Standard Chartered Bank (Thai) PCL

& its Subsidiaries

Pillar 3 Disclosures

30 June 2013

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 III: 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 III") 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 its Subsidiaries ("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 Banks' ICAAPs. 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's policy, the Pillar 3 disclosure will be published on the Standard Chartered Bank (Thai) PCL website - www.standardchartered.co.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 30 June 2013 covering the following areas:

Qualitative and quantitative data for Capital and the minimum capital requirement for Credit risk, Market risk, Operational risk and Equities in Non-Trading Book (Banking Book) exposure under AIRB.

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 managing the balance sheet, liquidity, interest rate and market risk including capital adequacy in accordance with Standard Chartered Bank Group polices adopted by The SCBT Group and the Bank and regulatory requirements.

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 30 June 2013, comparing with the position of the SCBT Group and the Bank as at 31 December 2012.

Table1: Capital Structure

Unit: Million Baht

	The SCBT Group		The Bank	
	30 Jun 13	**31 Dec 12**	**30 Jun 13**	**31 Dec 12**
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	843	683	837	683
Net profit after appropriation	12,425	9,870	12,241	9,870
Accumulated other comprehensive income	54	-	54	-
Owner changes	(497)	(497)	-	-
Other adjustment items which not effected capital fund	(54)	-	(54)	-
Deductions from Common Equity Tier 1	(606)	(548)	(412)	(388)
Total Common Equity Tier 1 (CET1)	**36,058**	**33,401**	**36,559**	**34,058**
Additional Tier 1 (AT1)	-	-	-	-
Total Tier 1 Capital	**36,058**	**33,401**	**36,559**	**34,058**
Tier 2 Capital				
General Provision	332	336	283	282
Surplus of provision	233	10	268	49
Total Tier 2 Capital	**565**	**346**	**551**	**331**
Total Regulatory Capital	**36,623**	**33,747**	**37,110**	**34,389**

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, retained earnings and other comprehensive income & regulatory adjustment. There is no additional tier 1.

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

3.2 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 30 June 2013 were 18.46% and 19.04% respectively. CET1 Ratios were 18.17% and 18.76% respectively and Tier 1 Capital Ratios were 18.17% and 18.76% respectively which exceeded minimum requirements of the BOT.

Table 2: Capital Adequacy

Unit: Percent

	Minimum Requirement	The SCBT Group		The Bank	
		30 Jun 13	31 Dec 12	30 Jun 13	31 Dec 12
Total capital funds to risk weighted assets	8.50	18.46	17.08	19.04	17.79
Common Equity Tier 1 capital funds to risk weighted assets	4.50	18.17	N/A	18.76	N/A
Tier 1 capital funds to risk weighted assets	6.00/4.25[1/]	18.17	16.90	18.76	17.62

[1/] From 2013 to 2015, BOT require Tier 1 capital ratio at 6.00% while prior to 2013 period Tier 1 capital ratio was set at 4.25%

3.3 Minimum Capital Requirement

The SCBT Group and the Bank maintain minimum capital in line with the BOT's requirement. Table 3 shows the breakdown of minimum Capital requirement for Credit Risk, Market Risk and Operational risk of the SCBT Group and the Bank as at 30 June 2013.

Table 3: Minimum Capital Requirement

Unit: Million Baht

Minimum Capital	The SCBT Group		The Bank	
	30 Jun 13	31 Dec 12	30 Jun 13	31 Dec 12
Credit Risk	12,774	12,749	12,624	12,447
Market Risk	2,181	2,281	2,181	2,281
Operational Risk	1,822	1,768	1,759	1,702
Total Minimum Capital Requirement	**16,777**	**16,798**	**16,564**	**16,430**

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 4), Minimum Capital Requirement for Credit Risk Classified by Asset Classes under SA (table 5) and Minimum Capital Requirement for Equity Exposure under AIRB (table 6).

Table 4: Minimum Capital Requirement for Credit Risk Classified by Asset Classes under AIRB

Unit: Million Baht

Asset Class	The SCBT Group		The Bank	
	30 Jun 13	31 Dec 12	30 Jun 13	31 Dec 12
Non-Default exposures				
Claims on sovereigns, financial institutions and Corporations	6,915	6,466	7,287	6,788
Claims on retail portfolios				
-Claims on residential mortgage	-	-	-	-
-Qualifying revolving retail exposures	1,275	1,306	1,275	1,306
-Other retail exposures	913	1,158	913	1,159
Equity exposures	1	2	61	61
Other assets	130	139	131	136
Default exposures	185	237	185	237
First-to-default credit derivatives and Securitization	**-**	**-**	**-**	**-**
Total minimum capital requirement for credit risk – AIRB	**9,419**	**9,308**	**9,852**	**9,685**

Minimum capital requirement for credit risk under AIRB of the SCBT Group and the Bank increased by THB 111 million and THB 167 million respectively mainly due to increase in exposures of claim on corporate.

Table 5: Minimum Capital Requirement for Credit Risk Classified by Asset Classes under SA

Unit: Million Baht

Asset Class	The SCBT Group		The Bank	
	30 Jun 13	**31 Dec 12**	**30 Jun 13**	**31 Dec 12**
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	-	-	-	-
Claims on corporate, PSEs treated as claims on corporate	439	719	439	640
Claims on retail portfolios	1,514	1,285	1,514	1,285
Claims on residential mortgage	794	781	794	781
Other assets	-	-	-	-
Default exposures	645	656	62	56
First-to-default credit derivatives and Securitisation	**-**	**-**	**-**	**-**
Total minimum capital requirement for credit risk – SA	**3,393**	**3,441**	**2,810**	**2,762**

Table 6: Minimum Capital Requirement for Equity Exposure under AIRB

Unit: Million Baht

Item	The SCBT Group		The Bank	
	30 Jun 13	31 Dec 12	30 Jun 13	31 Dec 12
Equity exposure exempted from credit risk calculation by IRB	1	2	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**	**2**	**61**	**61**

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 incurred arises from extending credit to customers through trading and lending operations. Beyond credit risk, the SCBT Group and the Bank is also exposed to a range of other risk types such as country cross border, market, liquidity, operational, 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")

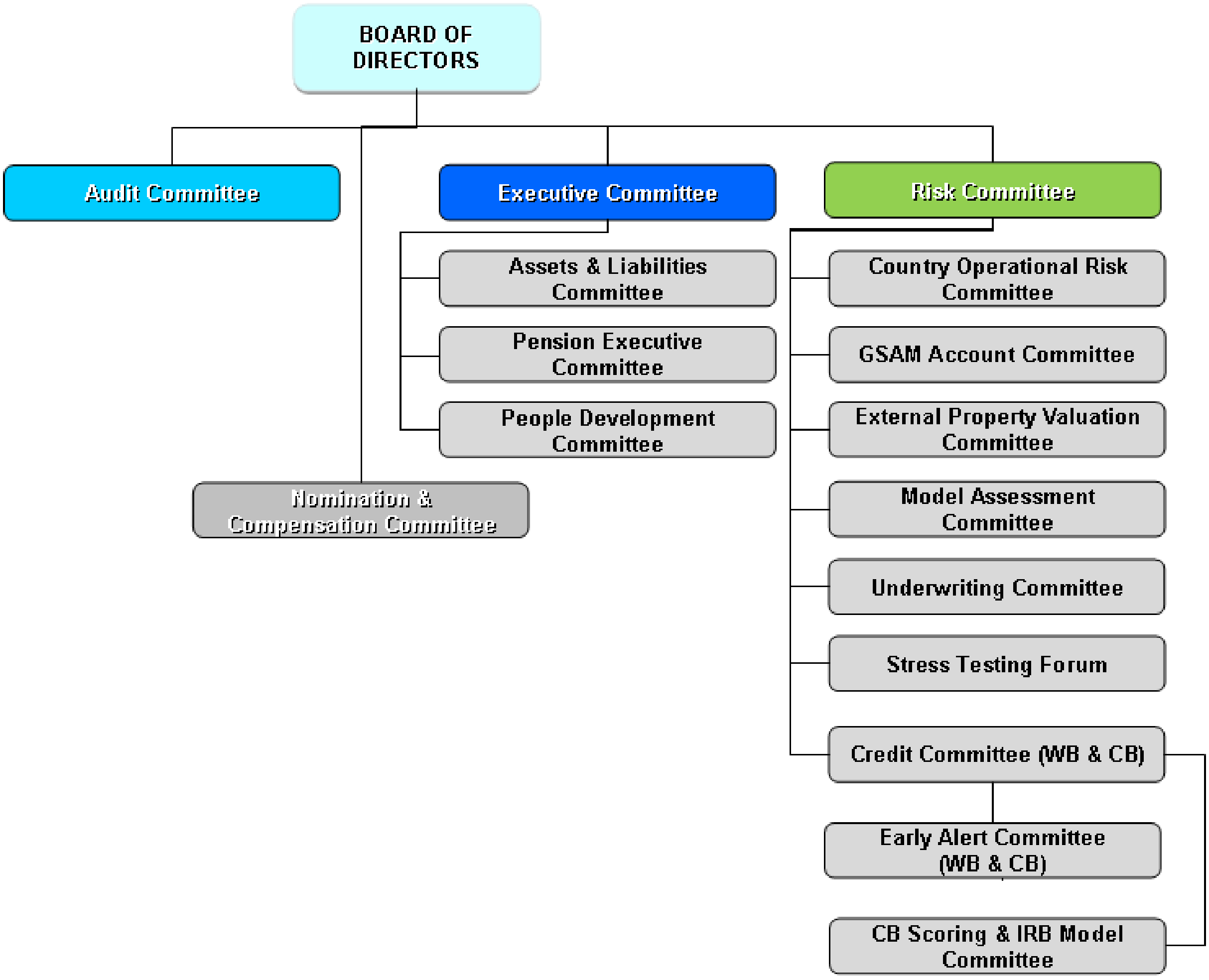
Effective risk management is fundamental to being able to generate profits consistently and sustainably and is thus a central part of the financial and operational management of the SCBT Group and the Bank.

Through its risk management framework the SCBT Group and the Bank manage bank-wide risks, with the objective of maximising risk-adjusted returns while remaining within its risk appetite.

As part of this framework, the SCBT Group and the Bank use a set of principles that describe the risk management culture the SCBT Group and the Bank wish to sustain:

- Balancing risk and return: risk is taken in support of the requirements of the SCBT Group and the Bank's stakeholders, in line with the SCBT Group and the Bank's strategy and within its risk appetite;
- Responsibility: it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. The SCBT Group and the Bank take account of its social responsibilities, and its commitment to customers in taking risk to produce a return;
- Accountability: risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported;
- Anticipation: the SCBT Group and the Bank seek to anticipate future risks and ensure of all known risks; and
- Competitive advantage: the SCBT Group and the Bank 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 appetite 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 Consumer Banking, Wholesale Banking (Origination and Client Coverage and Financial Markets), Finance, Group Technology & Operations, Legal, Risk Management, Human Resources, Compliance and Corporate Affairs.

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 market risks.

The Risk Committee's ("RC") main responsibilities are to provide leadership on forward looking and anticipating 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 RC.

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 and function heads are accountable for risk management in their respective businesses and functions.

The second line of defence comprises the Risk Control Owners and Operational Risk Control Owners supported by their respective control functions. They are responsible for ensuring that the residual risks within the scope of their responsibilities remain within appetite. The scope of a Risk Control Owner and Operational Risk Control Owner's responsibilities are defined by a given Risk Type, Risk Control Area and respective risk management processes.

The third line of defence is the independent assurance provided by the Internal Audit function. Its role is defined by the Audit Committee. The findings from its audit are reported to all relevant management, relevant oversight functions and Audit committee and the Board of Directors. 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 which is separated from the origination, trading and sales functions of the businesses. The CCRO also alternate chairs the RC and is a member of EXCO. The roles of the Risk function are:

- To ensure the effective application of the SCBT Group and the Bank's Risk Management Framework.
- To ensure risk identification and measurement capabilities are objective, consistent and compliant with the SCBT Group and the Bank standards and applicable regulations, and that risk control and risk origination decisions are properly informed.
- To ensure the effective application of the SCBT Group and the Bank's risk assurance framework to evidence that existing governance and risk control processes are effectively implemented within the SCBT Group and the Bank.
- To ensure that the Committee's authorities are effectively delegated to properly constituted sub-committees or authorised individuals, to achieve the right balance between business efficiency and risk control.
- To set and maintain risk control parameters for all types of risk of the SCBT Group and the Bank, including policies, control standards, risk exposure limits or other control levers; to maintain the SCBT Group and the Bank's risk profile within the boundaries set by the Board and Standard Chartered Bank Group.
- To monitor all material risk exposures and key external trends.
- To initiate stress tests and scenario plans and review their results and those of any Group wide, business, country or specific risk type stress tests or scenario plans which would have a material impact on the SCBT Group and the Bank.
- To review the findings of sub-committees, Group Internal Audit, Credit Risk Review, other internal functions and external regulators on material risk issues.
- To direct appropriate action in response to material risk issues or themes those come to the attention.
- To ensure that material risk issues and changes are reported to the Board and Standard Chartered Bank Group risk committees as appropriate.
- To ensure that authorities for the setting of policies, control standards, exposure limits and other risk control levers are delegated appropriately, in line with the SCBT Group and the Bank's Committees and Standard Chartered Bank Group risk authorities frameworks.

5. Credit Risk

5.1 Credit Risk

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

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

5.2 Internal Ratings Based Approach to Credit Risk

The SCBT Group and the Bank use the AIRB approach to manage credit risk for the majority of its portfolios. This allows the SCBT Group and the Bank to use their 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 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 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 PD, LGD, EAD and CCF.

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. SME Loans (business exposures with annual sales amount less than THB1,000 million)
4. Receivable Services
5. Income-Producing Real Estate (“IPRE”)

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

5.4 Credit Risk Mitigation

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

Collateral

Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility of collateral types. 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.

For certain types of lending – typically mortgages, asset financing – the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default.

Collateral is reported in accordance with the risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired loans is maintained at fair value. Where appropriate, collateral values are adjusted to reflect, current market conditions, the probability of recovery and the period of time to realise the collateral in the event of possession. The collateral values reported are also adjusted for the effects of over-collateralisation.

Loans and advances

The requirement for collateral is not a substitute for the ability to pay, which is the primary consideration for any lending decisions. In determining the financial effect of collateral held against loans neither past due or impaired, the SCBT Group and the bank have assessed the significance of the collateral held in relation to the type of lending.

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. Credit derivatives, due to their potential impact on income volatility are used in a controlled manner with reference to their expected volatility.

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.

Wholesale Banking

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

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

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

Consumer Banking

The effective use of collateral is a key tool by which credit risk is mitigated in Consumer Banking. All eligible collateral accepted by Consumer Banking is covered by a product proposal approved by senior credit officers delegated with the relevant authority.

In order to be recognised as security and for the loan to be classified as secured, all items pledged must be valued and there must exist an active secondary resale market for the collateral. Documentation must be held to enable Consumer Banking to realise the asset without the cooperation of the asset owner in the event that this is necessary. Regular valuation of collateral is required. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Stress tests are performed on changes in collateral values for key portfolios to assist senior management in managing the risks in those portfolios. Physical collateral is required to be insured at all times and against all risks, with the SCBT Group and the Bank as the loss payee under the insurance policy. Detailed procedures over collateral management must be in place for each business at the country level.

6. Market Risk

The SCBT Group and the Bank recognise market risk as the potential for loss of earnings or economic value due to adverse changes in market prices and rates. The SCBT Group and the Bank are exposed to market risk arising principally from customer driven transactions. The objective of the SCBT Group and the Bank's market risk policies and processes is to obtain the best 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, RC 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 7: Minimum Capital Requirement for each Type of Market Risk under the SA Approach

Unit: Million Baht

Type of Risk	The SCBT Group		The Bank	
	30 Jun 13	31 Dec 12	30 Jun 13	31 Dec 12
Interest Rate Risk	1,994	2,154	1,994	2,154
Equity Position Risk	-	-	-	-
Foreign Exchange Rate Risk	187	127	187	127
Commodity Risk	-	-	-	-
Total Minimum Capital Requirements	**2,181**	**2,281**	**2,181**	**2,281**

The SCBT Group and the Bank are required to have THB 2,181 million total capitals against Market Risk. Comparing with December 2012, the change of THB 100 million is due to the decrease exposure in Interest Rate Risk.

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

The holdings of non-trading book (banking book) equities are considered immaterial.

8. Acronyms

AIRB	Advanced Internal Ratings Based
ALCO	Asset and Liabilities Management Committee
AFS	Available for Sale
BCBS	Basel Committee on Banking Supervision
BOT	The Bank of Thailand
CCF	Credit Conversion Factor
CCRO	Country Chief Risk Officer
CEO	Chief Executive Officer
CORC	Country Operational Risk Committee
CRM	Credit Risk Mitigation
EAD	Exposure at Default
ECAI	External Credit Assessment Institutions
EXCO	Executive Committee
FSV	Forced Sale Value
ICAAP	Internal Capital Adequacy Assessment Process
IPRE	Income –Producing Real Estate
IRB	Internal Ratings Based
LGD	Loss Given Default
MDBs	Multilateral Development Banks
PD	Probability of Default
PSEs	Non-central government Public Sector Entities
RC	Risk Committee
RMF	Risk Management Framework
RWA	Risk Weighted Assets
SA	Standardised Approach
SCBT Group	Standard Chartered Bank (Thai) PCL and its Subsidiaries
SME	Small and Medium Enterprise
SREP	Supervisory Review and Evaluation Process