defaulted assets***	-	-	1	-
Total	**1,900**	**4,827**	**2,005**	**1,740**

[*] Values after netting of on-balance sheets and off-balance sheets

[1/] Eligible financial collateral that the Bank of Thailand allows to use for risk mitigation

[2/] Including Claims on Multilateral development banks (MDBs), Provincial administrations, government entities and state enterprises (PSEs) using the same risk weight as Claims on Sovereigns and Central Bank

[3/] Including Claims on Provincial administrations, government entities and state enterprises (PSEs) using the same risk weight as Claims on Financial Institutions

[4/] Including Claims on Provincial administrations, government entities and state enterprises (PSEs) using the same risk weight as Claims on Corporate

Regulatory Expected Loss versus Individual Impairment Charges

The table 26 and 27 below show actual loss and regulatory expected loss as at 31 December 2015 for the AIRB exposure classes. Regulatory expected loss is based on a through-the-cycle methodology using risk parameters and observations over a period of time. It is a conservative and appropriately prudent calculation underpinning regulatory capital requirements, but:

- does not take account of any benefit from management actions to reduce exposures to riskier customers, clients or segments as conditions deteriorate;

- does not take account of any diversification benefit; and
- is calculated in accordance with rules which enforce a certain level of conservatism.

The net individual impairment charge is a point in time actual charge raised in accordance with accounting standards that require the SCBT Group and the Bank to either provide for or write-off debts. The actual loss exceeded the expected loss due to conservative local provisioning. It should be noted that the Expected Loss shown in table 27 was computed as of 31 December 2014 as per regulatory requirement. The actual loss is the current year chargeoff and provision balances on the balance sheet. Provisions are recognized where there is objective evidence of a loss or per regulatory requirement.

Table 26: Actual Losses under the AIRB Approach Classified by Type of Assets

The SCBT Group

Unit: Million Baht

Type of asset	Actual losses		Change
	31-Dec-15	31-Dec-14	
Claim on sovereign, banks and corporate	4,269	4,038	231
Equity exposures	-	-	-
Retail exposures	1,784	2,138	(354)
Total	**6,053**	**6,176**	**(123)**

The Bank

Unit: Million Baht

Type of asset	Actual losses		Change
	31-Dec-15	31-Dec-14	
Claim on sovereign, banks and corporate	4,269	4,038	231
Equity exposures	-	-	-
Retail exposures	1,784	2,138	(354)
Total	**6,053**	**6,176**	**(123)**

Table 27: Estimates of Losses Comparing to Actual Losses*

The SCBT Group

Unit: Million Baht

Type of asset	31-Dec-14	31-Dec-15	31-Dec-13	31-Dec-14
	Expected loss	Actual loss	Expected loss	Actual loss
Claim on sovereign, banks and corporate	3,613	4,269	3,163	4,308
Equity exposures	-	-	-	-
Retail exposures	1,228	1,784	1,600	2,138
Total	**4,841**	**6,053**	**4,763**	**6,176**

The Bank

Unit: Million Baht

Type of asset	31-Dec-14 Expected loss	31-Dec-15 Actual loss	31-Dec-13 Expected loss	31-Dec-14 Actual loss
Claim on sovereign, banks and corporate	3,613	4,269	3,163	4,308
Equity exposures	-	-	-	-
Retail exposures	1,228	1,784	1,600	2,138
Total	**4,841**	**6,053**	**4,763**	**6,176**

Table 28: Estimates of PD, LGD and EAD compare with actual

The SCBT Group

31-Dec-15

Asset Class	Predicted PD% (EAD Weighted)	Actual PD% (EAD Weighted)	Predicted LGD% (EAD Weighted)	Actual LGD %	Predicted EAD (Million Baht)	Actual EAD (Million Baht)
Claim on sovereign, banks and corporate	0.82%	0.96%	N/A	N/A	1,969	1,880
Equity exposures	-	-	-	-	-	-
Retail exposures	4.49%	4.1%	84.65%	57.38%	1,966	1,725
Total					3,935	3,605

N/A – There was no defaulted and resolved cases in the four-year period as such all LGD number are N/A which mean there was no default

The SCBT Group

31-Dec-14

Asset Class	Predicted PD% (EAD Weighted)	Actual PD% (EAD Weighted)	Predicted LGD% (EAD Weighted)	Actual LGD %	Predicted EAD (Million Baht)	Actual EAD (Million Baht)
Claim on sovereign, banks and corporate	0.84%	0.52%	N/A	N/A	N/A	N/A
Equity exposures	-	-	-	-	-	-
Retail exposures	4.36%	4.91%	84.71%	57.25%	1,607	1,385
Total					1,607	1,385

The Bank

31-Dec-15

Asset Class	Predicted PD% (EAD Weighted)	Actual PD% (EAD Weighted)	Predicted LGD% (EAD Weighted)	Actual LGD %	Predicted EAD (Million Baht)	Actual EAD (Million Baht)
Claim on sovereign, banks and corporate	0.82%	0.96%	N/A	N/A	1,969	1,880
Equity exposures	-	-	-	-	-	-
Retail exposures	4.49%	4.1%	84.65%	57.38%	1,966	1,725
Total					3,935	3,605

The Bank

31-Dec-14

Asset Class	Predicted PD% (EAD Weighted)	Actual PD% (EAD Weighted)	Predicted LGD% (EAD Weighted)	Actual LGD %	Predicted EAD (Million Baht)	Actual EAD (Million Baht)
Claim on sovereign, banks and corporate	0.84%	0.52%	N/A	N/A	N/A	N/A
Equity exposures	-	-	-	-	-	-
Retail exposures	4.36%	4.91%	84.71%	57.25%	1,607	1,385
Total					1,607	1,385

5.7 Problem Credit Management and Provisioning

Retail Banking

In RB, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. A loan is considered delinquent (past due) when the counterparty has failed to make a principal or interest payment when contractually due. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. For delinquency reporting purposes we follow industry standards, measuring delinquency as of 1, 30, 60, 90, 120 and 150 days past due. Accounts that are overdue by more than 30 days are more closely monitored and subject to specific collections processes.

Non-performing loans are loans past due more than 90 days because full payment of either interest or principal has become questionable.

For unsecured products, the entire outstanding amount is written off at 150 days past due. For loans secured against property individual impairment provisions (IIPs) are raised at 150 days as for the shortfall between outstanding and discounted forced sale value..

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

The PIP methodology provides for accounts for which an individual impairment provision has not been raised, either individually or collectively. PIP is raised on a portfolio basis for all products, and is set using expected loss rates, based on past experiences supplemented by an assessment of specific factors affecting the relevant portfolio. These include an assessment of the impact of economic conditions, regulatory changes and portfolio characteristics such as delinquency trends and early alert trends. The methodology applies a larger provision against accounts that are delinquent but not yet considered impaired.

Corporate and Institutional Banking and Commercial Banking

Loans are classified as impaired and considered non-performing where analysis and review indicates that full payment of either interest or principal is questionable, or as soon as payment of interest or principal is 90 days overdue. Impaired accounts are managed by a specialist recovery unit, GSAM, which is separate from the SCBT Group and the Bank's main businesses. Where any amount is considered irrecoverable, an individual impairment provision ("IIP") is raised. This provision is the difference between the loan carrying amount and the present value of estimated future cash flows.

The individual circumstances of each customer are taken into account when GSAM estimates future cash flow. All available sources, such as cash flow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees, are considered. In any decision relating to the raising of provisions, we attempt to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

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

Similar to Retail Banking, a PIPis also set up for Corporate and Institutional Banking and Commercial Banking account for which an IIP has not been raised. This is in accordance with regulatory requirements.

5.8 Counterparty Credit Risk in the Trading Book

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

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

The SCBT Group and the Bank 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 is specified in the legal document and is typically be cash or highly liquid securities.

The SCBT Group and the Bank further reduce its credit exposures to counterparties by entering into contractual netting agreements which result in a single amount owed by or to the counterparty through netting the sum of the positive (amounts owed by the counterparty) and negative (amounts owed by the SCBT Group and the Bank) mark-to-market ("MTM") values of these transactions.

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. Additional collateral may be required from the counterparty to provide an extra buffer to the daily variation margin process.

Credit reserves

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

In line with market convention, the SCBT Group and the Bank negotiate CSA terms for certain counterparties where the thresholds related to each party are dependent on their External Credit Assessment Institutions ("ECAI") long term rating. Such clauses are typically mutual in nature. It is therefore recognised that a downgrade in the SCBT Group and the Bank's rating could result in counterparties seeking additional collateral calls to cover negative MTM portfolios where thresholds are lowered.

Wrong way risk

Wrong way risk occurs when an exposure increase is coupled with a decrease in the credit quality of the obligor. For example, as the MTM on a derivative contract increases in favour of the SCBT Group and the Bank, the counterparty may increasingly be unable to meet its payment, margin call or collateral posting requirements. The SCBT Group and the Bank employ various policies and procedures to ensure that wrong way risk exposures are recognised upfront and monitored.

Exposure value calculation

Exposure values for regulatory capital requirement purposes on over the counter traded products are calculated according to the CCR current exposure method. This is calculated as the sum of the current replacement cost and the potential future credit exposure.

The current replacement cost is the USD equivalent amount owed by the counterparty to the SCBT Group and the Bank for various financial derivative transactions. The potential future credit exposure is an add-on based on a percentage of the notional principal of each transaction according to tenor and underlying assets class of each trade.

6. Market Risk

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market prices or rates. The SCBT Group and the Bank's exposure to market risk arises predominantly from providing clients access to financial markets, facilitation of which entails the SCBT Group's taking moderate market risk positions. Market risk also arises in the non-trading book ("banking book") from the requirement to hold a large liquidity assets buffer of higher quality liquid debt securities and from the translation of non-Thai baht denominated assets, liabilities and earnings.The objective of the SCBT Group and the Bank's market risk policies and processes is to achieve the optimal balance of risk and return while meeting customers' requirements.

The SCBT Group and the Bank undertake in the money market, foreign exchange markets and capital markets giving rise to market risk exposures. Other financial instruments undertaken include debt and other securities and certain financial derivative instruments. Derivative instruments are contracts whose characteristics and value are derived from underlying financial instruments, interest rates, exchange rates, or indices. They include futures, forwards, swaps, and options transactions in the foreign exchange and interest rate markets. Derivative contracts entered into by the SCBT Group and the Bank are primarily over-the-counter derivatives.

The SCBT Group and the Bank have established market risk management policies and framework, including limit setting, monitoring and reporting and control procedures, which are reviewed regularly by the relevant committees – ALCO, CRC and the Board. Market risk limits are proposed by the business within the terms of agreed policy. Risk officers and relevant committees review and approve the limits within delegated authorities, and monitor exposures against these limits. Risks are monitored against limits on a daily basis.
The primary categories of market risk for the SCBT Group and the Bank are:

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

- Equity price risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options. For this category of market risk, the SCBT Group and the Bank currently do not trade equity.
- Currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options; and
- Commodity price risk: arising from changes in commodity prices and commodity option implied volatilities; covering energy, precious metals, base metals and agricultural. For this category of market risk, the SCBT Group and the Bank are fully hedged through a back-to-back position.

The BOT specifies minimum capital requirements against market risk in the trading book. Interest rate risk in the non-trading book ("banking book") is covered separately under the Pillar 2 framework. The minimum regulatory market risk capital requirements for the trading book are presented below.

Table 29: Minimum Capital Requirement for each Type of Market Risk under the SA Approach

Unit: Million Baht

Type of Risk	The SCBT Group		The Bank	
	31-Dec-15	30-Jun-15	31-Dec-15	30-Jun-15
Interest Rate Risk	1,431	1,385	1,431	1,385
Equity Position Risk	-	-	-	-
Foreign Exchange Rate Risk	87	31	87	31
Commodity Risk	-	-	-	-
Total Minimum Capital Requirements	**1,518**	**1,416**	**1,518**	**1,416**

The SCBT Group and the Bank are required to have THB 1,518 million total capital against Market Risk. Comparing with June 2015, the increase of THB 102 million is mainly due to Foreign Exchange Rate Risk.

7. Operational Risk

SCBT Group and the Bank define operational Risk as the potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks.

As operational risk arises from all activities carried out within the SCBT Group and the Bank, the potential for operational risk events occurring across a complex international organization is a constant challenge. To address this SCBT Group and the Bank aim to achieve 'industrial strength' process and control design standards for all activities.

Operational risk governance

CRC provides oversight of operational risk management across the SCBT Group and the Bank. It is supported by the Country Operational Risk Committee (CORC), the Business Operational Risk Forum (BORF) and the Function Operational Risk Forum (FORF), which oversee operational risk arising from the businesses and functions, financial crime compliance and information management. These risk committees receive regular reports on the SCBT Group and the Bank operational risk profile.

Internal organization – Three lines of defence

To implement the operational risk management approach in the SCBT Group and the Bank, the SCBT Group and the Bank apply the three lines of defence, as set out in the Risk Management Framework. The first line of defence has responsibility for identifying and managing all risks within first line processes as an integral part of first line responsibilities. Operational Risk as second line of defence is responsible for setting and maintaining the standards for the operational risk management approach. In addition, the second line of defence comprises both second line risk control owners of each operational risk sub-type and second line Group policy owners. The third line of defence is the independent assurance provided by the Group Internal Audit function.

Risk tolerance approach

Operational risk is managed within threshold aligned to achieve the Risk tolerance Statement approved by the SCB Group Board. The SCBT Group and the Bank aim to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the SCBT Group and the Bank.

In order to comply with this statement, the operational risk management approach includes the following requirements:

- The SCBT Group and the Bank adopt top risks and emerging risks identified systematically by the SCB Group with the involvement of senior management and the Board, and define the appropriate treatment which may include business restrictions
- All processes will be mapped and owned with appropriate key control standards defined to mitigate risks
- The SCBT Group and the Bank will not miss any opportunity to learn lessons from internal or external events and will implement relevant mitigation actions
- The SCBT Group and the Bank will systematically test internal capital adequacy through scenario analysis and stress testing

Risk classification

Operational risk sub-types are the different ways that we may be operationally exposed to loss. Each risk sub-type is a grouping of potential losses that are material, and which may arise in different activities or areas of the SCBT Group and the Bank. The SCBT Group and the Bank use operational risk sub-types principally as an aid to ensure comprehensive and consistent identification of operational risks, wherever they may arise. Operational risk sub-types are listed in the following table below.

OPERATIONAL RISK SUB-TYPES	
External rules and relations	Potential for actual or opportunity loss due to failure to comply with laws or regulations, or as a result of changes in laws or regulations or in their interpretation or application
Liability	Potential for loss or sanction due to a legal claim against any part of the SCBT Group and the Bank
Legal enforceability	Potential for loss due to failure to protect legally the SCBT Group and the Bank's interests or from difficulty in enforcing the SCBT Group and the Bank's rights
Damage or loss of physical assets	Potential for loss or damage or denial of use of property or other physical assets
Safety and security	Potential for loss or damage relating to health and safety or physical security
Internal fraud or dishonesty	Potential for loss due to action by staff that is intended to defraud, or to circumvent the law or company policy
External fraud	Potential for loss due to criminal acts by external parties such as fraud or theft of financial assets
Information security	Potential for loss due to unauthorised access, use, disclosure, disruption, modification or destruction of information
Processing failure	Potential for loss due to failure of an established process or a process design weakness
Model	Potential for loss due to a significant discrepancy between the output of credit and market risk measurement models and actual experience Potential for regulatory breach due to a significant discrepancy between the output of financial crime client risk scoring and financial crime transaction monitoring models and actual experience

Operational risk management approach

The Group defines and maintains a complete process universe for all client segments, products and functions processes. The SCBT Group and the Bank adopt the process universe defined by the Group. The process universe is the complete list of end-to-end processes that collectively describe the activities of the SCBT Group and the Bank and is the reference for the application of the operational risk management approach. This represents all the SCBT Group and the Bank activities, the owners of these activities, and the risk and control standards that are defined by risk and process owners. It also serves as the foundation for policy delivery, as well as risk identification, measurement, management and reporting. The operational risk management approach requires:

- Industrial strength process design standards are applied to critical processes
- Control threshold standards are set for each control for quantity, materiality and timeliness of detection and rectification of defects
- All processes are standardised except for regulatory or legitimate system exceptions
- Gross and residual risk assessments by first line and approved by second line
- Risk and control monitoring
- Prompt execution of risk treatment actions to closure

The operational risk management approach has been installed for prioritised risks as part of the Operational Risk Framework Implementation Programme.

Stress testing

As part of our operational risk management approach, we conduct stress testing by scenario analysis for the SCBT Group and the Bank. The exercises included judgemental overlays for the potential risk of low-frequency, high-severity events occurring during stress conditions. The macroeconomic scenarios are considered in the stress testing. These scenarios included anti-money laundering, sanctions, political unrest, regulatory non compliance and fraud.

Conduct

Conduct of business, or conduct, is a term that is used in a broad number of ways across the financial services industry. At its broadest, good conduct is the creation of an appropriate business strategy aligned to our stated risk tolerance and the execution of business in accordance with both. More narrowly, it refers to specific regulations designed to achieve fair outcomes for customers and the effective operation of markets.

Good conduct is evidenced through disciplined adherence to our overall framework of systems and controls outlined in the Risk Management Framework and the standards of individual behaviour set out in the Code of Conduct (the .Code.). Specifically for operational risk:

- External rules and regulations classifications defined in the Operational Risk Framework include specific categories of regulation designed to achieve fair outcomes for clients (client conduct) and the effective operation of markets (market conduct). This ensures that each category of regulation is properly classified and aligned to the SCBT Group and the Bank systems and control structures. Risk control owners and Group policy owners are responsible for defining the SCBT Group and the Bank minimum standards and controls in respect of each category.
- Conduct is considered in the SCBT Group and the Bank top risk. The SCBT Group and the Bank aim to prevent the risks of failure to deliver the conduct of business standards expected by the SCBT Group and the Bank’s clients, investors and markets in which we operate. Many of the top risks can be driven by poor conduct so the SCBT Group and the Bank are focused on its control standards around these risks.

8. Equity Exposure in the Non-Trading Book (Banking Book)

The holdings of non-trading book (banking book) equities are considered immaterial. At 31 December 2015, the SCBT Group and the Banks equity exposure in the non-trading book (banking book) are shown in below table.

Table 30: Equity Exposure in Non-Trading Book (Banking Book)

The SCBT Group

Unit: Million Baht

Equity exposure	31-Dec-15	31-Dec-14
1. Outstanding of shares		
1.1 Outstanding of listed shares (onshore and offshore stock exchange)		
- Cost (Net Book Value)	-	-
- Market price	-	-
1.2. Outstanding of other shares (onshore and offshore)	14	14
2. Gains (losses) of sale of equities in the reporting period	1	1
3. Net revaluation surplus (deficit) from valuation AFS equity	-	-
4. Minimum capital requirements for equity exposures classified by the calculation methods		
- SA	-	-
- IRB	-	-
5. Equity values for commercial bank using the IRB approach which the BOT allow to use the SA approach	-	-

The Bank

Unit: Million Baht

Equity exposure	31-Dec-15	31-Dec-14
1. Outstanding of shares		
1.1 Outstanding of listed shares (onshore and offshore stock exchange)		
- Cost (Net Book Value)	-	-
- Market price	-	-
1.2. Outstanding of other shares (onshore and offshore)	711	713
2. Gains (losses) of sale of equities in the reporting period	1	1
3. Net revaluation surplus (deficit) from valuation AFS equity	-	-
4. Minimum capital requirements for equity exposures classified by the calculation methods		
- SA	-	-
- IRB	-	-
5. Equity values for commercial bank using the IRB approach which the BOT allow to use the SA approach	-	-

9. Interest Rate Risk in the Non-trading Book (Banking Book)

Interest rate risk from the non-trading book (banking book) portfolios is transferred to Financial Markets where it is managed by Asset and Liability Management (“ALM”) desk under the supervision of Asset and Liability Committees (“ALCO”). ALM will transact deals in the market within approved financial instruments in order to manage the net interest rate risk, subject to approved VaR and other risk limits. VaR and stress tests are therefore applied to non-trading book (banking book) exposures in the same way as for the trading book including listed ‘available-for-sale’ securities.

From Fund Transfer Pricing (“FTP”) process, there is the assumption for loan repayments incorporated. Businesses will not bear any interest rate risk since all interest rate risks will be centralised at ALM and ALM has to turn interest rate risk to be revenue opportunity via active ALM strategies. ALM has to manage and monitor interest rate risk on daily basis.

Basis risk, or the risk arising from hedging exposure to one interest rate and the banking exposure to a rate which is re-priced under different conditions, is also analysed.

Interest rate risk can arise from the investment of rate-sensitive assets, as well as some tenor mismatches between debt issuance and placements. This risk is measured as the impact on net interest income ("NII") of an unexpected and instantaneous adverse parallel shift in rates and is monitored over a rolling one year time horizon.

The impact of Interest Rate Change on Net Interest Income as at 31 December 2015 is shown in below table.

Table 31: Impact of Interest Rate Change on Net Interest Income

Unit: Million Baht

Currency	Impact of a 1% interest rate change on Net Interest Income			
	The SCBT Group		The Bank	
	31 Dec 15	31 Dec 14	31 Dec 15	31 Dec 14
THB	51	29	48	26
USD	90	123	90	123
EURO	-	-	-	-
OTHER	84	30	84	30
Total Impact on Net Interest Income	**225**	**182**	**222**	**179**

10. Acronyms

AIRB	Advanced Internal Ratings Based
ALCO	Asset and Liability Management Committee
ALM	Asset and Liability Management
AFS	Available for SaleBCBS Basel Committee on Banking Supervision
BOT	The Bank of Thailand
CCF	Credit Conversion Factor
CCH	Country Credit Head – Retail Banking
CCR	Counterparty Credit Risk
CCRO	Country Chief Risk Officer
CEO	Chief Executive Officer
CG	Credit Risk Grade
CIB & CB	Corporate and Institutional Banking and Commercial Banking
CIB & CB AC	Corporate and Institutional Banking and Commercial Banking Approval Committee
CORC	Country Operational Risk Committee
CRC	Country Risk Committee
CRM	Credit Risk Mitigation
CSA	Credit Support Annex
EAD	Exposure at Default
ECAI	External Credit Assessment Institutions
EL	Expected Loss
EXCO	Executive Committee
FSV	Forced Sale Value
FTP	Fund Transfer Pricing
GSAM	Group Special Asset Management
HVSB	High Value Small Business
ICAAP	Internal Capital Adequacy Assessment Process
IIP	Individual Impairment Provision
IPRE	Income –Producing Real Estate
IRB	Internal Ratings Based
LGD	Loss Given Default

MAC	Model Assessment Committee
ME	Medium Enterprise
MDBs	Multilateral Development Banks
MTM	Mark to Market
NII	Net Interest Income
PD	Probability of Default
PIP	Portfolio Impairment Provision
PSEs	Non-central government Public Sector Entities
RB	Retail Banking
RBAC	Retail Banking Approval Committee
RCO	Risk Control Owners
RMF	Risk Management Framework
RW	Risk Weight
RWA	Risk Weighted Assets
SA	Standardised Approach
SCB Group	Standard Chartered Bank Group
SCBT	Standard Chartered Bank (Thai) PCL
SCBT Group	Standard Chartered Bank (Thai) PCL and Financial Business Group
SREP	Supervisory Review and Evaluation Process