



Credit Risk Programme

Module 7

Risk Decision Framework

Learning Objectives

At the end of this session, you will be able to understand and demonstrate:

- The Risk Decision Framework (RDF) and the key return metrics to consider while evaluating business decisions
- How the RDF influences and aligns the country credit strategy to the Group's Risk Appetite and return expectations.
- The opportunities and challenges that the framework creates.

Key Principles

Shape unsecured business to deliver optimum risk-adjusted-returns

- Controlled volatility and within overall risk appetite
- Clear, explicit boundaries define participation
- Preferred customer segments underwritten basis customer level returns
- Decisions based on through the cycle risk adjusted returns
- Explicit shape by risk grades & stress factors applied to higher risk customers to ensure resilience
- Trigger setting & monitoring linked to robust governance process

CCPL Risk Decision Framework

	Past	Now
Product vs. Customer Level Decision	<ul style="list-style-type: none"> Product level return thresholds 	<ul style="list-style-type: none"> High Value and Employee Banking segments assessed through customer level lens Profitability at relationship level Clear, explicit boundaries that define participation
Accounting and Decision Metrics	<ul style="list-style-type: none"> Timing mismatch on income and losses Disconnect between decision metrics and accounting metrics 	<ul style="list-style-type: none"> Cumulative three year risk adjusted return Decisions linked to accounting metrics
Concentration and Volatility	<ul style="list-style-type: none"> Limited caps by risk levels / segments Significant differences in risk levels across markets 	<ul style="list-style-type: none"> Concentration limits by risk levels Differentiated stress factors for risk levels to ensure resilience in slowdown Consistent measurement of risk across markets
Monitoring and Tracking	<ul style="list-style-type: none"> Not fully aligned to decision criteria 	<ul style="list-style-type: none"> Trigger setting and monitoring linked to robust governance process

CCPL Risk Decision Framework

Goals

Diversified CCPL portfolio that delivers optimum Risk-Adjusted>Returns with controlled volatility and within overall risk appetite

Targets and Operating Strategy

Operate within Risk Appetite

- CCPL to deliver towards Retail Business goal of 5%* Risk adjusted Return on Risk Weighted Assets ("RoRWA")
- CC & PL each to operate within 1x Recession Loss Multiplier ("RLM") (on working profit & diversified basis)

Operate within Group Risk Tolerance Statement

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Retail Unsecured Net Nominal / Total Retail Net Nominal $\leq 25\%$ • Country Retail Unsecured EAD/ Tier 1 Capital (except HK) $\leq 30\%$ • Country Retail Unsecured EAD/ Tier 1 Capital (HK) $\leq 35\%$ | <ul style="list-style-type: none"> • High Risk# Credit Card & Personal Loan (CCPL) Net Nominal / Total CCPL Net Nominal $\leq 10\%$ • Country High Risk* CCPL Net Nominal / Total Country CCPL Net Nominal $\leq 25\%$ • Unsecured Loss Coverage (Loan Impairment to Income %) $\leq 33\%$ |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Targets

- Differentiated customer treatment
- LAR threshold set at 7%**
 - Individual country portfolios to deliver their respective LAR% target
- Resilient individual country portfolios profitable in a slowdown (1-in-7 stress)

Operating strategy

- Through asset shift to "Priority and Affluent" segments
- Through setting % LAR targets for individual country portfolios
- Through Portfolio shape management by risk levels
 - "Standard": 60-70% assets ($\leq 4\%$ GCO)
 - "Moderate": < 20-30% assets (GCO 4% to 8%)
 - "Volatile": <10% assets ($\geq 8\%$ GCO)

Projected Gross Charge off (Volatile) $\geq 8\%$

**LAR% target derived from RoRWA target

*5% RoRWA target and 7% LAR target are placeholders and subject to change on what is being agreed

Client Focused Approach Aligned to RB Strategy

		Customer Segments				
		Employee Banking (EB)	Priority Clients (PC) & PC-like	Personal Clients (PEC) Open Market		
Risk level		Credit strategy to enable employer payroll backed proposition	Align credit strategy to enable and deepen Priority relationships	Credit decisions based on profitability of customer and to meet return thresholds	Target Mix (ANR)	LAR %
	Standard \$GCO < 4%	Allowed , if LAR>0			60%-70%	
	Moderate 4%<\$GCO<8%	Allowed, if LAR>0 with losses stressed to 130%			20%-30%	
	Volatile \$GCO > 8%	Allowed, if LAR>0 with losses stressed to 160%			10%	
	Total	Profitable at corporate level	Profitable at customer level	Profitable at customer & account level	100%	7.0 %

Desired Mix to deliver sub 3% LI by 2017

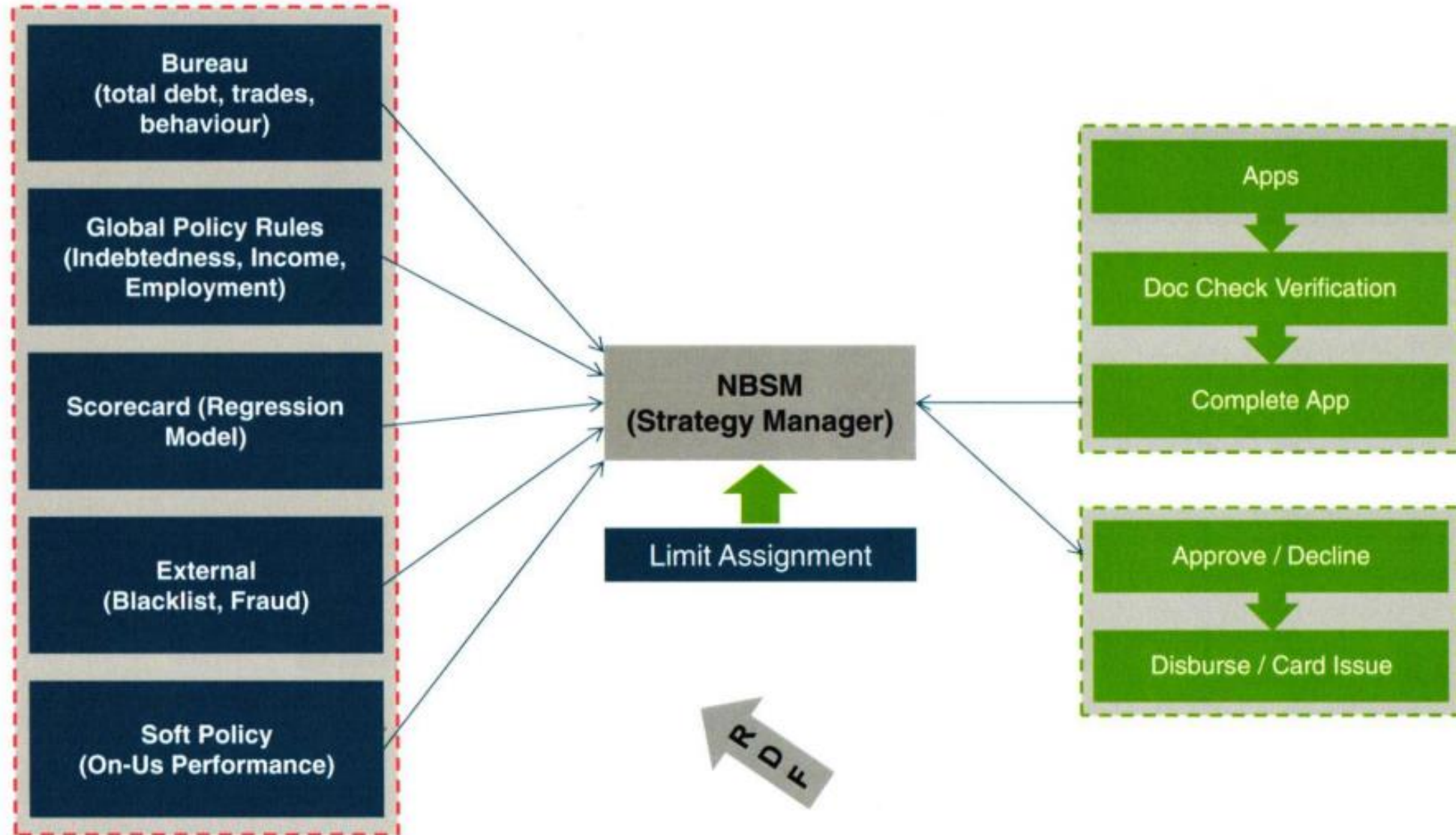
- 2014 LI : 3.9% (for CCPL) ~ \$727.6m
- Target shape to deliver 2.7-3% LI
- LI benefit : \$150 -\$180m by 2017

Personal Clients: Decisions based on

- **Three year LAR**
- **Observed LI** instead of estimated EL
- Resilience in slow down

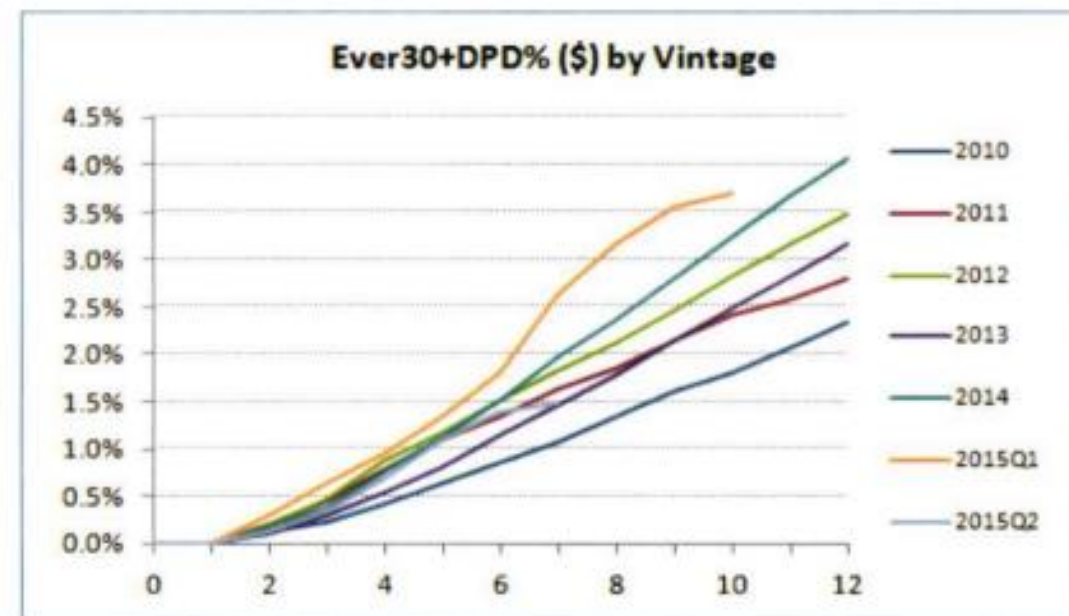
Risk enabled segmentation supports strategy pivot to high value segments while ensuring resilience

Current Decision Process



Personal Loans - China

	2013	2014	2015
ANR (USD mil)	482	668	824
Revenue (USD mil)	56	74	90
Revenue % ANR	11.6%	11.1%	10.9%
GCO % ANR	1.8%	2.0%	2.7%
LAR % ANR	9.8%	9.1%	8.2%
LI % of Revenue	12.9%	19.6%	26.2%



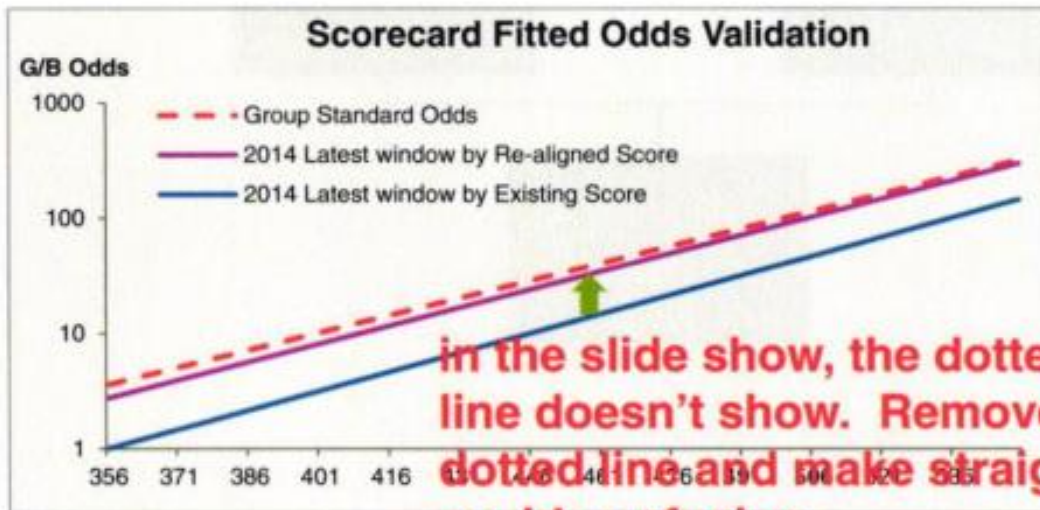
- Vintages are worsening with related increase in losses
- Declining LAR from increasing LI and decreasing revenue

Underperformance of Scorecard Masking True Risk



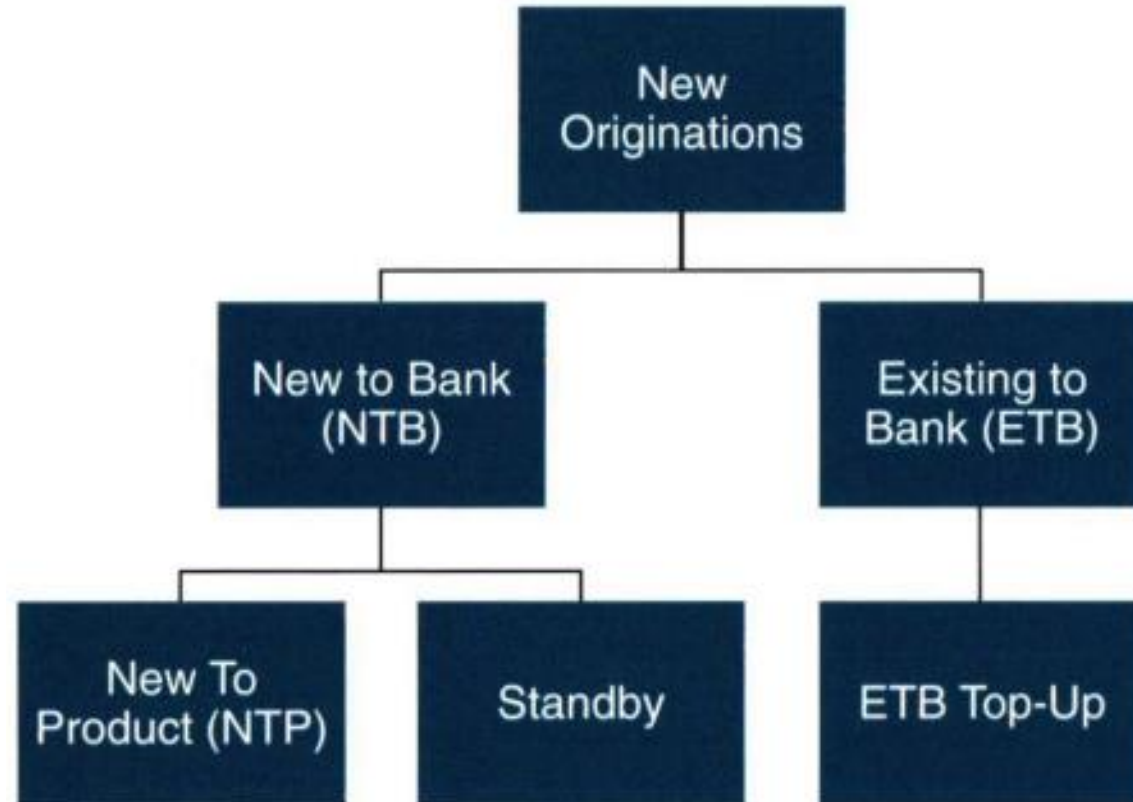
Scorecard Deterioration

- Existing scorecard under-estimates credit risk substantially
 - KS drop from 45% in development to 35% of Oct'12*
 - GINI drop from 58% in development to 41.3 of Oct'12*
- Bad Rate by risk score band align with development performance.



Score Range	Last Validation Window (Mar 2012-Feb 2013)		Scorecard Dev Window (Jun 2008-Aug 2009)
	Actual Bad #	Actual Bad Rate	Predicted Bad Rate
Sg A	44	0.87%	0.56%
Sg B	92	1.75%	1.43%
Sg C	188	3.93%	2.65%
Sg D	311	6.68%	4.69%
Sg E	266	9.19%	7.26%
Sg F	154	14.03%	12.42%
Total	1,055	4.45%	2.80%

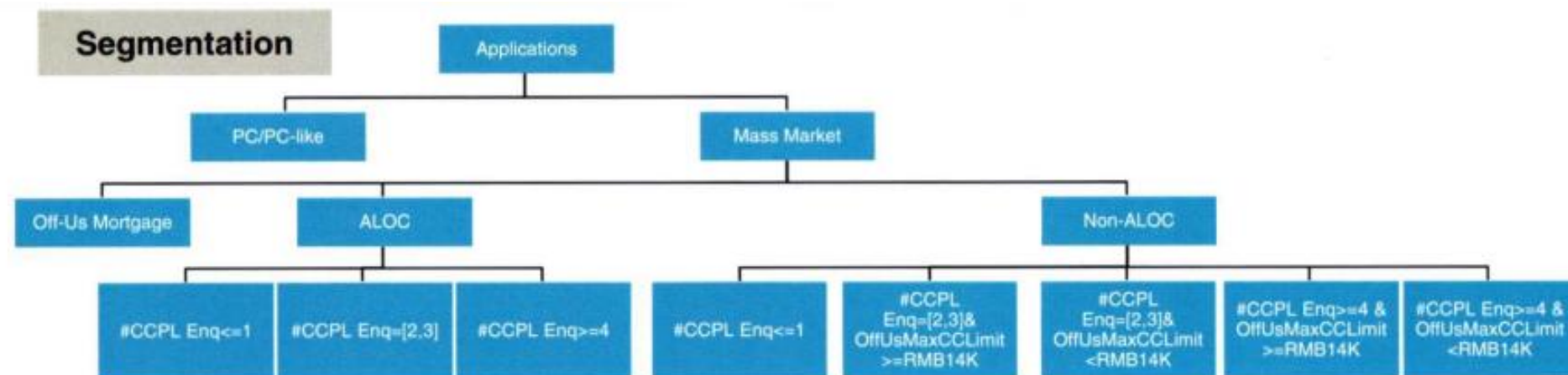
RDF Approach – Instalment Loans



RDF analysis on new originations was done on 2011, 2012, 2013 and 2014 vintages

Segmentation and recalibration of scorecard enables significant improvement in KS

RDB – NTB Originations Segmentation



	Total	01. PC/PC-like	02. Off-Us Mortgage (Proxy)	03. ALOC & #CCPL Enq<=1	04. ALOC & #CCPL Enq=[2,3]	05. ALOC & #CCPL Enq>=4	06. Non-ALOC & #CCPL Enq<=1	07. Non-ALOC & #CCPL Enq=[2,3] & OffUsMaxCCLimit>=RMB14K	08. Non-ALOC & #CCPL Enq=[2,3] & OffUsMaxCCLimit<RMB14K	09. Non-ALOC & #CCPL Enq>=4 & OffUsMaxCCLimit>=RMB14K	10. Non-ALOC & #CCPL Enq>=4 & OffUsMaxCCLimit<RMB14K
#% Distribution	100%	2.7%	25.1%	10.8%	3.3%	1.5%	38.1%	6.4%	6.1%	3.1%	2.8%
\$% Distribution	100%	6.8%	31.0%	12.6%	3.7%	1.8%	30.1%	5.5%	4.0%	2.7%	1.8%
LAR% (Ann.)	8.3%	9.6%	10.1%	9.7%	9.2%	6.3%	9.2%	8.5%	4.6%	7.6%	-6.0%
GCO% (Ann.)	2.8%	0.5%	0.8%	1.0%	1.7%	4.5%	2.3%	3.0%	7.3%	4.1%	17.9%
Revenue% (Ann.)	11.1%	10.1%	10.9%	10.7%	10.9%	10.9%	11.6%	11.5%	11.8%	11.6%	11.9%

- ALOC refers to customers from payroll, approved company or premium industry company

*PC/PC-like includes

1) SCB Priority customer

3) Total mortgage amount >= 2M

2) Monthly income >= 40K

4) Maximum credit card limit >= 200K

3-Year Annualized Revenue as % to Average Net Receivables (ANR) by Segments (NTB) Instalment Loans

NTB - REV%ANR	01. PC/PC-like	02. Off-us Mortgage(Proxy)	03. ALOC & #CCPL Enq<=1	04. ALOC & #CCPL Enq=[2,3]	05. ALOC & #CCPL Enq>=4	06. Non-ALOC & #CCPL Enq<=1	07. Non-ALOC & #CCPL Enq=[2,3] & OffUsMaxCCLi mit>=RMB14K	08. Non-ALOC & #CCPL Enq=[2,3] & OffUsMaxCCLi mit<RMB14K	09. Non-ALOC & #CCPL Enq>=4 & OffUsMaxCCLi mit>=RMB14K	10. Non-ALOC & #CCPL Enq>=4 & OffUsMaxCCLi mit<RMB14K	All (Without Segmentation)
01. <=401	12.2%	12.7%	12.8%	12.6%	12.9%	13.1%	12.7%	13.3%	13.1%	13.2%	13.0%
02. 402-416	11.6%	12.1%	11.6%	11.6%	12.2%	12.2%	12.2%	12.4%	12.3%	12.3%	12.1%
03. 417-431	10.5%	11.4%	11.1%	11.0%	11.2%	11.9%	11.9%	12.1%	11.6%	12.1%	11.6%
04. 432-444	11.1%	11.2%	11.0%	11.3%	11.2%	11.7%	11.8%	11.9%	11.8%	11.8%	11.5%
05. 445-455	10.3%	11.2%	10.8%	10.9%	11.0%	11.7%	11.7%	11.7%	11.6%	11.8%	11.4%
06. 456-468	10.2%	11.0%	10.9%	10.9%	10.9%	11.6%	11.7%	11.7%	11.7%	12.0%	11.3%
07. 469-478	10.1%	11.0%	10.7%	10.7%	11.1%	11.6%	11.5%	11.5%	11.5%	11.8%	11.2%
08. 479-487	10.4%	11.2%	10.7%	11.2%	10.9%	11.6%	11.7%	11.9%	11.9%	11.6%	11.3%
09. 488-503	10.2%	10.9%	10.8%	10.7%	11.0%	11.5%	11.3%	11.8%	11.6%	11.1%	11.1%
10. 504-514	10.0%	10.8%	10.5%	10.6%	10.5%	11.2%	11.2%	11.4%	11.6%	11.6%	10.8%
11. 515-534	9.9%	10.7%	10.5%	10.6%	10.3%	11.2%	11.3%	11.4%	11.2%	11.5%	10.7%
12. >=535	10.4%	10.6%	10.4%	10.7%	9.9%	11.2%	11.3%	10.9%	3.8%	9.9%	10.6%
Total	10.1%	10.9%	10.7%	10.9%	10.9%	11.6%	11.5%	11.8%	11.6%	11.9%	11.1%

NTB - LAR%ANR	01. PC/PC-like	02. Off-us Mortgage(Proxy)	03. ALOC & #CCPL Enq<=1	04. ALOC & #CCPL Enq=[2,3]	05. ALOC & #CCPL Enq>=4	06. Non-ALOC & #CCPL Enq<=1	07. Non-ALOC & #CCPL Enq=[2,3] & OffUsMaxCCLi mit>=RMB14K	08. Non-ALOC & #CCPL Enq=[2,3] & OffUsMaxCCLi mit<RMB14K	09. Non-ALOC & #CCPL Enq>=4 & OffUsMaxCCLi mit>=RMB14K	10. Non-ALOC & #CCPL Enq>=4 & OffUsMaxCCLi mit<RMB14K	All (Without Segmentation)
01. <=401	1.6%	8.3%	7.9%	5.6%	-4.8%	4.3%	7.6%	-6.1%	1.0%	-8.0%	2.3%
02. 402-416	1.9%	7.9%	6.8%	4.8%	-4.9%	4.2%	6.9%	-4.7%	0.1%	-25.9%	2.1%
03. 417-431	3.9%	8.2%	8.0%	4.4%	0.6%	7.5%	5.8%	-3.8%	4.3%	-8.4%	2.5%
04. 432-444	5.5%	8.3%	8.1%	5.2%	0.3%	7.2%	6.1%	1.6%	4.7%	-7.4%	4.9%
05. 445-455	9.5%	10.1%	9.2%	10.2%	4.0%	8.2%	7.4%	7.2%	8.7%	-3.4%	6.6%
06. 456-468	9.5%	10.0%	9.3%	10.2%	3.8%	8.5%	7.2%	7.0%	8.8%	-3.6%	8.0%
07. 469-478	9.5%	9.8%	10.0%	8.6%	7.6%	9.8%	10.5%	7.7%	7.0%	-12.1%	7.5%
08. 479-487	9.8%	10.0%	10.0%	9.1%	6.9%	9.6%	10.7%	8.0%	7.2%	-11.3%	9.5%
09. 488-503	10.0%	10.5%	10.1%	10.0%	9.3%	10.7%	8.1%	8.9%	8.9%	7.6%	9.6%
10. 504-514	9.8%	10.3%	9.8%	9.8%	8.9%	10.4%	7.9%	8.6%	8.7%	8.1%	9.7%
11. 515-534	9.7%	10.5%	10.3%	10.3%	10.3%	10.8%	10.9%	11.4%	11.2%	9.3%	10.3%
12. >=535	10.2%	10.4%	10.2%	10.3%	9.9%	10.7%	10.8%	10.9%	3.8%	6.3%	10.2%
Total	9.6%	10.1%	9.7%	9.2%	6.3%	9.2%	8.5%	4.6%	7.6%	-6.0%	8.3%

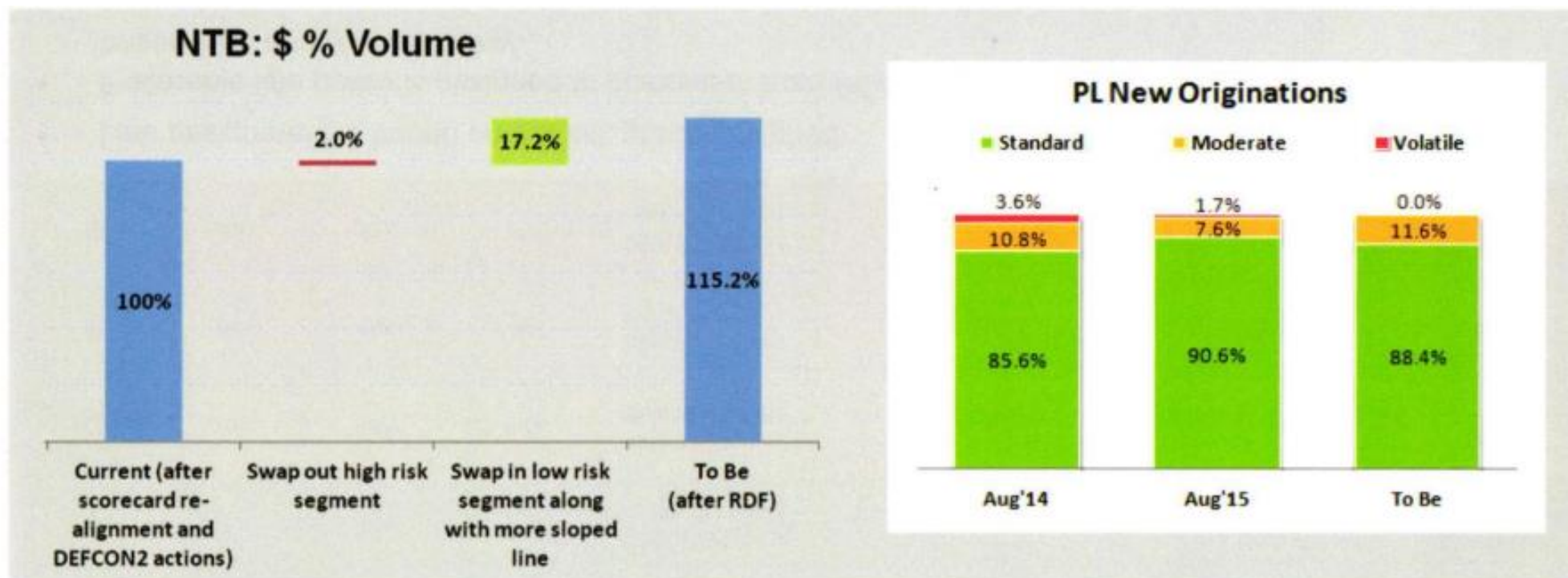
NTB Limit Assignment

Instalment Loans

RG	IM	DTI	TUE	Tenor	MUE		DSR	
					PC/PC-like, off-us mortgage, and ALOC	Non-ALOC	PC/PC-like, off-us mortgage, and ALOC	Non-ALOC
A	15X	24X	40X	60M (DSR must qualify for 48M)	18X	15X	65% (75% if income \geq 20K)	65% (75% if income \geq 20K)
B	12X	22X	40X	60M (DSR must qualify for 48M)	12X	12X	65% (75% if income \geq 20K)	65% (75% if income \geq 20K)
C	10X	18X	40X	48M (DSR must qualify for 36M)	10X	10X	65%	65%
D	8X	16X	40X	48M (DSR must qualify for 36M)	8X	8X	65%	60%
E	6X	12X	40X	36M (DSR must qualify for 24M)	6X	6X	65%	50%

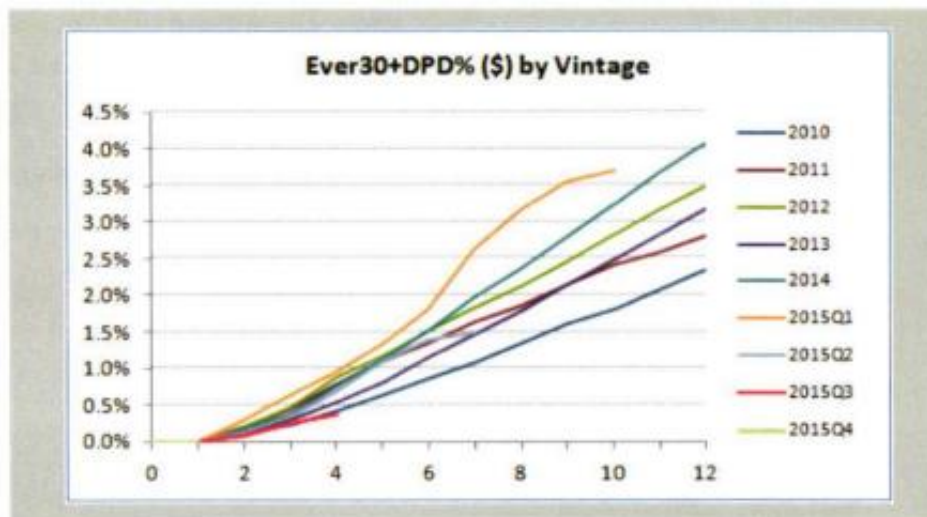
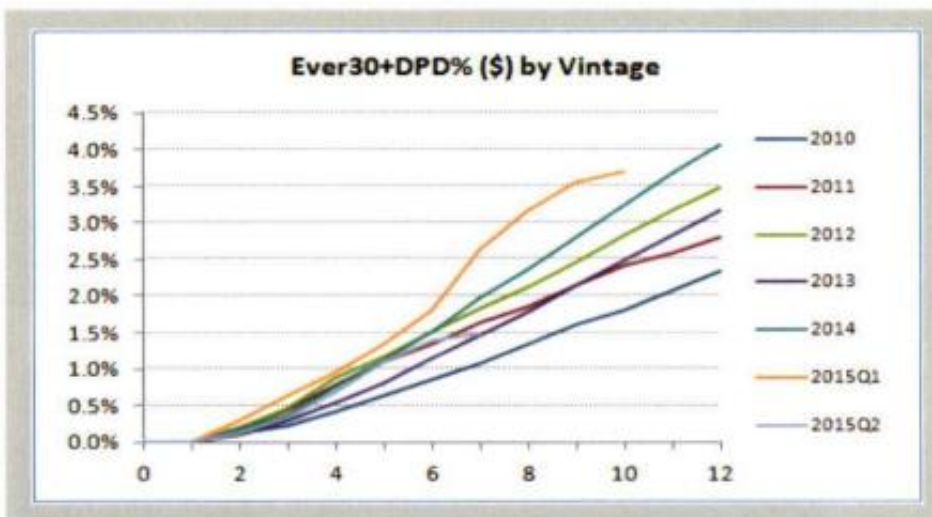
- Line assignment is based on the risk grade assigned
- Preferable line policy is assigned to customers from PC/PC-like, off-us mortgage, and ALOC based P&L and retail strategy.
- Extra MUE are set for ALOC and above; and risk grade A customers for credit card bundling.

Volume Impact



- Volume on NTB booking increased 15%.
- Swap in mostly come from low risk segments such as “off-us mortgage” and “ALOC/Non-ALOC with CCPL #enquiry <=1”.
- Out of 17.2% swap-in:
 - 3.5% benefits from diversified segmentation with different score cut-off
 - 13.7% benefits from more sloped line assignment

Early Improvement in Personal Loan Vintages



	2013	2014	2015	2016	2017	2018
ANR (USD mil)	482	668	824	906	994	1,038
Revenue (USD mil)	56	74	90	99	108	113
Revenue % ANR	11.6%	11.1%	10.9%	10.9%	10.9%	10.9%
GCO % ANR	1.8%	2.0%	2.7%	3.3%	2.7%	2.3%
LAR % ANR	9.8%	9.1%	8.2%	7.6%	8.2%	8.6%
LI % of Revenue	12.9%	19.6%	26.2%	29.2%	24.8%	21.8%

- Post RDF new booking needs to resume momentum and bring same or better TTD shape to achieve the ANR target.
- With a steady growing portfolio, portfolio GCO will gradually step down with previous stressed vintages fading away.
- LAR will change along with GCO and keep at around 8%, assuming Revenue% remain flat.

Hong Kong – Personal Loan Status

Financial Summary			
% ANR	2013	2014	2015 (Sep)
Revenue	5.5%	4.9%	4.2%
LI	2.5%	2.0%	2.4%
LAR	3.1%	2.9%	1.8%
LI%Rev	45.0%	41.0%	56.0%

- Declining LAR with increasing LI
- Overall new volume masking underlying segments trend

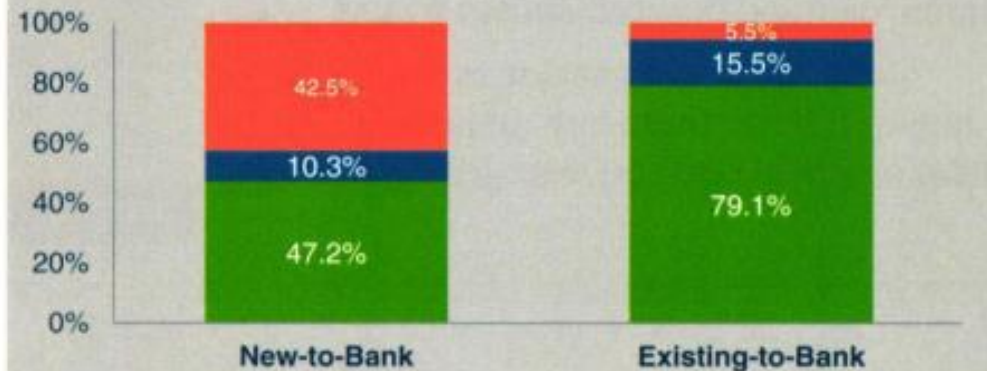


Apply the decision framework on Hong Kong normal personal loans

- Portfolio level losses mask underlying stress in segments
- Higher losses with deterioration in recent vintages
- Segmentation identifies high loss segments, decline segment nodes with negative LAR%

Volatile	Loss rate > 8%
Moderate	Loss rate 4% - 8%
Standard	Loss rate < 4%

New Originations (H1'15) - %Distribution



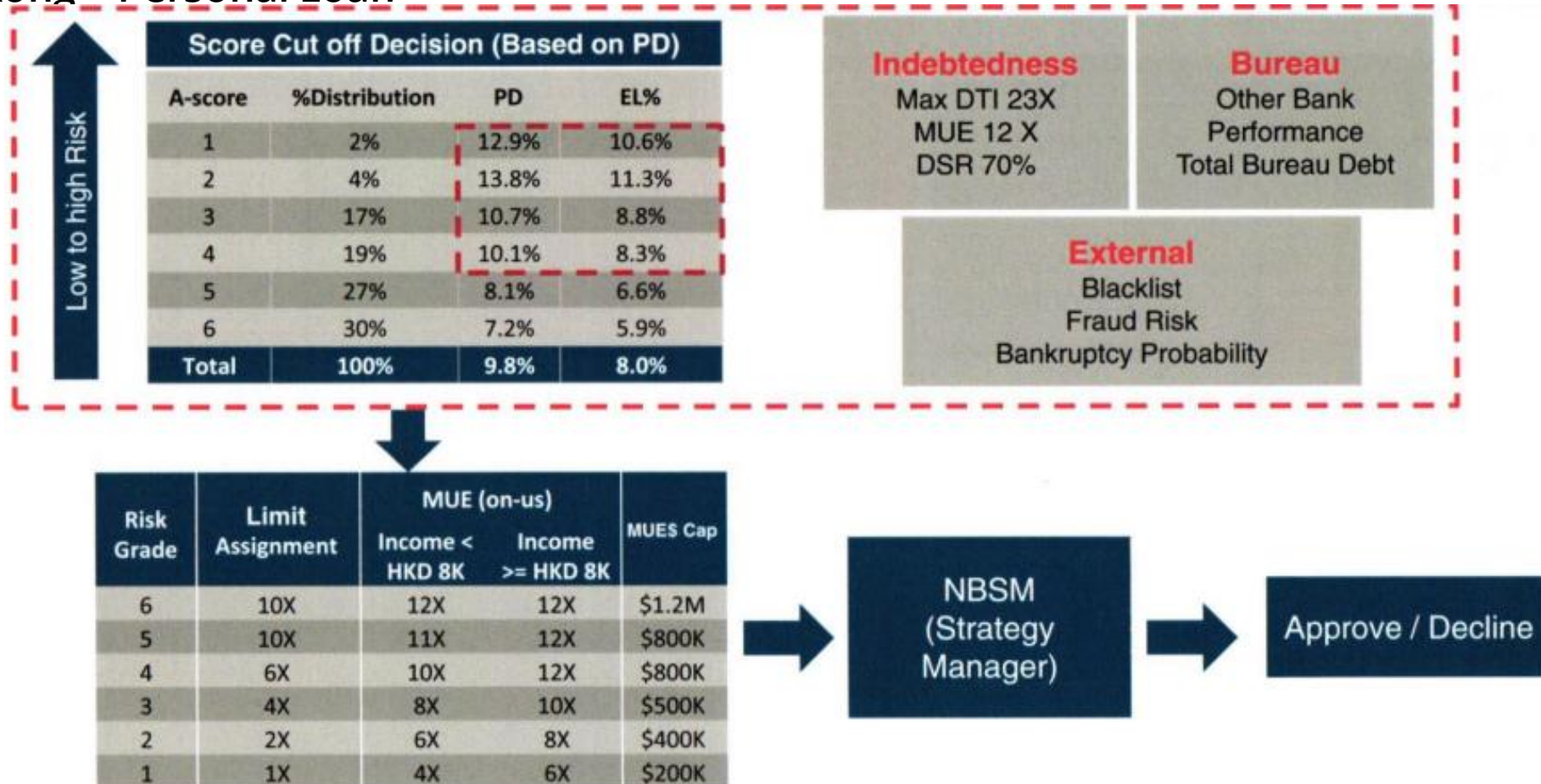
	GCO%ANR*	Rev%ANR	LAR%ANR
New-to-Bank	9.5%	3.8%	-5.7%
Existing-to-Bank	1.7%	3.5%	+1.8%
Total	5.1%	3.6%	-1.5%

Definition*

- Existing-to-Bank: Clients with unsecured lending relationship > 6 months
- New-to-Bank: Not Existing-to-Bank clients
- GCO%ANR : Annualised 3 year loss rates

Current Decision process

Hong Kong – Personal Loan

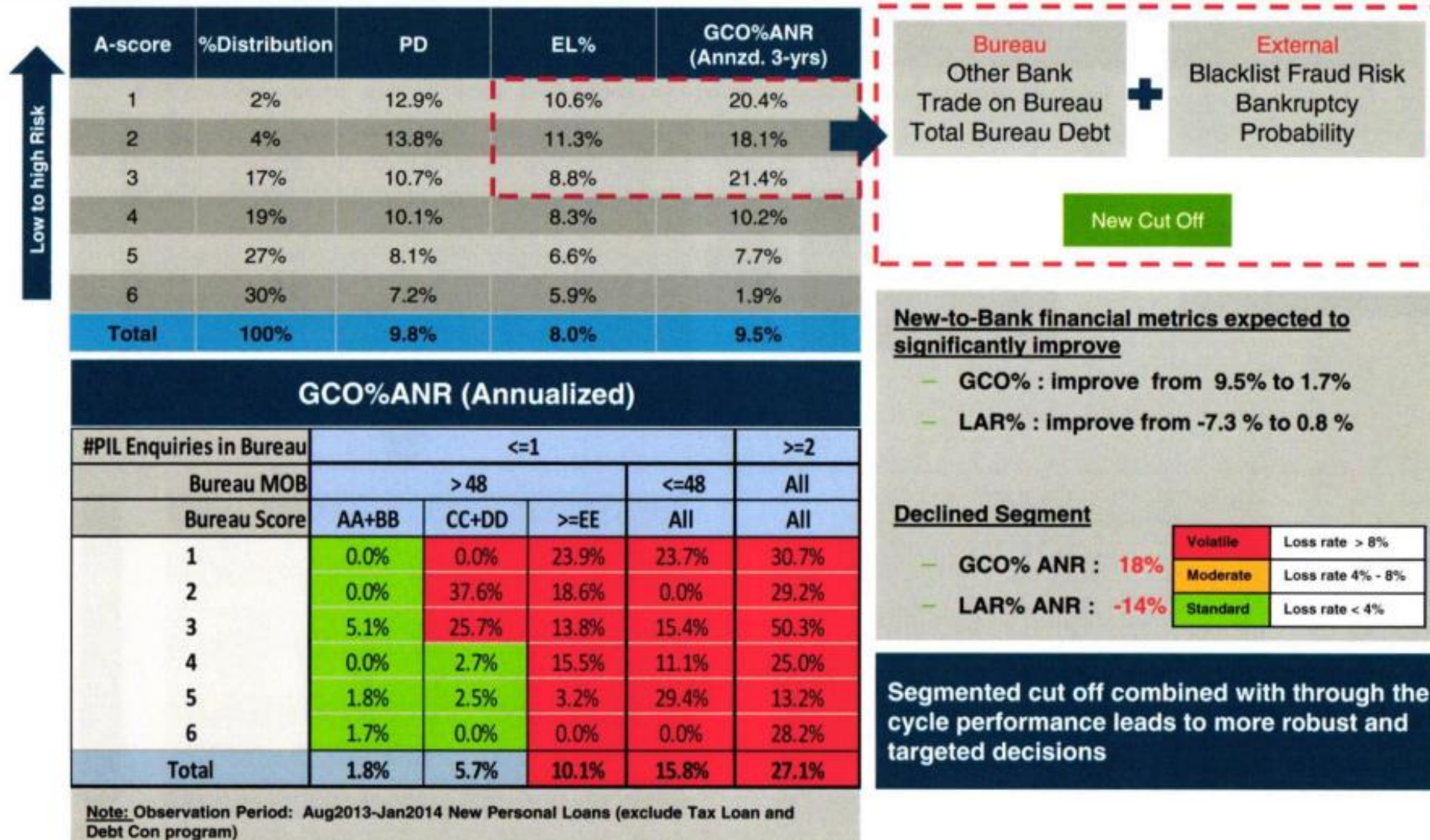


Note: Observation Period: Aug2013-Jan2014 New Personal Loans (exclude tax loan and debt consolidation program)

EP based on people default leads to mis-aligned observed and predicted losses

RDF Segmentation Approach

Hong Kong – Personal Loan



RDF Credit Strategy

Hong Kong – Personal Loan



Old Exposure Matrix				
Risk Grade	Limit Assignment	MUE (On-Us)		MUE\$ Cap
		Income < HKD 8K	Income >= HKD 8K	
1	1X	4X	6X	\$200K
2	2X	6X	8X	\$400K
3	4X	8X	10X	\$500K
4	6X	10X	12X	\$800K
5	10X	11X	12X	\$800K
6	10X	12X	12X	\$1.2M

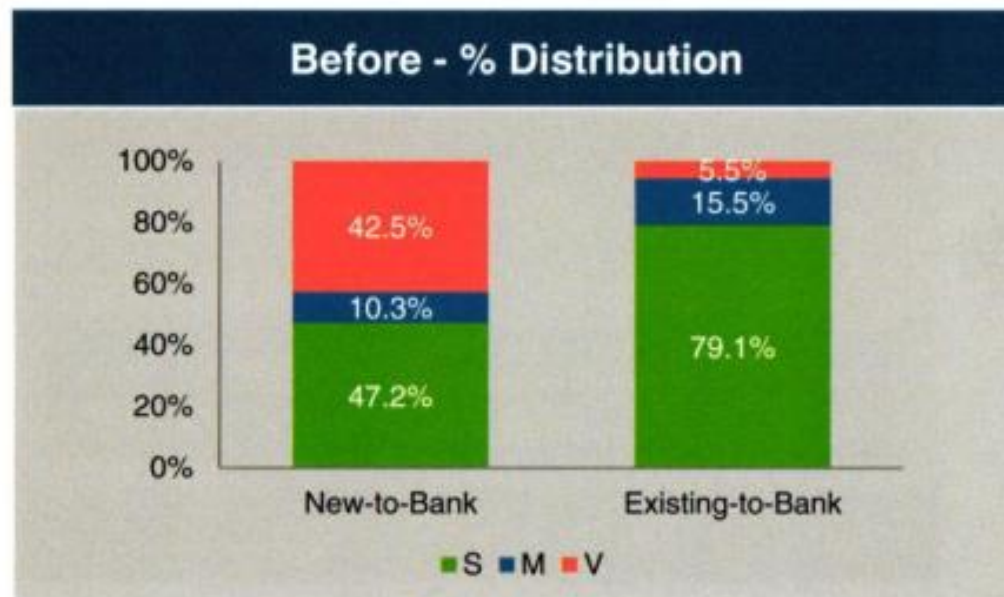


New Exposure Matrix					
Risk Grade	Limit Assignment / MUE (On-Us)				MUE\$ Cap
	PC/EB	HVS (PC like/EB)	On – Us Mortgage / Payroll	Open Market	
2	10X	10X	8X	2X	\$400K - \$2M (depending on risk grade and segment)
3	12X	12X	10X	4X	
4	12X	12X	10X	6X	
5	16X	14X	12X	10X	
6	18X	14X	12X	12X	

Policy enablers targeted to high value segments support good business growth

Expected Shape

Hong Kong – Personal Loan



Implementation of RDF on New-to-Bank and Existing-to-Bank

- GCO%ANR of new booking expected to improve from 4.9% to 1.3%
- LAR%ANR of new booking expected to improve from - 0.5% to 2.4%
- New monthly booking amount expected to be reduced by 22% (around US\$4.6M per month)
- Implemented Sep 2015

RDF Monitoring

Personal Loans - Indonesia

New Booking Performance											
	January	February	March	April	May	June	July	August	September	October	November
Score_Pass_Rate	49.7%	51.8%	55.6%	68.5%	71.1%	72.8%	84.8%	87.9%	85.8%	85.4%	85.1%
% Thin File (Bureau MOB <= 12)	0.5%	0.5%	0.1%	0.1%	0.2%	0.2%	0.3%	0.2%	0.4%	0.3%	0.5%
% Self Employed	13.3%	12.4%	10.9%	9.9%	10.5%	11.0%	10.6%	10.2%	7.8%	7.6%	7.2%
FPD(First Payment Default)	4.5%	2.3%	2.0%	2.7%	2.4%	5.3%	2.6%	7.7%	5.1%	3.5%	
SPD(Second Payment Default)	3.9%	4.6%	3.5%	3.9%	4.3%	4.7%	5.0%	6.2%	3.2%		
X plus @ 3 MOB	6.2%	5.5%	5.3%	6.9%	4.6%	6.4%	6.6%	7.3%			
30+ @ 4 MOB %	3.0%	2.5%	2.8%	2.4%	2.0%	3.1%	2.5%				
30+ @ 12 MOB %											
Straight Rollers (Current to GCO in 6 months)	0.0%	0.0%	0.0%	0.0%	0.0%						
% of Total % Application Scored along Table (100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
% L3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Low Score Override	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% customers with ETB	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% customers with Asset Facility	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% customers with Liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

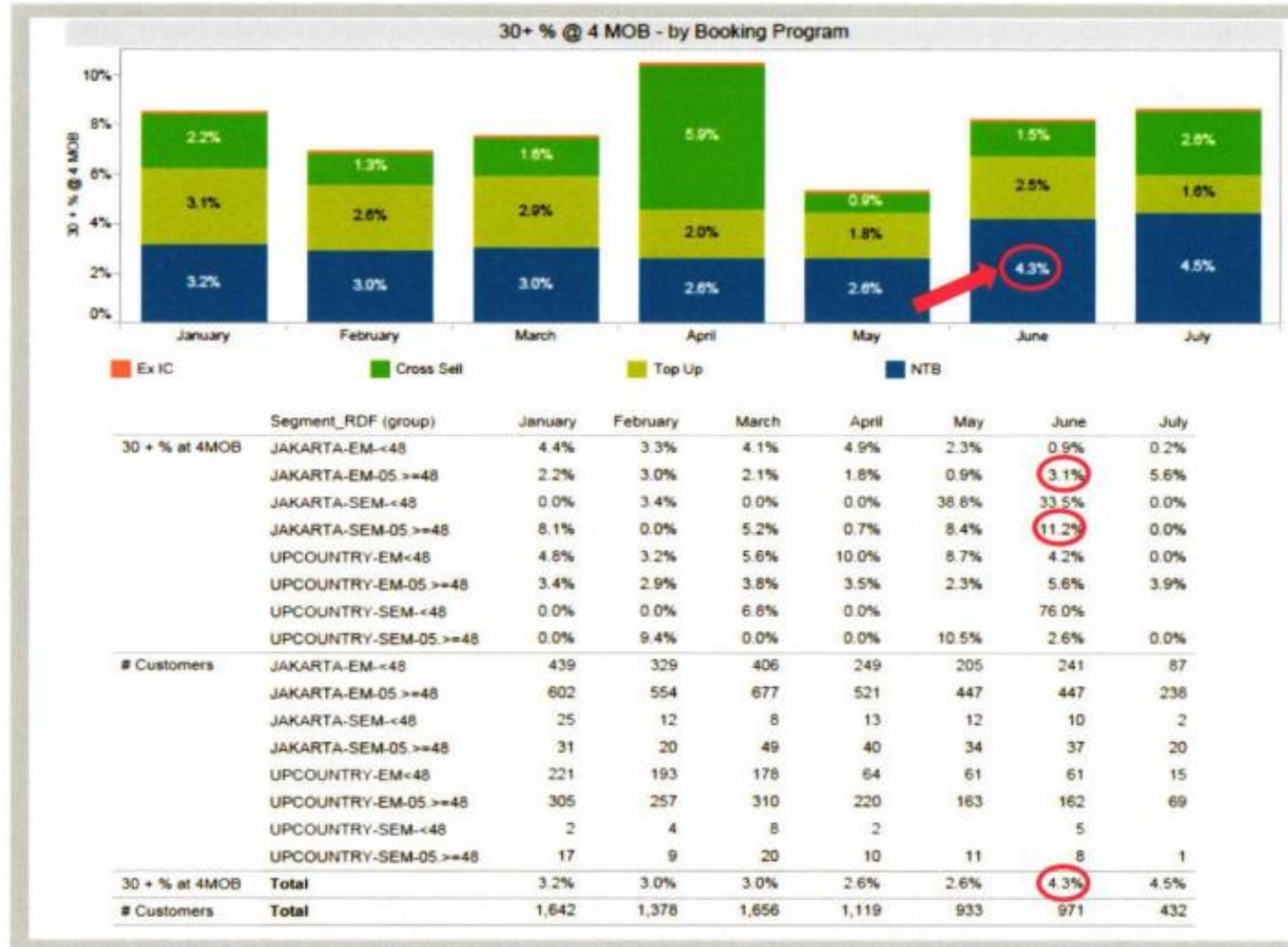
30+ % MOB Performance - Overall											
Month of Booking	0	1	2	3	4	5	6	7	8	9	10
January	0.0%	0.0%	1.0%	1.8%	3.0%	4.5%	5.3%	6.4%	7.0%	8.0%	9.5%
February	0.0%	0.0%	0.5%	1.8%	2.5%	4.3%	5.5%	6.5%	8.0%	8.8%	
March	0.0%	0.0%	0.5%	1.6%	2.8%	4.0%	5.1%	6.6%	8.0%		
April	0.0%	0.0%	1.0%	1.7%	2.4%	3.6%	4.7%	6.6%			
May	0.0%	0.0%	0.5%	0.8%	2.0%	3.2%	4.5%				
June	0.0%	0.0%	0.8%	1.5%	3.1%	4.2%					
July	0.0%	0.0%	1.2%	1.8%	2.5%						
August	0.0%	0.0%	0.7%	2.3%							
September	0.0%	0.0%	0.4%								
October	0.0%	0.0%									
November	0.0%										

Identifying
early warning
signals from
acquisition

Segment level tracking with early warning triggers critical to ensure portfolio is managed to target shape

Personal Loans Indonesia

RDF Monitoring



Segment level drill down and tracking enabled with new tool

Leveraging the Risk Decision Framework

Framework Enables High Value Segment (HVS)

- Relaxed cut-off for PC and Employee Banking segments
- Potential for higher exposure and limit assignment for HVS

Customer Profile and Analytics

- Enable and enhance sourcing through portfolio analytics
- Leverage off-us bureau and external information to attract good balance

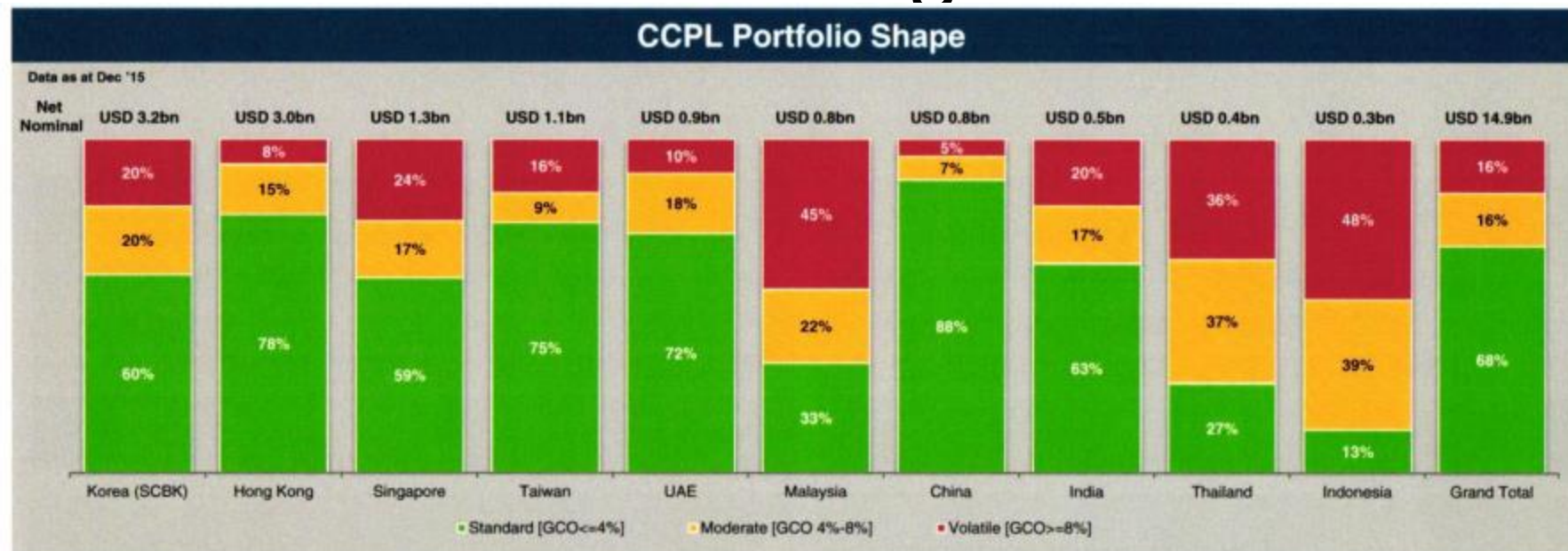
Deepen Relationships

- Pre-approved / pre-select enabled base for existing customers
- Enable pre-select base cross-sell to CASA and Liabilities customers

Enhanced Control

- Sourcing and portfolio mix shift highlighted through early trigger tracking
- Country-level metrics aligned to Group Risk Tolerance triggers

Credit Risk Retail Banking



Status
<ul style="list-style-type: none"> Portfolio segmentation and shape (current and to-be) for top 10 markets completed Decision criteria for all unsecured product across top 10 markets <ul style="list-style-type: none"> Client and risk Level segmentation Score cut-off Exposure assignment Policy overlay rationalisation Credit Policy & process standards <ul style="list-style-type: none"> Portfolio management standards, aligned to Risk Decision Framework (RDF), rolled out Employee Banking and Priority Clients policy complete Targets and thresholds for individual products and sub-segments being agreed

Completed / To Be Completed
<ul style="list-style-type: none"> RDF Governance <ul style="list-style-type: none"> Nov-Jan '16: Country review with Risk COO and Retail Banking head - Complete Q1 '16: Complete documentation of RDF process for top 10 markets Q2 '16: Centralised Monitoring and Tracking Complete for 10 markets Credit Policy & Process Standards <ul style="list-style-type: none"> H1 '16: Global Unsecured CAD Global credit policy revamp Q2 '16: Origination process standards, aligned to RDF; Income Policy - including documentation and calculation requirements

Credit Cards – Key Metrics

Current Vs To Be

3 Year New Booking (Projected)									
	New Volume (% Change)	GCO%ANR (New Booking)		LAR%ANR (New Booking)		LI/Rev% (Portfolio)		% High Risk (Portfolio)	
		Current	To Be	Current	To Be	Current	Dec '17	Current	Dec '16
Korea	0.1%	6.2%	3.9%	5.9%	8.0%	21.1%	13.1%	30.0%	6.3%
Hong Kong	WIP	2.5%	WIP	10.0%	WIP	17.7%		7.0%	WIP
Singapore	3.9%	2.5%	2.1%	7.6%	8.7%	40.2%	35%	26.0%	21.8%
Malaysia	(47.7%)	9.3%	4.3%	2.6%	6.4%	24.4%	11.3%	45.0%	20.8%
India	20.0%	8.3%	7.6%	14.0%	14.2%	22.8%	20.8%	29.0%	26.6%
Taiwan	10.0%	3.8%	3.7%	5.6%	5.7%	8.4%	8.2%	22.0%	21.4%
UAE	10.0%	9.9%	7.0%	18.5%	17.9%	25.7%	18.2%	31.0%	21.9%
Indonesia	(42.9%)	16.2%	10.3%	5.2%	10.0%	72.5%	46.1%	63.0%	40.1%

Credit Cards pricing supports higher risk but some markets are outside of the risk appetite and unprofitable

Personal Loans – Key Metrics

Current Vs To Be

3 Year New Booking (Projected)									
	New Volume (% Change)	GCO%ANR (New Booking)		LAR%ANR (New Booking)		LI/Rev% (Portfolio)		% High Risk (Portfolio)	
		Current	To Be	Current	To Be	Current	Dec '17	Current	Dec '16
Korea	0.0%	0.53%	0.50%	2.3%	2.7%	20.6%	19.5%	19.0%	17.9%
Hong Kong	(42.0%)	4.2%	1.1%	0.4%	3.5%	60.8%	15.9%	10.0%	2.6%
Singapore	(7.8%)	5.8%	4.5%	9.5%	10.5%	40.2%	40%	26.0%	20.2%
China	15.6%	2.4%	2.3%	8.6%	8.6%	31.1%	29.9%	7.0%	6.7%
Malaysia	50.0%	5.7%	4.3%	7.7%	9.2%	69.9%	52.7%	50.0%	37.7%
India	15.0%	1.5%	1.4%	5.2%	5.3%	20.7%	19.3%	10.0%	9.3%
Taiwan	1.0%	1.67%	1.74%	4.37%	4.39%	18.5%	19.3%	17.0%	17.7%
UAE	1.0%	3.8%	3.0%	3.9%	4.7%	36.6%	28.9%	10.0%	7.9%
Indonesia	(40.6%)	15.9%	8.5%	10.5%	13.8%	64.7%	34.6%	37.0%	19.8%

Personal loan pricing limits the risk absorption capacity

Points to Remember

Let's revisit some of the most important points in this sections

- Risk Appetite Metrics are important parameters for us to use in day-to-day business decisions. The following are some examples that show how decisions are made based on Risk Appetite Metrics.
 - To determine the correct application scorecard cut-off, you will use LAR, Risk-adjusted RoRWA, and RLM.
 - In applying line optimization strategies, you will examine the impact of these strategies on LAR, Risk Adjusted RoRWA, and RLM.
 - To apply risk-based pricing, you will set the minimum risk price to cover EL, Cost of Capital, Incremental Direct Cost, and Cost of Funds.

Questions



Notes

