Company No. 115793P

Standard Chartered Bank Malaysia Berhad

(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the financial year ended 31 December 2013

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

Directors' report for the financial year ended 31 December 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the year ended 31 December 2013.

Principal activities

The principal activities of the Group and of the Bank are banking and related financial services which also include Islamic Banking business. The principal activities of the subsidiaries are stated in Note 12 to the financial statements. There have been no significant changes in the principal activities of the Bank and its subsidiaries during the year.

Results

	Group RM'000	Bank RM'000
Profit before taxation	726,747	647,748
Tax expense	(165,220)	(156,172)
Profit for the year	561,527	491,576
Profit for the year attributable to:		
Owners of the Bank	554,805	491,576
Non-controlling interest	6,722	-
	561,527	491,576

Dividends

Since the end of the previous financial year, the Bank paid :

i) a final dividend (gross) of 160 sen per share, less tax at 25%, totalling RM150,000,000 in respect of the financial year ended 31 December 2012 on 30 April 2013.

ii) an interim dividend (gross) of 160 sen per share, less tax at 25%, totalling RM150,000,000 in respect of the financial year ended 31 December 2013 on 26 December 2013.

The Directors do not recommend the payment of a final ordinary dividend in respect of the current financial year (2012: 160 sen per ordinary share).

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year, except as disclosed in the financial statements.

Bad and doubtful debts and financing

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad debts and financing and the making of provisions for impaired loans, advances and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate provisions made for impaired loans, advances and financing.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad debts and financing, or the amount of the provisions for impaired loans, advances and financing, in the financial statements of the Group and of the Bank inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that the value of any current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business, as shown in the accounting records of the Group and of the Bank, have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

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Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities in the Group's and the Bank's financial statements misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or

(b) any contingent liabilities in respect of the Group and of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group and of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Bank, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

Business plan and strategy

2013 Results

The Group registered a profit before taxation of RM726.75 million, representing a 22.87% decline against 2012. While net interest income increased by 12.62% to RM1.08 billion, other operating income (including Islamic Banking income) was at RM 942.50 million, representing an 8.21% decline against last year. Meanwhile, other operating expenses increased by 8.58% to RM974.74 million. Provision for loans, advances and financing came in significantly higher at RM324.46 million mainly attributable to the non-recurrence of prior year's sale of bad debts coupled with impact of retrospective adjustments on changes in accounting policy.

The Group’s total assets increased by 5.50% to RM54.35 billion contributed by loan growth in both consumer and wholesale business, with funding coming mainly from strong growth in deposits from customers, which recorded an 8.52% increase to RM38.59 billion in 2013.

The Group’s risk-weighted capital ratio remained strong at 13.52% while Common Equity Tier 1 and Tier 1 capital ratios were at very healthy levels of 9.58% and 10.57% respectively.

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Strategy and Economic Environment

There has been renewed optimism in the external economic enviroment amid signs of recovery in both the US and Eurozone economies, while the Chinese economy continues to grow, albeit at a slower pace.

On the domestic front, the Malaysian economy remained resilient. with third quarter 2013 GDP growth of 5.0% achieved on the back of strong domestic demand, while exports recorded growth for the first time after four succesive quarters of contraction in line with the recovery in major global economies. The GDP growth for 2013 is expected to be between 4.5% to 5.0%.

The Malaysian banking system remained stable with high quality asset, strong capital buffers, sustained profitability and ample liquidity in spite of uncertainties amid market expectations of Federal Reserve quantitative easing. While there was a sharp rise in inflation following the removal of several government subsidies, the Overnight Policy Rate ('OPR') remained at 3% throughout the year.

New regulations were introduced by Bank Negara Malaysia ('BNM') to curb excessive household debt, including the imposition of maximum loan tenors and debt service ratios, while the 2014 Budget annoucement brought in measures to curb property speculation as well as to address the country's large fiscal deficit.

These regulations and measures did impact on the Group's Consumer Banking business but nevertheless, its strategic initiatives towards enhancing customer experience and building infrastructure capability via the digital agenda continued to make significant progress. Meanwhile, the Wholesale Banking business continued to build on its competitive platform through stronger and deeper client relationships while widening its solution delivery through innovation and technology and intensifying collboration across our network.

As the Standard Chartered PLC Group’s global business hub for Islamic Consumer Banking, Standard Chartered Saadiq Malaysia Berhad ('Saadiq') continued to drive Islamic Banking business growth.

RAM Rating Services Berhad has maintained both the Bank's and Saadiq's credit rating at AAA/P1.

Plan for 2014

Standard Chartered strived to further contribute to corporate and social responsibility (“CSR”) to building a sustainable business. With the focus of developing a financial literate community, The Bank reached out to 30,357 youth across Malaysia through the Financial Education Programme. The Bank is also recognised as key player in tackling preventable blindness by Ministry of Health under the Standard Chartered Cataract Lens Programme where cataract lens are made available for free to the less fortunate cataract patients.

Standard Chartered PLC Group's refreshed strategy aspirations was recently annouced, which is *'To bank the people and companies driving investment, trade and wealth creation across Asia, Africa and the Middle East'*. In line with this refreshed strategy and to reinvigorate growth momentum, Standard Chartered will be intergrating the two businesses of Wholesale Banking and Consumer Banking into one business. This will entail the creation of three customer segment groups, namely Corporate and Institutional Clients, Commerical and Private Banking Clients and Retail Customers, as well as five global product groups - Corporate Finance, Financial Markets, Transaction Banking, Wealth Products and Retail Products. This new structure will enable Standard Chartered to better adapt to new changes in the market and regulatory environment. With one team driving active collaboration towards sustainable growth, the structure will also enable the deployment of capital, liquidity and investment spend more effectively and deliver improvements in productivity and quality of service to customers.

Statement of Corporate Governance

The Group and the Bank is committed to high standards of corporate governance and strives to continually improve the governance processes and structures as articulated in the Principles and Best Practices promulgated in the Malaysian Code of Corporate Governance 2012 as well as in conformity with the BNM Revised Guidelines on Corporate Governance for Licensed Institutions issued by BNM in June 2013. The Board is pleased to set out below how the Group and the Bank has adhered to the aforesaid principles of the Code and the extent to which the Group and the Bank has complied in all material aspects with the best practices of the Code and BNM Guidelines during the financial year ended 31 December 2013.

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Board of Directors

Composition of the Board of Directors

The Board of Directors (the "Board") brings a wealth of knowledge, experience and skills in a wide range of business management, audit and accountancy, economics, finance, risk management and international banking to the Board. The Board presently has eight (8) members, of which one (1) is the Executive Director, three (3) are Non-Executive Directors and the remaining four (4) are Independent Non-Executive Directors, hence fulfilling the prescribed requirements by BNM for one-third of the Board composition comprising Independent Board members. The Directors who served since the date of the last report are:-

Members	Status of Directorship
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	Independent Non-Executive Director
Neeraj Swaroop - Deputy Chairman	Non-Independent Non-Executive Director
Datuk Abu Hassan bin Kendut	Independent Non-Executive Director
Datuk Ishak bin Imam Abas	Independent Non-Executive Director
Edward Martin Jake Williams	Non-Independent Non-Executive Director
Datuk Seri Michael Yam Kong Choy	Independent Non-Executive Director
Osman Tarique Morad	Non-Independent Executive Director
Judy Hsu Chung Wei	Non-Independent Non-Executive Director
Karen Fawcett (resigned on 7 October 2013)	Non-Independent Non-Executive Director

The current composition and size of the Board is appropriate and commensurate with the complexity, scope and operations of the Bank. The Independent Non-Executive Directors of the Bank fulfill the criteria of independence as defined in the BNM Guidelines.

All the members of the Board fulfill the standards for 'fit and proper' criteria for appointment as Directors required under the Bank's Framework for Board's Composition and Criteria For Selection of Candidates for Directorship as established in accordance with the BNM Guidelines.

Roles and responsibilities of the Board

Besides carrying out its statutory responsibilities, the Board approves the Bank's long-term objectives and commercial strategy and the annual operating budget. It oversees the management of the business and the Bank's affairs and regularly monitors the Bank's performance against budget and plans. Matters reserved for the Board's decision include major investments, strategic plans, business plans, key financial and operating policies, financial results and corporate governance matters. The Board carries out various functions and responsibilities laid down in guidelines and directives that are issued by BNM from time to time. The Board also operates under the approved terms of reference which set out their roles and responsibilities towards the Bank.

In compliance with the BNM Guidelines, there is a clear separation between the roles of Independent Non-Executive Chairman and Chief Executive Officer of the Bank. The distinction allows an appropriate balance of role, responsibility, authority and accountability at the Board level.

Appointments to the Board

The appointment and re-appointment of Directors to the Bank's Board had been approved by BNM pursuant to the Financial Services Act 2013 ("FSA") and in compliance with the guidelines issued by BNM.

In accordance with the Bank's Articles of Association, all newly appointed Directors are subjected to re-election by shareholders at the next Annual General Meeting. The Articles further provides for one-third of the remaining Directors to retire from office by rotation and be subjected to re-election at the Annual General Meeting of the Bank. As guided by BNM's guidelines, re-appointment or re-election of Directors are made with the prior approval from BNM.

Board of Directors (continued)

Board's conduct of its affairs and board meetings

The Board meetings of the Bank are conducted in accordance to a structured agenda to facilitate meaningful and productive deliberations. The structured agenda for every Board meeting together with comprehensive management reports, proposal papers and supporting documents are distributed to the Directors in advance of all Board meetings to allow time for their appropriate review. The Board meeting papers are prepared and presented in a concise and comprehensive manner. All proceedings from the Board meetings are minuted and confirmed by all Directors at the following Board meeting. The minutes would then be signed by the Chairman as a correct record to the proceeding of the meeting.

Frequency and attendance of each Director at Board meetings

The Board meets regularly and has a formal schedule of matters specifically reserved for its decision. Meetings for the year are scheduled early in the year with due notice given for all scheduled meetings. During the financial year 2013, the Board met six (6) times to deliberate on and consider a variety of significant matters that required its guidance and approval. Relevant management personnel are invited to Board meetings to report and appraise the Board on financials, operations and other developments within their respective purview. Where appropriate, decisions are taken by way of circular resolutions in between scheduled meetings.

All Directors have complied with the requirement that Directors must attend at least 75% of Board meetings held in the financial year in accordance with the BNM guidelines. The record of the attendance at the Board Meetings is as follows:-

Members	Attendance and Number of Board Meetings
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	6/6
Neeraj Swaroop - Deputy Chairman	6/6
Datuk Abu Hassan bin Kendut	6/6
Datuk Ishak bin Imam Abas	6/6
Edward Martin Jake Williams	5/6
Datuk Seri Michael Yam Kong Choy	6/6
Osman Tarique Morad	6/6
Judy Hsu Chung Wei	5/6
Karen Fawcett (resigned on 7 October 2013)	5/5

Key information and background of Directors

The Bank is led by an experienced Board comprising members from diverse backgrounds and collectively has a wide range of business and management experience, knowledge and capabilities in areas that include banking, financial services, accounting and economics.

(a) Tan Sri Dato' Mohd Sheriff bin Mohd Kassim

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim was appointed to the Board as an Independent Non-Executive Director on 2 March 2004 and as Chairman effective 23 March 2005. He held various positions in Civil Service since 1963 and was appointed as the Secretary General to the Treasury in the Malaysian Ministry of Finance in 1991. He later took up the position of Managing Director in Khazanah Nasional Berhad in 1994 till 2003. He holds a Bachelor of Arts (Honours) in Economics from the University of Malaya, a Diploma in Economic Development from Oxford University in the UK and a Master of Arts (Economics) from Vanderbilt University in USA.

(b) Datuk Abu Hassan bin Kendut

Datuk Abu Hassan bin Kendut was appointed to the Board as an Independent Non-Executive Director on 18 July 2005. He is a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and the Malaysian Institute of Accountants ("MIA"). He was a past President of MICPA, and was formerly the Senior Partner of Coopers & Lybrand (now known as PricewaterhouseCoopers).

(c) Datuk Ishak bin Imam Abas

Datuk Ishak bin Imam Abas was appointed as an Independent Non-Executive Director on 6 February 2009. He held various senior positions during his 26 year career with Petronas including Deputy General Manager, Commercial of Petronas Dagangan Berhad, Senior General Manager, Finance of Petronas, Vice-President Finance of Petronas and Chief Executive Officer of KLCC (Holdings) Sdn Bhd and KLCC Property Holdings Berhad. He retired from Petronas as the Senior Vice-President in 2006 but continued to be the Chief Executive Officer of KLCC (Holdings) Sdn Bhd and KLCC Property Holdings Berhad and retired from the aforesaid executive positions in 2007. He is a fellow member of Chartered Institute of Management Accountants ("CIMA") and a member of MIA.

Board of Directors (continued)

Key information and background of Directors (continued)

(d) Edward Martin Jake Williams

Edward Martin Jake Williams was appointed as a Non-Independent Non-Executive Director on 6 February 2009. He is currently the Deputy Group Chief Risk Officer of Standard Chartered Group. He has over 34 years of financial services experience and has worked at Standard Chartered Bank for the past 10 years. At Standard Chartered Bank, he is responsible for Risk Governance for the Group's operating subsidiaries, risk oversight for the Group's Principal Finance Business, and the Group's country risk management. Prior to joining Standard Chartered Bank, he held a variety of senior management positions at Citicorp/Citibank and Westpac Banking Corporation in various countries. His last position with Citicorp was Managing Director of Citicorp Australia Limited, with responsibility for all wholesale banking operations in Australia and New Zealand. He received a Masters Degree in Business Administration from Harvard Graduate School of Business (United States), a Master of Science Degree in Aerospace Engineering from the Massachusetts Institute of Technology (United States) and a Bachelor of Science Degree in Aerospace Engineering from Princeton University (United States).

(e) Datuk Seri Michael Yam Kong Choy

Datuk Seri Michael Yam Kong Choy was appointed as an Independent Non-Executive Director on 15 June 2009. He is a Fellow of the Royal Institution of Chartered Surveyors and also qualified as a professional corporate member and Fellow of the Chartered Institute of Building after his graduation in building and management studies from the University of Westminster, London in 1979. He had worked in the United Kingdom for five years in various executive and managerial positions. Datuk Seri Michael Yam worked for six years with a British-managed firm of project management consultants specialising in major construction projects initially as a Project Manager before being appointed a Director. From the period 1989 till early 1996, he served at top management level and on the Board of various properties and subsidiaries of Landmarks Bhd and investment conglomerate, Peremba Group. He joined Country Heights Holdings Berhad as its Chief Executive Officer and Director in 1996 and served in the Board of Directors of Sunrise Berhad in 1997 as the Managing Director and Chief Executive Officer, until March 2008.

(f) Osman Tarique Morad

Osman Tarique Morad was appointed to the Board on 20 October 2009 as the Managing Director and Chief Executive Officer. Prior to this, he was the Chief Executive Officer of Standard Chartered Bank in Bangladesh and Standard Chartered Bank in Bahrain. Osman joined Standard Chartered Bank in 1993 as the Regional Head of Institutional Banking Middle East and South Asia in Dubai and was responsible for the Standard Chartered Bank Financial Institutions business teams in India, Bangladesh, Pakistan, Sri Lanka and the Middle East. He started his banking career at Bank of America as a Management Trainee in 1977 and worked in the bank's Operations, Credit and Corporate & Institutional Banking departments in the Gulf. In 1987 he joined the First Interstate Bank of California and was appointed Vice President and Middle East Representative based in the UAE and Singapore. He graduated from the Punjab University and the Marlboro College of Vermont, U.S.A.

(g) Neeraj Swaroop

Neeraj Swaroop was appointed to the Board as a Non-Independent Non-Executive Director and Deputy Chairman on 15 February 2012. He is currently the Regional Chief Executive Officer of Standard Chartered Bank for South East Asia. Prior to that, he was the Regional Chief Executive South Asia (which includes India, Bangladesh, Sri Lanka, Nepal and Afghanistan) for Standard Chartered Bank from 2007. Neeraj's career spans over 29 years, with the last 20 years spent in the Indian Banking Industry. Prior to joining Standard Chartered Bank as the Chief Executive in India in 2005, Neeraj headed the Consumer Banking business of HDFC Bank, one of India's leading private sector banks. He has also worked with Bank of America and Unilever. Neeraj holds a MBA degree from Indian Institute of Management, Ahmedabad and is an engineering graduate from Indian Institute of Technology, New Delhi.

(h) Judy Hsu Chung Wei

Judy Hsu was appointed to the Board of SCBMB on 15 May 2012 as a Non-Independent Non-Executive Director. She is currently the Global Head for Wealth Management, Consumer Banking, a position she has assumed since December 2009. In this role, she is responsible for implementing the enterprise-wide consumer banking wealth management strategy supporting the Private Bank, Retail Bank and SME client segments. Her area of coverage includes wealth management products namely investment, treasury and insurance, and advisory models. Prior to joining Standard Chartered Bank, Judy spent 18 years in Citibank in various leadership positions in wealth management products, sales and distribution, and segment strategy. Her last role was the Head of Retail Bank Asia and Country Business Manager for Citi's International Personal Bank in Singapore. Judy holds a Bachelor degree in Science Microbiology and MBA in Finance from the University of British Columbia, Canada.

Committees

The Board has established specialised Board Committees to assist to carry out its responsibilities more effectively and provide oversight over the Bank's operations. The Board Committees of the Bank are as follows:-

a) Nomination Committee
b) Audit Committee
c) Board Risk Committee
d) Syariah Advisory Committee

These committees operate under clearly defined terms of reference approved by the Board and the Board receives reports of their proceedings and deliberations. These committees have the authority to examine certain issues and report back to the Board with their recommendations. Ultimately, the Board is responsible for making the final decisions on all matters.

a) Nomination Committee

The Nomination Committee ("NC") was established on 27 October 2005.

Membership and composition

The members of the NC are:-
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman
Datuk Ishak bin Imam Abas
Osman Tarique Morad
Neeraj Swaroop
Karen Fawcett (resigned on 7 October 2013)

All of the Nomination Committee members are non-executive directors except for Mr. Osman Tarique Morad. A new NC member will be appointed at the forthcoming Board meeting in 2014.

Functions, responsibilities and terms of reference

The Terms of Reference of the NC was subsequently revised and approved by the Board on 6 April 2006, 20 September 2010 and 10 May 2011.

The primary functions of the NC are to assist the Board:-

- To bring to the Board recommendations as to the minimum requirements (including skills, experience, qualifications and competencies) for appointees to the Board and for the Chief Executive Officer.
- To regularly review the overall structure, size and composition (including the skills, knowledge, experience and compliance with corporate governance best practice) of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary.
- To identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise as well as the re-appointment of Directors, subject to such application for approval to BNM as may be required from time to time.
- To determine and implement a process for the evaluation of the performance and effectiveness of the Board, its committees and each individual Director.
- To determine the fit and proper criteria of the Directors prior to their appointment and on an annual basis

During the year, the Board has approved the revised Framework on Board's Composition and Criteria for Selection of Candidates for Directorship ("the Framework") with (i) the inclusion of maximum tenure of Independent Directors to nine (9) years in relation to the Board's composition and (ii) the addition of two (2) Key Responsible Persons ("KRPs") other than the Directors to the list of KRPs, namely Company Secretary and Country Financial Crime Risk Operations Manager. The Framework will be used by the Nomination Committee and the Board to assess the candidates to be considered as the Directors of the Bank and the fit and proper of the KRPs.

In 2013, the NC has also made assessment for the re-appointment of two (2) directors and was convinced that their re-appointments would assist in achieving a mix of Board members that represents a diversity of backgrounds and experiences that would best complement the current Board effectiveness.

Committees (continued)

a) Nomination Committee (continued)

Functions, responsibilities and terms of reference (continued)

For 2013, the Board has adopted a self-evaluation to evaluate the performance of the Board, individual Directors and its committees. The purpose of the evaluation is to determine whether the Board, individual Directors and its committees are functioning effectively and to increase the effectiveness of the Board. By including individual directors, the evaluation is intended to capitalise on the strengths that each Director brings to the Board and enhance each Director's contribution.

Number of meetings held

The Nomination Committee meets at least once a year and during the financial year 2013, the committee met four (4) times and the attendance of the members are as follows:-

Members	Attendance and Number of Meetings
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	4/4
Datuk Ishak bin Imam Abas	4/4
Osman Tarique Morad	4/4
Neeraj Swaroop	4/4
Karen Fawcett (resigned on 7 October 2013)	3/3

b) Audit Committee

The Audit Committee was established on 6 February 2006.

Membership and composition

The members of the Audit Committee ("AC") are:-
Datuk Abu Hassan bin Kendut - Chairman
Datuk Ishak bin Imam Abas
Datuk Seri Michael Yam Kong Choy

All of the AC members are Independent Non-Executive Directors.

Terms of Reference

The terms of reference of the AC was subsequently revised and approved by the Board on 26 April 2006, 22 September 2010 and 31 July 2012.

The primary functions of the AC are to assist the Board to:-
- examine the manner in which management ensures and monitors the accuracy, quality and objectivity of the Bank's financial reporting to external bodies, including shareholders and regulators in accordance with the Law and appropriate accounting standards;
- examine the manner in which management ensures and monitors the effectiveness and appropriateness of management accounting practices and other internal control systems; and
- ensure compliance with all banking regulations which relate to the responsibilities and obligations of a locally incorporated bank, as defined by the FSA, BNM and the Financial Services Authority, UK from time to time, and any other appropriate regulators and bodies which are or will become relevant to the conduct of the Bank's business.

Number of meetings held

The AC meets on a quarterly basis and during the financial year 2013, the committee met four (4) times and the attendance of the members are as follows:-

Members	Attendance and Number of Meetings
Datuk Abu Hassan bin Kendut - Chairman	4/4
Datuk Ishak bin Imam Abas	4/4
Datuk Seri Michael Yam Kong Choy	4/4

Committees (continued)

c) Board Risk Committee

The Board Risk Committee ("BRC") was established on 6 February 2006.

Membership and composition

The members of the BRC are:-
Datuk Ishak bin Imam Abas - Chairman
Datuk Abu Hassan bin Kendut
Edward Martin Jake Williams
Datuk Seri Michael Yam Kong Choy

All of the BRC members are Independent Non-Executive Directors, with the exception of Mr. Edward Martin Jake Williams who is a Non-Independent Non-Executive Director.

Terms of Reference

The Terms of reference of BRC was subsequently revised and approved by the Board on 13 October 2009, 31 March 2010 and 22 September 2010.

The primary functions of the BRC are to assist the Board to:-
- review and recommend risk management strategies, policies and risk tolerance for the Board's approval;
- review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively; and
- ensure infrastructure, resources and systems are in place for risk management, i.e. to ensure that the staff responsible for implementing risk management system perform those duties independently of the financial institutions' risk taking activities.

Number of meetings held

The BRC meets on a quarterly basis and during the financial year 2013, the committee met five (5) times and the attendance of the members are as follows:-

Members	Attendance and Number of Meetings
Datuk Ishak bin Imam Abas - Chairman	5/5
Datuk Abu Hassan bin Kendut	5/5
Edward Martin Jake Williams	5/5
Datuk Seri Michael Yam Kong Choy	5/5

d) Syariah Advisory Committee

Membership and composition

The members of the Syariah Advisory Committee ("SAC") are:-
Dr. Hikmatullah Babu Sahib- Chairperson
Prof. Madya Dr. Shamsiah binti Mohamad
Prof. Madya Dr. Nurdianawati Irwani Abdullah
Ustaz Abdul Latif Ahmad Subki
Dr. Wan Azhar Wan Ahmad

Main Responsibilities of the Syariah Advisory Committee and its Advisers

The SAC advises the Board of Standard Chartered Saadiq Berhad on its Islamic Banking business.

Committees (continued)

d) Syariah Advisory Committee (continued)

Responsibilities of the Syariah Advisory Committee and its Advisers

- To endorse, approve and review all Islamic Banking products and services offered by the subsidiary of the Bank. The Advisers' approval is thus required on all Product Programme documents, Product Development documents, Country Addendum, Transaction Programme and the subsequent reviews of these documents.
- To advise and review the operations of the Islamic Banking business and to ensure that it is in compliance with the Islamic Banking principles.
- To guide and review the Bank's Islamic Banking practice. The Advisers' must therefore approve all legal contracts, agreements and documentation. Similarly, all marketing materials, sales illustrations, advertisements and brochures must carry the Advisers' approval.
- To satisfy itself that the formulated endorsement, approval, advice and guidelines are being properly undertaken by the operation of the Islamic Banking business.
- To provide guidance and advice upon request from the legal council, auditors and consultants. In addition, to provide written opinions on Syariah matters to the Bank as required from time to time.
- To advise the Chairperson of the Bank's Islamic Banking on matters that require consultation from the BNM's Syariah Advisory Council and to prepare a written opinion when such matter is referred to the Council.
- To review the terms of reference of this committee from time to time and propose to the Board of Standard Chartered Saadiq Berhad of any changes that it considers appropriate.

Syariah Compliance Review

- Suitable Syariah Compliance Manuals will be prepared and reviewed by the SAC from time to time covering gradually all products and services introduced by the Bank's Islamic banking to the market. The Syariah Compliance Manuals shall guide the Bank's Islamic Banking officers and personnel in ensuring its standard operating procedures and practices are in compliance with Syariah principles.
- Group Internal Audit established at the Bank will be using the Syariah Compliance Manuals to undertake Syariah Compliance Reviews as may be required from time to time.
- Group Internal Audit shall report and discuss its findings directly with the SAC.

Syariah Risk Management

Syariah risk arises from Islamic bank's failure to comply with the Syariah rules and principles as determined by the Standard Chartered Saadiq Berhad's ("SCSB") SAC and by BNM Syariah Advisory Council. Syariah non-compliance risk is managed as part of SCSB's operational risk framework and SCSB adopts the Group's operational risk management framework to monitor and manage this risk.

Non-Syariah Income

Non-Syariah Income is income generated or received from events that do not comply with Syariah principles, for example, interest charges and income derived from non-Syariah compliant business.

Any non-Syariah income identified must be escalated to SAC for their decision on appropriate course of action. Compliance to the SAC decision must be tracked in Business Operational Risk Group Committee (“BORC”) by the responsible unit.

Number of meetings held

Members	Attendance and Number of Meetings
Dr. Hikmatullah Babu Sahib - Lead Adviser	12/12
Prof. Madya Dr. Shamsiah binti Mohamad	11/12
Prof. Madya Dr. Nurdianawati Irwani Abdullah	12/12
Ustaz Abdul Latif Ahmad Subki	12/12
Dr. Wan Azhar Wan Ahmad	10/12

Risk Management

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

Through the Risk Management Framework ("RMF"), the Bank manages enterprise-wide risks. One of the main risks incurred arises from extending credit to customers through lending and trading operations. Beyond credit risk, the Bank is also exposed to a range of other risk types such as market, operational, liquidity, reputational and other risks which are inherent in the Bank's strategy and business the Bank has chosen to participate in.

As part of this framework, the Bank uses a set of principles that describe the risk management culture it wishes to sustain:

- **Balancing risk and return**: risk is taken in support of the requirements of stakeholders, in line with the Bank's strategy and within the Bank's risk appetite;
- **Responsibility**: it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. The Bank takes account of its social responsibilities and its commitments 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**: seek to anticipate future risks and maximise awareness of all known risks; and
- **Competitive advantage**: seek to achieve competitive advantage through efficient and effective risk management and control.

Risk Governance

Risk governance refers to those parts of the Bank's overall governance mechanisms that relate to risk management and control. Risk governance is exercised through the decision making authority vested in individual managers and committees.

Ultimate responsibility for the effective management of risk rests with the Board. The Board delegates authority for the management of risk to several committees.

Acting with an authority delegated by the Board, the Board Risk Committee ("BRC") has oversight over risk management framework and senior management activities in managing and controlling all risks. BRC is chaired by and consists only of non-executive directors.

Executive Committee ("EXCO"), through its authority delegated by the Board, is responsible for executing strategy as approved by the Board and to ensure robust control environment. EXCO is also responsible for the management of pension and strategic risks.

The Asset and Liability Committee ("ALCO"), through its authority delegated by EXCO, is responsible for the management of capital ratios and the establishment of and compliance with policies relating to balance sheet management, including management of the Bank's liquidity and capital adequacy.

The Risk Management Committee ("RMC") with its authority delegated by EXCO, shall hold executive responsibility for risk management and control of all risks, except those for which EXCO and ALCO have direct responsibilities. The RMC is also responsible for defining the Bank's overall risk management framework.

Flow of Authority

Authority flows from the RMC and ALCO to their sub-committees and may be cascaded further from there. Reporting of material risk exposures, risk issues and assurance with policies and standards is communicated from the relevant risk type committees up to the RMC, in accordance with their degree of materiality to the Bank. Line managers are also required to ensure that all risk exposures, risk issues and evidence of assurance with policy are classified in terms of the applicable risk control area, risk type and organisational levels.

Risk Management (continued)

Three Lines of Defence

- 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.
- 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 their scope of their responsibilities remain within appetite. The second line is independent of the origination, trading and sales functions to ensure that the necessary balance and perspective is brought to risk/return decisions.
- The third line of defence comprises the assurance provided by the Group Internal Audit ("GIA") which has no responsibilities for any of the activities it examines. GIA provides independent assurance of the effectiveness of the management's control of its own business activities (first line) and of the processes maintained by the Risk Control Functions (the second line). As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

Risk Function

The role of the risk function is led by the Country Chief Risk Officer. The risk function is independent of the origination and sales functions to ensure that the necessary balance in risk/return decisions is not compromised by short term pressures to generate revenues.

Risk Appetite

Risk appetite is the statement of the amount of risk that the Bank is willing to take in the pursuit of its strategic goals. When setting the risk appetite, the Bank considers overall risk management strategy/approach and appropriate margin between actual risk exposure and its risk capacity. At country level, a detailed annual risk appetite assessment is performed, where its portfolio is assessed for how it contributes towards upholding the Group's risk appetite statement and to assess key issues and potential concerns around the country's business strategy and portfolio composition.

Stress Testing

Stress testing and scenario analysis are used to assess the capability of the Bank to continue operating effectively under extreme but plausible trading conditions. Stress testing activities are performed as necessary, to evaluate the impact on the portfolio or on certain customer segments, as a result of developments in the market.

Internal Audit and Control activities

The Board is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximise profitable business opportunities, avoid or reduce risks which can cause losses or reputational damage, ensure compliance with applicable laws and regulations, and enhance resilience to external events. This is supported by the RMF described earlier, which is underpinned by policy statements, written procedures and control manuals.

The Bank has also established a management structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated. Various risk committees are established to regularly review the Bank's risk profile. The performance of the Group's business is reported regularly to senior management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are closely monitored. Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include appropriate segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions.

The effectiveness of the Bank's internal control system is reviewed regularly by the ultimate holding company's Internal Audit who are independent from the business operations. Group Internal Audit ("GIA") monitors compliance with policies and standards and the effectiveness of internal control structures of the Group and highlights significant findings in respect of any non-compliance. The work of GIA is focused on areas of greatest risk as determined by a risk assessment approach and reports regularly to the AC. The AC reviewed the annual confirmation from the Senior Management that throughout 2013, significant risks had been regularly assessed and monitored and all major systems of internal control had been operating effectively. All material risks and losses received adequate management attention and were reported on a regular basis to the relevant committees and the Board.

The AC also reviewed and approved the annual audit plan, internal audit reports, audit recommendations made as well as the management's response to these recommendations. All medium and high risk issues are tracked and reported to AC and immediate corrective action is required.

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Related Party Transactions

There were no other significant related party transactions other than as reported in Note 30.

Management Report

The Board, as a whole, receives and reviews regular reports from the management on the key operating statistics, legal and regulatory matters and minutes of the Executive Committee Meetings. In addition, the CEO holds a monthly briefing to the independent directors on the performance and operations of the Bank and any strategic, financial, operational, compliance or governance issues.

From time to time between meetings, the management (ordinarily by way of the CEO), advises the Board of any significant developments through a suitable method of communication.

Ratings Statement

RAM Rating Services Berhad had reaffirmed the long and short-term general bank ratings of Standard Chartered Bank Malaysia Berhad to be AAA and P1, respectively, in October 2013.

Compliance with Bank Negara Malaysia's expectation on Financial Reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that BNM's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Banking Institutions and Guidelines on Classification and Impairment Provision for Loans/Financing.

Board of Directors and their interests in shares

According to the Register of Directors' Shareholdings maintained by the Bank pursuant to Section 134 of the Companies Act, 1965, the Directors' beneficial interests in the shares of the Bank and its related corporations at year end are as follows:-

	As at	Number of shares		As at
In Standard Chartered PLC	1.1.2013	Acquired	Disposed	31.12.2013
Ordinary shares of US$0.50 each				
Karen Fawcett	48,104	53,914	(53,914)	48,104
Osman Tarique Morad	10,957	3,720 (A)	(1,918)	12,759
Neeraj Swaroop	67,489	37,913 (B)	(7,500)	97,902
Edward Martin Jake Williams	15,039	22,843 (C)	(26,343)	11,539
Judy Hsu Chung Wei	-	27,543	(27,543)	-

		Number of options		
	As at 1.1.2013	Awarded/ Granted	Lapsed/ Exercised	As at 31.12.2013
Executive Share Option Scheme				
Karen Fawcett	36,624	-	(36,624)	-
International Sharesave Scheme				
Osman Tarique Morad	806	-	(806)	-
Karen Fawcett	613	-	-	613
Edward Martin Jake Williams	1,708	-	-	1,708
Judy Hsu Chung Wei	1,039	-	-	1,039
Restricted Share Scheme				
Osman Tarique Morad	1,937	-	(1,937)	-
Neeraj Swaroop	6,979	-	(6,979)	-
Edward Martin Jake Williams	22,193	378	(16,711)	5,860
Options Over Performance Share Plan				
Karen Fawcett	50,133	21,396	-	71,529
Neeraj Swaroop	67,198	16,047	(28,191)	55,054
Edward Martin Jake Williams	59,905	34,240	(6,132)	88,013

Board of Directors and their interests in shares (continued)

	Number of options			
	As at 1.1.2013	Awarded/ Granted	Lapsed/ Exercised	As at 31.12.2013
Deferred Restricted Share Scheme				
Karen Fawcett	41,006	-	(17,290)	23,716
Neeraj Swaroop	25,174	4,903	(17,316)	12,761
Judy Hsu Chung Wei	27,543	-	(27,543)	-
Osman Tarique Morad	3,225	74	(2,336)	963
Performance Share Award				
Osman Tarique Morad	6,404	3,031	-	9,435
Judy Hsu Chung Wei	34,884	14,264	-	49,148
Deferred Restricted Share Award				
Osman Tarique Morad	1,546	1,388	(532)	2,402
Karen Fawcett	17,852	16,175	-	34,027
Judy Hsu Chung Wei	-	19,373	-	19,373

(A) Acquired by way of the exercise of International Share Scheme, Restricted Share Scheme, Deferred Restricted Share Scheme and Deferred Restricted Share Award.

(B) Acquired by way of the exercise of Performance Share Plan, Restricted Share Scheme and Deferred Restricted Share Scheme.

(C) Acquired by way of the exercise of the Restricted Share Scheme and Options Over Performance Share Plan.

Some adjustments have been made to the opening balance of share options for certain directors as a result of rights issue in the prior year.

The other Directors did not hold or deal in the shares of the Bank and its related corporations during the financial year.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Bank during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Bank during the financial year, other than the aforementioned.

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 27 to the financial statements or the fixed salary of full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangements to which the Bank is a party whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate except for shares options awarded under the Standard Chartered PLC's Executive Share Option Scheme, Restricted Share Scheme, International Sharesave Scheme, Options over Performance Share Plan, Deferred Restricted Share Scheme, Performance Share Award and Deferred Restricted Share Award.

Holding companies

The Directors regard Standard Chartered Holdings (Asia Pacific) B.V., a company incorporated in The Netherlands, as the immediate holding company of the Bank and Standard Chartered PLC, a company incorporated in Great Britain, as the ultimate holding company of the Bank.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim

....
Osman Tarique Morad

Kuala Lumpur
Date: 11 April 2014

STANDARD CHARTERED BANK MALAYSIA BERHAD
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Statement by Directors pursuant to
Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 20 to 147 are drawn up in accordance with the Companies Act, 1965 in Malaysia and Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and Guidelines on Financial Reporting issued by Bank Negara Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2013 and of their financial performance and cash flows for the year then ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim

....
Osman Tarique Morad

Kuala Lumpur
Date: 11 April 2014

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
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Statutory Declaration pursuant to
Section 169(16) of the Companies Act, 1965

I, Wong Lai Loong, the officer primarily responsible for the financial management of Standard Chartered Bank Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 20 to 147 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 11 April 2014.

....
Wong Lai Loong

Before me:

Independent Auditors' Report to the members of
Standard Chartered Bank Malaysia Berhad
(Company No. 115793 P)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Standard Chartered Bank Malaysia Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Bank, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 147.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia. The Directors are also responsible for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group and the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:-

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Adrian Lee Lye Wang
Chartered Accountant
Approval Number: 2679/11/15(J)

Petaling Jaya
Date: 11 April 2014

STANDARD CHARTERED BANK MALAYSIA BERHAD
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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

		Group			Bank		
		31.12.2013	31.12.2012 Restated	1.1.2012 Restated	31.12.2013	31.12.2012 Restated	1.1.2012 Restated
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short term funds	3	8,143,220	5,306,549	6,251,969	6,794,448	4,139,071	4,881,279
Deposits and placements with banks and other financial institutions	4	12,590	188,206	100,000	2,389,694	2,053,652	839,014
Securities purchased under resale agreements	5	291,261	148,141	117,966	291,261	148,141	117,966
Financial assets held for trading	6	2,918,194	3,391,192	3,608,720	2,918,194	3,391,192	3,608,720
Investment securities available-for-sale	7	4,648,145	6,114,799	4,904,227	4,522,205	4,973,165	4,729,706
Loans, advances and financing	8	34,209,142	32,727,396	30,617,518	29,163,612	28,847,104	27,835,995
Derivative financial assets	42	2,096,671	1,589,143	1,907,653	2,096,231	1,589,144	1,907,744
Other assets	10	702,619	838,945	843,060	989,697	1,223,117	949,694
Current tax assets		64,624	-	3,684	53,150	-	-
Statutory deposits with Bank Negara Malaysia	11	1,153,509	1,103,592	950,971	952,192	964,907	858,419
Investments in subsidiaries	12	-	-	-	411,522	411,522	386,022
Property, plant and equipment	13	65,741	70,229	58,998	61,366	63,872	53,336
Deferred tax assets	32	43,373	39,022	46,368	38,533	33,545	42,826
Total assets		**54,349,089**	**51,517,214**	**49,411,134**	**50,682,105**	**47,838,432**	**46,210,721**
Liabilities							
Deposits from customers	14	38,594,479	35,564,486	38,323,994	34,452,038	31,664,183	35,378,935
Deposits and placements of banks and other financial institutions	15	7,170,856	8,314,656	2,964,816	7,056,409	8,212,243	2,833,685
Derivative financial liabilities	42	1,754,037	1,385,896	1,784,196	1,756,805	1,386,071	1,784,968
Other liabilities	16	1,887,018	2,027,102	2,447,892	2,638,024	2,438,793	2,332,241
Current tax liabilities		1,476	33,233	51,214	-	35,151	66,476
Subordinated debts	17	1,000,000	500,000	503,762	1,000,000	500,000	503,762
Total liabilities		**50,407,866**	**47,825,373**	**46,075,874**	**46,903,276**	**44,236,441**	**42,900,067**
Equity							
Share capital	19	163,000	163,000	163,000	163,000	163,000	163,000
Reserves	20	3,768,971	3,528,841	3,172,260	3,615,829	3,438,991	3,147,654
Total equity attributable to owners of the Bank		**3,931,971**	**3,691,841**	**3,335,260**	**3,778,829**	**3,601,991**	**3,310,654**
Non-controlling interest		9,252	-	-	-	-	-
Total equity		**3,941,223**	**3,691,841**	**3,335,260**	**3,778,829**	**3,601,991**	**3,310,654**
Total liabilities and equity		**54,349,089**	**51,517,214**	**49,411,134**	**50,682,105**	**47,838,432**	**46,210,721**
Commitments and contingencies	36	**156,185,486**	**165,247,235**	**152,492,327**	**152,762,568**	**163,586,868**	**151,219,830**

The notes set out on pages 28 to 147 form an integral part of, and should be read in conjuction with these financial statements.

STANDARD CHARTERED BANK MALAYSIA BERHAD
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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Group		Bank	
		2013	2012 Restated	2013	2012 Restated
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	22	1,863,997	1,768,141	1,892,673	1,855,538
Interest expense	23	(780,548)	(806,137)	(780,454)	(806,137)
Net interest income		**1,083,449**	**962,004**	**1,112,219**	**1,049,401**
Net income from Islamic Banking operations	24	287,659	321,126	-	-
		1,371,108	1,283,130	1,112,219	1,049,401
Other operating income	25	654,843	705,648	732,387	770,807
Total net income		2,025,951	1,988,778	1,844,606	1,820,208
Other operating expenses	26	(974,741)	(897,724)	(932,069)	(859,217)
Operating profit		**1,051,210**	**1,091,054**	**912,537**	**960,991**
Provisions for loans, advances and financing	28	(324,463)	(148,805)	(264,789)	(106,784)
Profit before taxation		**726,747**	**942,249**	**647,748**	**854,207**
Tax expense	31	(165,220)	(231,631)	(156,172)	(208,963)
Profit for the year		**561,527**	**710,618**	**491,576**	**645,244**
Other comprehensive (expense)/income, net of income tax					
Items that may be reclassified subsequently to profit or loss					
Fair value reserve (investment securities available-for-sale):-					
Net changes in fair value		(3,386)	4,585	(3,449)	4,715
Net amount transferred to profit or loss		(1,307)	(9,473)	(1,307)	(9,473)
Cash flow hedges:-					
Effective portion of changes in fair value		(8,403)	(4,877)	(8,403)	(4,877)
Net amount transferred to profit or loss		(1,583)	543	(1,583)	543
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains from defined benefit plan		4	185	4	185
Other comprehensive expense for the year, net of income tax		**(14,675)**	**(9,037)**	**(14,738)**	**(8,907)**
Total comprehensive income for the year		**546,852**	**701,581**	**476,838**	**636,337**
Profit attributable to:					
Owners of the Bank		554,805	710,618	491,576	645,244
Non-controlling interests		6,722	-	-	-
		561,527	**710,618**	**491,576**	**645,244**
Total comprehensive income attributable to:					
Owners of the Bank		540,130	701,581	476,838	636,337
Non-controlling interest		6,722	-	-	-
		546,852	**701,581**	**476,838**	**636,337**
Basic earnings per ordinary share (sen)	35	444	568		

The notes set out on pages 28 to 147 form an integral part of, and should be read in conjuction with these financial statements.

STANDARD CHARTERED BANK MALAYSIA BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

GROUP	Note	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Capital redemption reserves RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	Total RM'000	Non-controlling interest RM'000	Total RM'000
		Attributable to owners of the Bank										
			Non-Distributable Reserves						*Distributable Reserves*			
At 1 January 2013 (restated)		163,000	717,000	249,017	150,000	190	1,578	2,392	2,408,664	3,691,841	-	3,691,841
Fair value reserve (investment securities available-for-sale):-												
Net changes in fair value		-	-	-	-	-	(3,386)	-	-	(3,386)	-	(3,386)
Net amount transferred to profit or loss		-	-	-	-	-	(1,307)	-	-	(1,307)	-	(1,307)
Cash flow hedges:-												
Effective portion of changes in fair value		-	-	-	-	-	-	(8,403)	-	(8,403)	-	(8,403)
Net amount transferred to profit or loss		-	-	-	-	-	-	(1,583)	-	(1,583)	-	(1,583)
Actuarial gains from defined benefit plan		-	-	-	-	-	-	-	4	4	-	4
Total other comprehensive (expense)/income for the year		-	-	-	-	-	(4,693)	(9,986)	4	(14,675)	-	(14,675)
Profit for the year		-	-	-	-	-	-	-	554,805	554,805	6,722	561,527
Total comprehensive (expense)/income for the year		-	-	-	-	-	(4,693)	(9,986)	554,809	540,130	6,722	546,852
Transfer to regulatory reserves		-	-	-	69,000	-	-	-	(69,000)	-	-	-
Transfer to statutory reserves		-	-	16,733	-	-	-	-	(16,733)	-	-	-
Deemed acquisition by non-controlling interest		-	-	-	-	-	-	-	-	-	11,530	11,530
Distributions to owners of the Bank												
Dividends (ordinary shares):-												
- 2012 final	21	-	-	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
- 2013 interim	21	-	-	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Total transactions with owners of the Bank		-	-	-	-	-	-	-	(300,000)	(300,000)	-	(300,000)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	-	(9,000)	(9,000)
At 31 December 2013		**163,000**	**717,000**	**265,750**	**219,000**	**190**	**(3,115)**	**(7,594)**	**2,577,740**	**3,931,971**	**9,252**	**3,941,223**
		Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20			

STANDARD CHARTERED BANK MALAYSIA BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

GROUP	Note	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Capital redemption reserves RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	Total RM'000	Non-controlling interest RM'000	Total RM'000
		Attributable to owners of the Bank										
		Non-Distributable Reserves							*Distributable Reserves*			
At 1 January 2012 (restated)		163,000	717,000	222,924	150,000	190	6,466	6,726	2,068,954	3,335,260	-	3,335,260
Fair value reserve (investment securities available-for-sale):-												
Net changes in fair value		-	-	-	-	-	4,585	-	-	4,585	-	4,585
Net amount transferred to profit or loss		-	-	-	-	-	(9,473)	-	-	(9,473)	-	(9,473)
Cash flow hedges:-												
Effective portion of changes in fair value		-	-	-	-	-	-	(4,877)	-	(4,877)	-	(4,877)
Net amount transferred to profit or loss		-	-	-	-	-	-	543	-	543	-	543
Actuarial gains from defined benefit plan								-	185	185	-	185
Total other comprehensive (expense)/income for the year		-	-	-	-	-	(4,888)	(4,334)	185	(9,037)	-	(9,037)
Profit for the year		-	-	-	-	-	-	-	710,618	710,618	-	710,618
Total comprehensive (expense)/income for the year		-	-	-	-	-	(4,888)	(4,334)	710,803	701,581	-	701,581
Transfer to statutory reserves		-	-	26,093	-	-	-	-	(26,093)	-	-	-
Distributions to owners of the Bank												
Dividends (ordinary shares):-												
- 2011 final	21	-	-	-	-	-	-	-	(195,000)	(195,000)	-	(195,000)
- 2012 interim	21	-	-	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Total transactions with owners of the Bank		-	-	-	-	-	-	-	(345,000)	(345,000)	-	(345,000)
At 31 December 2012		**163,000**	**717,000**	**249,017**	**150,000**	**190**	**1,578**	**2,392**	**2,408,664**	**3,691,841**	**-**	**3,691,841**
		Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20			

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

BANK

		Non-Distributable Reserves							*Distributable Reserves*	
	Note	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserves RM'000**	**Regulatory reserves RM'000**	**Capital redemption reserves RM'000**	**AFS reserves RM'000**	**Cash flow hedge reserves RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2013 (restated)		163,000	717,000	163,000	150,000	190	1,651	2,392	2,404,758	3,601,991
Fair value reserve (investment securities available-for-sale):-										
Net changes in fair value		-	-	-	-	-	(3,449)	-	-	(3,449)
Net amount transferred to profit or loss		-	-	-	-	-	(1,307)	-	-	(1,307)
Cash flow hedges:-										
Effective portion of changes in fair value		-	-	-	-	-	-	(8,403)	-	(8,403)
Net amount transferred to profit or loss		-	-	-	-	-	-	(1,583)	-	(1,583)
Actuarial gains from defined benefit plan		-	-	-	-	-	-	-	4	4
Total other comprehensive (expense)/income for the year		-	-	-	-	-	(4,756)	(9,986)	4	(14,738)
Profit for the year		-	-	-	-	-	-	-	491,576	491,576
Total comprehensive (expense)/ income for the year		-	-	-	-	-	(4,756)	(9,986)	491,580	476,838
Transfer to regulatory reserves		-	-	-	69,000	-	-	-	(69,000)	-
Distributions to owners of the Bank										
Dividends (ordinary shares):-										
- 2012 final	21	-	-	-	-	-	-	-	(150,000)	(150,000)
- 2013 interim	21	-	-	-	-	-	-	-	(150,000)	(150,000)
Total transactions with owners of the Bank		-	-	-	-	-	-	-	(300,000)	(300,000)
At 31 December 2013		**163,000**	**717,000**	**163,000**	**219,000**	**190**	**(3,105)**	**(7,594)**	**2,527,338**	**3,778,829**
		Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

BANK	Note	←		*Non-Distributable Reserves*				→	*Distributable Reserves*	
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Capital redemption reserves RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2012 (restated)		163,000	717,000	163,000	150,000	190	6,409	6,726	2,104,329	3,310,654
Fair value reserve (investment securities available-for-sale):-										
Net changes in fair value		-	-	-	-	-	4,715	-	-	4,715
Net amount transferred to profit or loss		-	-	-	-	-	(9,473)	-	-	(9,473)
Cash flow hedges:-										
Effective portion of changes in fair value		-	-	-	-	-	-	(4,877)	-	(4,877)
Net amount transferred to profit or loss		-	-	-	-	-	-	543	-	543
Actuarial gains from defined benefit plan		-	-	-		-	-	-	185	185
Total other comprehensive (expense)/income for the year		-	-	-	-	-	(4,758)	(4,334)	185	(8,907)
Profit for the year		-	-	-	-	-	-	-	645,244	645,244
Total comprehensive income for the year		-	-	-	-	-	(4,758)	(4,334)	645,429	636,337
Distributions to owners of the Bank										
Dividends payable:-										
- 2011 final	21	-	-	-	-	-	-	-	(195,000)	(195,000)
- 2012 interim	21	-	-	-	-	-	-	-	(150,000)	(150,000)
Total transactions with owners of the Bank		-	-	-	-	-	-	-	(345,000)	(345,000)
At 31 December 2012		**163,000**	**717,000**	**163,000**	**150,000**	**190**	**1,651**	**2,392**	**2,404,758**	**3,601,991**
		Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Group		Bank	
	2013	2012 Restated	2013	2012 Restated
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	726,747	942,249	647,748	854,207
Adjustments for:-				
Dividend income	(36,633)	(35,609)	(36,633)	(35,609)
Depreciation	29,104	27,746	25,845	24,780
Gain on disposal of property, plant and equipment	(92)	(335)	(92)	(335)
Gain on disposal of investment securities available-for-sale	(3,686)	(19,696)	(3,686)	(19,696)
Amortisation of premium less accretion of discount on investment securities available-for-sale	(54,898)	(57,182)	(57,813)	(39,651)
Operating profit before working capital changes	660,542	857,173	575,369	783,696
Changes in working capital:-				
Deposits and placements with banks and other financial institutions	175,616	(88,206)	(336,042)	(1,214,638)
Securities purchased under resale agreement	(143,120)	(30,175)	(143,120)	(30,175)
Financial assets held for trading	472,998	217,528	472,998	217,528
Loans, advances and financing	(1,481,745)	(2,109,878)	(316,508)	(1,011,109)
Derivative financial instruments	(139,387)	(79,790)	(136,353)	(80,297)
Other assets	126,442	(1,664)	220,104	(279,202)
Statutory deposits with Bank Negara Malaysia	(49,917)	(152,621)	12,715	(106,488)
Deposits from customers	3,029,993	(2,759,509)	2,787,855	(3,714,752)
Deposits and placements of banks and other financial institutions	(1,143,800)	5,349,840	(1,155,834)	5,378,558
Other liabilities	(160,212)	(424,304)	199,236	103,037
Cash generated from operations	1,347,410	778,394	2,180,420	46,158
Income taxes paid	(259,584)	(235,571)	(244,547)	(228,038)
Net cash generated from / (used in) operating activities	**1,087,826**	**542,823**	**1,935,873**	**(181,880)**
Cash flows from investing activities				
Dividends received	36,633	35,609	36,633	35,609
Purchase of property, plant and equipment	(24,616)	(38,977)	(23,339)	(35,316)
Proceeds from disposal of property, plant and equipment	92	335	92	335
Purchase of investment securities available-for-sale	(11,526,699)	(15,340,563)	(10,815,834)	(10,892,483)
Proceeds from disposal of investment securities available-for-sale	13,075,069	14,200,353	11,321,952	10,702,027
Investment in a subsidiary	(8,880)	-	-	(25,500)
Net cash generated from / (used in) investing activities	**1,551,599**	**(1,143,243)**	**519,504**	**(215,328)**

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	Group		Bank	
	2013	2012 Restated	2013	2012 Restated
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Proceeds from issuance of subordinated bonds	500,000	-	500,000	-
Dividends paid (Note 21)	(300,000)	(345,000)	(300,000)	(345,000)
Dividend paid to non-controlling interest	(9,000)	-	-	-
Issuance of notes payable	27,246	-	-	-
Repayment of notes payable	(21,000)	-	-	-
Net cash generated from/ (used in) financing activities	**197,246**	**(345,000)**	**200,000**	**(345,000)**
Net increase / (decrease) in cash and cash equivalents	2,836,671	(945,420)	2,655,377	(742,208)
Cash and cash equivalents brought forward	5,306,549	6,251,969	4,139,071	4,881,279
Cash and cash equivalents carried forward	**8,143,220**	**5,306,549**	**6,794,448**	**4,139,071**
Cash and cash equivalents comprise:				
Cash and short term funds (Note 3)	**8,143,220**	**5,306,549**	**6,794,448**	**4,139,071**

Notes to the financial statements

Corporate Information

Standard Chartered Bank Malaysia Berhad is a limited company incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is as follows:-

Level 16, Menara Standard Chartered
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

The principal activities of the Group and of the Bank are banking and related financial services which also include Islamic Banking business. The principal activities of the subsidiaries are stated in Note 12 to the financial statements.

The immediate and ultimate holding company of the Bank during the financial year were Standard Chartered Holdings (Asia Pacific) B.V., a company incorporated in the Netherlands and Standard Chartered PLC, a company incorporated in Great Britain.

The financial statements were approved by the Board of Directors on 11 April 2014.

1. Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act, 1965 in Malaysia. The accounting policies adopted by the Group and the Bank are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2012, except for the adoption of the following MFRS, IC Interpretation and Amendments to MFRSs during the current financial year end.

i)	MFRS 10	*Consolidated Financial Statements*
ii)	MFRS 11	*Joint Arrangements*
iii)	MFRS 12	*Disclosure of Interests in Other Entities*
iv)	MFRS 13	*Fair Value Measurement*
v)	MFRS 119	*Employee Benefits*
vi)	MFRS 127	*Separate Financial Statements (2011)*
vii)	MFRS 128	*Investments in Associates and Joint Ventures (2011)*
viii)	Amendments to MFRS 7	*Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
ix)	Amendments to MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards-Government Loans*
x)	Amendments to MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
xi)	Amendments to MFRS 101	*Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
xii)	Amendments to MFRS 116	*Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
xiii)	Amendments to MFRS 132	*Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
xiv)	Amendments to MFRS 134	*Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
xv)	Amendments to MFRS 10	*Consolidated Financial Statements: Transition Guidance*
xvi)	Amendments to MFRS 11	*Joint Arrangements: Transition Guidance*
xvii)	Amendments to MFRS 12	*Disclosure of Interests in Other Entities: Transition Guidance*

The adoption of the above MFRSs, Amendments to MFRSs and IC Interpretation do not have any material impacts on the financial statements of the Group and the Bank.

The financial statements also incorporate those activities relating to Islamic Banking which have been undertaken by the Group. Islamic Banking refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

1. Basis of preparation of the financial statements (continued)

(a) Statement of compliance (continued)

Accounting standards not yet effective

The following MFRSs, Amendments to MFRS and IC Interpretations have been issued by the MASB and are not yet effective:

Amendments to MFRSs and IC Interpretation effective for annual periods beginning on or after 1 January 2014

i)	Amendments to MFRS 10	*Consolidated Financial Statements: Investment Entities*
ii)	Amendments to MFRS 12	*Disclosure of Interests in Other Entities: Investment Entities*
iii)	Amendments to MFRS 127	*Separate Financial Statements (2011): Investment Entities*
iv)	Amendments to MFRS 132	*Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities*
v)	Amendments to MFRS 136	*Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
vi)	Amendments to MFRS 139	*Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
vii)	IC Interpretation 21	*Levies*

MFRSs and Amendments to MFRSs effective for annual periods beginning on or after 1 July 2014

i)	Amendments to MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
ii)	Amendments to MFRS 2	*Share-based Payment (Annual Improvements 2010-2012 Cycle)*
iii)	Amendments to MFRS 3	*Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
iv)	Amendments to MFRS 8	*Operating Segments (Annual Improvements 2010-2012 Cycle)*
v)	Amendments to MFRS 13	*Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
vi)	Amendments to MFRS 116	*Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
vii)	Amendments to MFRS 119	*Employee Benefits – Defined Benefit Plans: Employee Contributions*
viii)	Amendments to MFRS 124	*Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
ix)	Amendments to MFRS 138	*Intangible Assets (Annual Improvements 2010-2012 Cycle)*
x)	Amendments to MFRS 140	*Investment Properties (Annual Improvements 2011-2013 Cycle)*

MFRSs and Amendments to MFRSs effective for a date yet to be confirmed

i)	MFRS 9	*Financial Instruments (2009)*
ii)	MFRS 9	*Financial Instruments (2010)*
iii)	MFRS 9	*Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
iv)	Amendments to MFRS 7	*Financial Instruments: Disclosures- Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Bank plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2014 for those amendments and interpretation that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards or amendments that are effective for annual periods beginning on or after 1 July 2014.

Except for MFRS 9, the initial application of all the above applicable MFRSs and amendments is not expected to have any material impact on the financial statements upon their first adoption.

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Bank is currently assessing the financial impact of adopting MFRS 9.

1. Basis of preparation of the financial statements (continued)

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except as mentioned in the respective accounting policy notes.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with the MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ from these estimates.

In determining the carrying amounts of some assets and liabilities, the Group and the Bank make assumptions of the effects of uncertain future events on those assets and liabilities at the statement of financial position date. The estimates and assumptions used are based on historical experience and expectation of future events and are reviewed periodically. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are described in the following notes:-

i) Estimation of recoverable amount based on the discounted cash flow methodology for impaired loan (Note 2 (b) (viii) (B))
ii) Estimation of actuarial life for recognition of interest/profit income and interest and financing expense under effective interest/profit rate method (Note 2 (k), Note 2 (n) and Note 2 (p))
iii) Fair value estimation of financial assets and financial liabilities (Note 42)

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements as at and for the financial year ended 31 December 2013 comprise the financial statements of the Bank and its subsidiaries made up to the end of the financial year.

i) Subsidiaries

Subsidiaries are those enterprises, including unincorporated enterprises, controlled by the Bank. Control exists when the Bank has the ability to exercise its power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investment in subsidiaries in the Bank's statement of financial position is stated at cost, less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

ii) Non-controlling interest

Non-controlling interest at the end of the reporting year, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Bank, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Bank. Non-controlling interest in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interest and owners of the Bank.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Financial instruments

i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

ii) Financial instrument categories and subsequent measurement

The Group and the Bank categorise financial instruments as follows:-

<u>Financial assets</u>

A) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises two sub-categories: financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition.

A financial asset is classified as trading if acquired principally for the purpose of selling in short term. Financial assets may be designated at fair value through profit or loss when:-

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets on a different basis;
- a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis; or
- the assets include embedded derivatives and such derivatives are required to be recognised separately.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised as net trading income in the statement of comprehensive income. Interest income from the financial assets held for trading, calculated using the effective interest method, is recognised in the statement of comprehensive income.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

B) Investment securities held-to-maturity

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturities that the Group and the Bank have the positive intent and ability to hold to maturity and which are not designated as held for trading nor available-for-sale. These securities are measured at amortised cost using the effective interest/ profit method. A gain or loss is recognised in the statement of comprehensive income when the securities are derecognised. Amortisation of premium or accretion of discount for securities are also recognised in the statement of comprehensive income.

Any sale or reclassification of a significant amount of investment securities held-to-maturity not close to their maturity would result in the reclassification of all investment securities held-to-maturity to investment securities available-for-sale, and prevent the Group and the Bank from classifying similar class of securities as investment securities held-to-maturity for the current and following two financial years.

C) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than those due to credit deterioration. Financial assets classified under this category are Cash and short term funds, Deposits and placements with banks and other financial institutions and Loans, advances and financing.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest/profit method. The amortised cost of the financial asset is the amount at which the financial asset is measured at initial recognition, less principal repayment, plus or less the cumulative amortisation using the effective interest/profit method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment. Interest/profit income is recognised as interest income in the statement of comprehensive income using effective interest/profit method.

D) Available-for-sale financial assets

Available-for-sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in market conditions.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in statement of comprehensive income. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from other comprehensive income into statement of comprehensive income. Interest calculated for a debt instrument using the effective interest method is recognised in statement of comprehensive income.

Interest from investment securities available-for-sale (including zero coupon debt instruments), calculated using the effective interest method, is recognised in the statement of comprehensive income.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment stated in Note 2(b)(viii) to the financial statements.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

The financial liabilities of the Group and the Bank include Deposits from customers, Deposits and placements of banks and other financial institutions, Securities sold under repurchase agreements, Financial derivatives, Other liabilities and Subordinated debts.

All financial liabilities are subsuequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in statement of comprehensive income.

iii) Financial guarantee contract

In the ordinary course of business, the Group and the Bank give financial guarantees, consisting letters of credit, guarantees and acceptances. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to statement of comprehensive income using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in statement of comprehensive income upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:-

- the recognition of an asset to be received and the liability to pay for it on the trade date, and
- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

v) Derivative financial instruments and hedge accounting

Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivative contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Further details of these techniques are set out in Note 42. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs that are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

v) *Derivative financial instruments and hedge accounting (continued)*

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the value of recognised assets or liabilities or firm commitments (fair value hedge); (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group and the Bank enter into derivative transactions for hedging purposes, largely to manage exposures to interest rate and foreign currency, arising from its core banking activities of lending and accepting deposits.

The Group and the Bank formally assess, both at the inception of the hedge and on an on-going basis, whether the hedging derivatives have been 'highly effective' in offsetting changes in the fair value or cash flows of the hedge items. 'Hedge effectiveness' represents the amount by which the changes in the fair value of the hedging derivatives differ from changes in the fair value of the hedged item relating to the hedged risk. Such gains or losses are recorded in current period earnings.

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the statements of comprehensive income.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in statements of comprehensive income. The gain or loss on the hedged items, except for hedged items categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged items and recognised in statements of comprehensive income. For a hedged item categorised as available-for-sale, the fair value gain or loss attributable to the hedged risk is recognised in statements of comprehensive income.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the statements of comprehensive income. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in statements of comprehensive income.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from other comprehensive income into statements of comprehensive income in the same period or periods during which the hedged forecast cash flows affect statements of comprehensive income. If the hedged item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from other comprehensive income and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from other comprehensive income into statements of comprehensive income.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

v) Derivative financial instruments and hedge accounting (continued)

Cash flow hedge (continued)

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from other comprehensive income into statements of comprehensive income.

vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statements of comprehensive income.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statements of comprehensive income.

vii) Offsetting

Financial assets and liabilities are offset and the net amount presented on the statements of financial position when there is a legally enforceable right to offset the amounts and the intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expense are presented on a net basis only when permitted by the accounting standards.

viii) Impairment of financial assets

The Group and the Bank assess at each end of reporting period whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the present value of estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that an issuer of securities or a borrower or a group of borrowers is experiencing significant financial difficulties, default or delinquency in interest or principal repayments, that it is possible that they will enter bankrupty or other financial recognition and that there are observable data indicating a reasonable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlates with default.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

viii) Impairment of financial assets (continued)

A) Securities

The carrying amount of the Group's and the Bank's securities are reviewed at each reporting date to determine whether there is any objective evidence of impairment on the securities or group of securities. If any such evidence exists, the Group and the Bank will apply the following:-

- *Securities carried at amortised cost*
  The impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at its original effective interest/profit rate. The carrying amount of the securities is reduced through the use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

  If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

- *Securities carried at cost*
  The amount of impairment loss is measured as the difference between the carrying amount of unquoted equity securities and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment loss shall not be reversed.

- *Investment securities available-for-sale*
  The cumulative loss that had been recognised directly in other comprehensive income shall be removed from other comprehensive income and recognised in the statement of comprehensive income even though the securities have not been derecognised. The amount of cumulative loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that securities previously recognised in the statement of comprehensive income.

  Impairment losses recognised in the statement of comprehensive income for an investment in an equity investment classified as available-for-sale, is not reversed through the statement of comprehensive income.

  If, in subsequent periods, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment was recognised in the statement of comprehensive income, that portion of impairment loss is reversed through the statement of comprehensive income.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

viii) Impairment of financial assets (continued)

B) Loans, advances and financing

The carrying amount of the Group's and the Bank's loans, advances and financing are reviewed at each reporting date to determine whether there is objective evidence of impairment subject to BNM's minimum requirement of classifying loans, advances and financing as impaired. Customers accounts are classified as 'impaired', where repayments are in arrears for more than 90 days for loans and overdrafts, and 30 days after maturity date for trade bills, bankers' acceptance and trust receipts. If such evidence exists, the recoverable amount of the loans, advances and financing is estimated. Individual impairment provisions is provided in the statement of comprehensive income whenever the carrying amount of the impaired loans, advances and financing exceeds its recoverable amount (being the present value of estimated future cash flows discounted at customer effective rate). The estimated future cash flows are based on projection of liquidation proceeds from realisation of collateral assets or estimates of future operating cash flows.

The Group and the Bank first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in group of financial assets with similar credit characteristics and collectively assess them for impairment.

Uncollectible loans, advances and financing or portion of loans, advances and financing which are classified as bad is written off after taking into consideration the discounted realisable value of the collateral, if any, when in the judgment of the management, there is no prospect of recovery.

For loans converted into debt or equity instruments, these financial instruments are measured at their fair value. The difference between the net book value of the restructured loans (outstanding amounts of loans, advances and financing net of individual impairment provisions) and the fair value of the debt or equity instruments will be the gain or loss from the conversion exercise.

During the year, the Group and the Bank have changed the measurement basis of Collective Impairment Provision for loans, advances and financing. An explanation of the change and impacts are provided in Note 48.

(c) Property, plant and equipment

i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to its location and working condition for its intended use, and the costs of dismantling and removing the assets and restoring the site on which the assets are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

ii) Subsequent costs

Subsequent costs incurred in replacing part of an item of property, plant and equipment are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

iii) Depreciation

While freehold land is not depreciated, leasehold land is depreciated over the period of their respective leases. Depreciation on other property, plant and equipment is calculated to write off the cost of the property, plant and equipment on a straight line basis over the estimated useful lives of the assets concerned.

The estimated useful lives for the current and comparative periods are as follows:-

Leasehold land	Over the unexpired period of the lease
Buildings and refurbishment	Over the estimated useful life of the building of up to 50 years or unexpired period of lease of the building, whichever is shorter.
Premises, plant and equipment	3 to 10 years
Office equipment	3 to 8 years
Furniture and fittings	3 to 8 years
Motor vehicles	3 to 5 years

Depreciation methods, residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

(d) Repurchase and resale agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statement of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank has sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligations to repurchase the securities in its entirety are reflected as a liability on the statement of financial position. The securities sold under repurchase agreements are treated as pledged assets and continue to be recognised as assets in the statement of financial position.

(e) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(f) Subordinated debts

Subordinated debts are carried at amortised cost except for debts which are fair value hedged, which are stated at cost and modified for change in value of the hedge risk. Interest expense on subordinated debts of the Group and the Bank are recognised in the statement of comprehensive income on an accrual basis.

(g) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise of cash and short-term funds and deposits and placements with financial institutions, with remaining maturity of less than one month and subject to insignificant risk of change in value.

2. Significant accounting policies (continued)

(h) Impairment of other assets

The carrying amount of the Group's and the Bank's assets, other than deferred tax assets and financial assets (excluding investments in subsidiaries), where policies are as disclosed in Note 2(b)(viii)(A), are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of the asset's fair value less costs to sell and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus of the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the same asset.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is credited to the statement of comprehensive income in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus.

(i) Staff retirement and service benefits

i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group and the Bank have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group and the Bank contribute to the Employees Provident Fund ("EPF") for eligible employees on a monthly basis. Obligations for contributions to EPF are recognised as an expense in the statements of comprehensive income in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

ii) Defined benefit plans

The Group and the Bank makes contributions to an approved defined benefit scheme in respect of eligible employees.

The Bank's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the market yield at the statement of financial position date of the plan's investment. The calculation is performed by a qualified actuary on the basis of triennial valuations using the projected unit credit method.

Actuarial gains and losses that arise are recognised in other comprehensive income and presented in the statement of comprehensive income in the period they arise.

2. Significant accounting policies (continued)

(i) Staff retirement and service benefits (continued)

iii) Share-based compensation

The Group and the Bank participate in equity-settled and cash-settled share-based compensation plan for its employees that is offered by the ultimate holding company, Standard Chartered PLC. The fair value of the services received in exchange for the grant of the options is recognised as an expense in the statement of comprehensive income over the vesting periods of the grant.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the Group and the Bank revise its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income.

iv) Termination benefits

Termination benefits are recognised as an expense when the Group and the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as expenses if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(j) Operating leases

Rentals payable under operating leases are accounted for on a straight line basis over the period of the lease and are included in the statement of comprehensive income as "establishment costs".

(k) Recognition of interest/profit income

Interest/profit income is recognised in the statement of comprehensive income using the effective interest/profit method for financial assets measured at amortised cost. The effective interest/profit rate is the rate that exactly discounts estimated future receipts through the expected life of the financial assets.

Where an account is classified as impaired, impairment provision is made on principal outstanding and interest/ fee accrued prior to an account being impaired. Upon impairment, subsequent contractual interest/ fee due will not be recognised as income.

(l) Recognition of fees and other income

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

Dividends from financial assets held for trading, investment securities available-for-sale and held-to-maturity are recognised when the right to receive the payment is established.

Service charges and processing fees are recognised when earned.

(m) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

2. Significant accounting policies (continued)

(m) Tax expense (continued)

Deferred tax is recognised, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising from initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(n) Recognition of interest and financing expense

Interest expense and attributable profits (on activities relating to Islamic Banking business) on deposits and borrowings of the Group and the Bank are recognised on an effective interest/profit method as described in Note 2 (p). The effective interest/ profit rate is the rate that exactly discounts estimated future payments through the expected life of the financial liabilities.

(o) Foreign currency transactions and balances

Individual foreign currency assets and liabilities are stated in the statement of financial position at spot rates of exchange, which closely approximate those ruling at the reporting date. Items in the statement of comprehensive income are translated at rates prevailing on transaction dates. Exchange gains and losses are recognised in the statement of comprehensive income in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at historical costs are translated using the spot exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the statement of comprehensive income.

(p) Effective interest/profit rate

The effective interest/profit rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest/profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit rate, the Group and the Bank estimate cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest/profit rate, transaction costs and all other premiums or discounts.

(q) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to ordinary shareholders of the Group and the Bank by the weighted average number of ordinary shares outstanding during the financial year.

2. Significant accounting policies (continued)

(r) Fair value measurements

From 1 January 2013, the Group and the Bank adopted MFRS 13, Fair Value Measurement which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset of transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group and the Bank applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group and the Bank's assets or liabilities other than the additional disclosures.

3. Cash and short term funds

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	207,768	148,499	170,023	131,853
Money at call and deposit placements maturing within one month	7,935,452	5,158,050	6,624,425	4,007,218
	8,143,220	5,306,549	6,794,448	4,139,071

4. Deposits and placements with banks and other financial institutions

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	-	2,377,104	1,865,445
Bank Negara Malaysia	-	100,000	-	100,000
Other financial institutions	12,590	88,206	12,590	88,207
	12,590	188,206	2,389,694	2,053,652

5. Repurchase and reverse repurchase agreements and collateral

The Group and the Bank entered into collateralised repurchase and reverse repurchase agreements and securities borrowings and lending transactions. It also receives securities as collaterals for commercial lendings.

Under reverse repurchase arrangements, the Group and the Bank obtain securities on terms which permit it to re-pledge or re-sell the securities to others. Amounts on such securities are as follows:-

	Group and Bank	
	2013	2012
	RM'000	RM'000
Statement of Financial Position - Assets		
Securities and collaterals which can be re-pledged or sold	291,261	148,141

6. Financial assets held for trading

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government treasury bills	160,593	137,411	160,593	137,411
Malaysian Government bonds/securities	979,398	1,724,946	979,398	1,724,946
Government Islamic bonds	9,985	81,479	9,985	81,479
Bank Negara Malaysia bills	1,558,607	1,258,891	1,558,607	1,258,891
Private debt securities	209,611	188,465	209,611	188,465
	2,918,194	3,391,192	2,918,194	3,391,192

7. Investment securities available-for-sale

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government bonds/securities	2,038,391	1,742,333	2,038,391	1,742,333
Bank Negara Malaysia bills	746,173	2,984,992	646,475	1,888,359
Bankers' acceptances and Islamic acceptance bills	722,539	515,217	722,539	515,217
Negotiable instruments of deposit	1,104,836	499,999	1,104,836	460,007
Private debt securities	-	362,349	-	357,340
	4,611,939	6,104,890	4,512,241	4,963,256
Unquoted securities:-				
Equity shares, at cost	9,721	9,666	9,721	9,666
Private debt securities, at fair value	26,485	243	243	243
	4,648,145	6,114,799	4,522,205	4,973,165

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8. Loans, advances and financing

(i) By type

	Group		Bank	
	2013	2012 Restated	2013	2012 Restated
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	620,665	646,987	620,665	646,987
Term loans/financing				
- Housing loans/financing	13,610,278	13,069,756	11,566,925	11,970,351
- Syndicated term loan/financing	50,643	156,669	50,643	156,669
- Hire purchase receivables	248,672	234,809	-	-
- Lease receivables	542,668	559,044	-	-
- Other term loans/financing	11,004,065	10,970,898	8,722,415	8,479,073
Bills receivable	3,255,142	3,164,832	3,190,076	3,117,480
Trust receipts	1,448,438	1,567,772	1,345,792	1,407,164
Staff loans/financing	54,951	69,558	53,324	67,715
Loans/financing to banks and other financial institutions	268,738	365,000	268,738	365,000
Credit card receivables	2,357,202	2,276,880	2,357,202	2,276,880
Revolving credit	2,302,691	1,473,397	1,509,710	806,362
	35,764,153	34,555,602	29,685,490	29,293,681
Less: Unearned interest and income	(943,945)	(1,248,870)	(30,531)	(5,432)
Gross loans, advances and financing	34,820,208	33,306,732	29,654,959	29,288,249
Less: Impairment provisions on loans, advances and financing:-				
- Individual impairment provisions	(263,135)	(218,584)	(247,352)	(215,210)
- Collective impairment provisions	(347,931)	(360,752)	(243,995)	(225,935)
Total net loans, advances and financing	34,209,142	32,727,396	29,163,612	28,847,104

(ii) By type of customer

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	10,344	56,573	10,344	56,573
Domestic non-bank financial institutions	544,943	665,964	344,493	416,203
Domestic business enterprises	13,578,097	12,227,034	11,392,459	10,492,115
Small medium enterprises	*4,644,283*	*4,147,228*	*3,844,425*	*3,654,593*
Others	*8,933,814*	*8,079,806*	*7,548,034*	*6,837,522*
Individuals	18,232,044	18,259,278	15,668,946	16,290,965
Other domestic entities	643	707	643	707
Foreign entities	2,454,137	2,097,176	2,238,074	2,031,686
	34,820,208	33,306,732	29,654,959	29,288,249

8. Loans, advances and financing (continued)

(iii) By interest/profit rate sensitivity

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fixed rate				
Housing loans/financing	29,900	38,089	27,339	35,044
Other fixed rate loans/financing	5,150,392	5,525,553	3,701,030	3,662,071
Variable rate				
BLR plus	17,110,006	16,446,376	15,478,024	15,838,866
Cost plus	10,735,593	9,901,455	9,984,253	9,289,222
Other variable rates	1,794,317	1,395,259	464,313	463,046
	34,820,208	33,306,732	29,654,959	29,288,249

(iv) By sector

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Agriculture	690,739	387,422	542,592	234,732
Mining and quarrying	170,400	276,425	101,517	218,920
Manufacturing	5,026,833	4,464,558	4,512,471	3,952,384
Electricity, gas and water	97,180	11,392	95,080	9,167
Construction	732,672	754,693	634,622	676,490
Real estate	1,303,978	915,124	934,436	803,419
Wholesale & retail trade and restaurants & hotels	3,276,282	2,746,491	2,959,085	2,378,742
Transportation, storage and communication	568,422	553,763	336,272	323,008
Finance, insurance and business services	2,123,872	2,101,068	1,604,563	1,710,548
Household	19,688,548	19,440,835	16,909,387	17,407,032
Others	1,141,282	1,654,961	1,024,934	1,573,807
	34,820,208	33,306,732	29,654,959	29,288,249

(v) By purpose

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Purchase of securities	8,633	25,000	8,633	25,000
Purchase of landed property	17,094,064	16,026,164	14,713,924	15,207,807
- Residential	*13,432,237*	*12,857,522*	*11,776,288*	*12,220,573*
- Non-residential	*3,661,827*	*3,168,642*	*2,937,636*	*2,987,234*
Fixed assets excluding land & building	179,994	148,826	-	-
Personal use	2,460,613	2,974,585	1,532,538	1,610,451
Credit cards	2,357,202	2,276,880	2,357,202	2,276,880
Working capital	12,466,562	11,349,586	10,789,522	9,662,420
Others	253,140	505,691	253,140	505,691
	34,820,208	33,306,732	29,654,959	29,288,249

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8. Loans, advances and financing (continued)

(vi) By maturity structure

	Group 2013 RM'000	Group 2012 RM'000	Bank 2013 RM'000	Bank 2012 RM'000
Maturing within one year	9,612,015	11,106,800	9,046,983	10,378,473
One year to three years	4,273,050	2,811,548	3,271,176	1,960,099
Three years to five years	2,946,266	3,103,763	2,115,023	1,824,357
Over five years	17,988,877	16,284,621	15,221,777	15,125,320
	34,820,208	33,306,732	29,654,959	29,288,249

(vii) By geographical distribution

	Group 2013 RM'000	Group 2012 RM'000	Bank 2013 RM'000	Bank 2012 RM'000
Within Malaysia	34,488,375	32,792,024	29,323,126	28,773,541
Outside Malaysia	331,833	514,708	331,833	514,708
	34,820,208	33,306,732	29,654,959	29,288,249

(viii) Analysis of foreign currency exposure

	Group 2013 RM'000	Group 2012 RM'000	Bank 2013 RM'000	Bank 2012 RM'000
USD	3,083,275	2,844,307	2,777,896	2,721,934
GBP	669,076	609,726	669,076	609,726
Other foreign currencies	106,711	68,813	106,711	68,813

9. Impaired loans, advances and financing

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	2013	**2012 Restated**	**2013**	**2012 Restated**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	424,940	374,713	391,051	356,203
Classified as impaired during the financial year	1,355,589	721,433	1,250,426	625,963
Reclassified as performing during the financial year	(227,567)	(280,157)	(224,208)	(278,470)
Amount recovered during the financial year	(160,456)	(97,391)	(152,196)	(85,775)
Amount written off during the financial year	(303,629)	(293,658)	(216,805)	(226,870)
At 31 December	1,088,877	424,940	1,048,268	391,051
Individual impairment provisions	(263,135)	(218,584)	(247,352)	(215,210)
Net impaired loans, advances and financing	825,742	206,356	800,916	175,841

	Group		Bank	
	2013	**2012 Restated**	**2013**	**2012 Restated**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Collective impairment provisions				
At 1 January	360,752	421,022	225,935	271,276
Impairment made during the financial year	49,097	46,987	45,103	31,746
Amount written back	(61,918)	(107,257)	(27,043)	(77,087)
At 31 December	347,931	360,752	243,995	225,935
As a percentage of gross loans, advances and financing less individual impairment provisions	1.01%	1.09%	0.83%	0.78%
Individual impairment provisions				
At 1 January	218,584	249,662	215,210	247,153
Impairment made during the financial year	302,261	227,048	199,878	156,946
Amount written back	(78,782)	(71,568)	(75,677)	(70,049)
Amount written off	(178,928)	(186,558)	(92,059)	(118,840)
At 31 December	263,135	218,584	247,352	215,210

9. Impaired loans, advances and financing (continued)

(ii) Impaired loans, advances and financing by sector

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Agriculture	14,803	14,432	14,803	14,432
Mining and quarrying	9,221	-	9,221	-
Manufacturing	675,054	82,809	673,788	81,929
Construction	92,852	60,801	92,852	60,801
Wholesale & retail trade and restaurants & hotels	49,249	35,092	48,360	34,948
Transportation, storage and communication	238	1,138	238	1,138
Finance, insurance and business services	1,403	2,755	1,156	2,755
Household	242,100	223,089	203,893	190,370
Others	3,957	4,824	3,957	4,678
	1,088,877	424,940	1,048,268	391,051

(iii) Impaired loans, advances and financing by purpose

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Purchase of landed property	125,175	147,884	122,386	143,858
- Residential	*116,275*	*139,056*	*114,478*	*135,030*
- Non-residential	*8,900*	*8,828*	*7,908*	*8,828*
Fixed assets excluding land & building	722	-	-	-
Personal use	98,152	60,364	62,734	30,791
Credit cards	25,155	23,766	25,155	23,766
Working capital	839,673	192,926	837,993	192,636
	1,088,877	424,940	1,048,268	391,051

(iv) Impaired loans, advances and financing by geographical distribution

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Within Malaysia	1,088,614	424,774	1,048,005	390,885
Outside Malaysia	263	166	263	166
	1,088,877	424,940	1,048,268	391,051

10. Other assets

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest/Income receivable	52,627	50,176	60,442	56,989
Unquoted Subordinated Sukuk of a subsidiary company	-	-	100,000	-
Other receivables, deposits and prepayments	649,992	788,769	829,255	1,166,128
	702,619	838,945	989,697	1,223,117

11. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia ("BNM") in accordance with Section 37(1)(c) of the Central Bank of Malaysia Act 1958 (revised 1994) to satisfy the Statutory Reserve Requirement (“SRR”); the amounts of which are determined as set percentages of total eligible liabilities.

12. Investments in subsidiaries

		Bank	
		2013 RM'000	2012 RM'000
Unquoted shares, at cost	(a)	411,522	411,522

(a) On 1 June 2013,Golden Maestro Sdn Bhd (“GMSB”), a wholly-owned subsidiary of the Bank had acquired the following from SCBHK:

i) 40 ordinary shares and 70 preference shares of RM1.00 each, respectively, representing 40% of the issued and paid up ordinary share capital and 70% of the irredeemable preference share capital, respectively, in Resolution Alliance Sdn Bhd for a total consideration of RM 26,902,621; and

ii) 49 ordinary shares of RM1.00 each, representing 49% of the issued and paid up ordinary share capital in Popular Ambience Sdn Bhd for a total consideration of RM 343,578.

The purchase consideration was satisfied via the issuance of a note payable to SCBHK.

Subsequent to the acquisition, GMSB ’s and the Bank's shareholding in RASB and PASB has increased from 51% each to 70% and 100% respectively, as set out in Note 47 to the Financial Statements.

(b) The subsidiaries of the Bank are as follows:-

Name	Principal activities	Country of incorporation	Effective equity interest 2013	2012
Standard Chartered Saadiq Berhad	Islamic banking business	Malaysia	100%	100%
Cartaban (Malaya) Nominees Sdn. Bhd. #	Nominee services	Malaysia	100%	100%
Cartaban Nominees (Tempatan) Sdn. Bhd. #	Nominee services	Malaysia	100%	100%
Cartaban Nominees (Asing) Sdn. Bhd. #	Nominee services	Malaysia	100%	100%
Golden Maestro Sdn. Bhd. #	Investment holding company	Malaysia	100%	100%
SCBMB Trustee Berhad #	Trustee services	Malaysia	100%	100%
Resolution Alliance Sdn Bhd +	Special purpose vehicle ("SPV") established to undertake the purchase of non-performing loans.	Malaysia	70%*	51%
Popular Ambience Sdn Bhd +	SPV established to undertake the purchase of non-performing loans.	Malaysia	100%	51%

* Effective 1st June 2013, the Group’s effective interest in this company is based on irredeemable preference share capital subscribed

\+ These subsidiaries are held through Golden Maestro Sdn Bhd.

\# All income and expenditure of these subsidiaries have been borne by the Bank.

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13. Property, plant and equipment

Group Cost	Short term leasehold land RM'000	Buildings and refurbishment RM'000	Premises, plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
At 1 January 2013	936	74,346	18,369	226,936	51,684	4,986	377,257
Additions	-	1,195	178	22,750	237	256	24,616
Reclassification	-	(1,603)	1,429	84	90	-	-
Disposal	-	-	-	-	-	(92)	(92)
At 31 December 2013	936	73,938	19,976	249,770	52,011	5,150	401,781
Accumulated Depreciation							
At 1 January 2013	145	67,518	11,391	176,814	47,411	3,749	307,028
Charge for the year	19	232	3,883	21,493	2,695	782	29,104
Disposal	-	-	-	-	-	(92)	(92)
At 31 December 2013	164	67,750	15,274	198,307	50,106	4,439	336,040
Net book value							
At 31 December 2013	772	6,188	4,702	51,463	1,905	711	65,741

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13. Property, plant and equipment (continued)

Group Cost	Short term leasehold land RM'000	Buildings and refurbishment RM'000	Premises, plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
At 1 January 2012	936	69,829	15,023	197,787	50,779	4,261	338,615
Additions	-	4,517	3,346	29,149	905	1,060	38,977
Disposal	-	-	-	-	-	(335)	(335)
At 31 December 2012	936	74,346	18,369	226,936	51,684	4,986	377,257
Accumulated Depreciation							
At 1 January 2012	126	65,469	8,087	160,313	42,163	3,459	279,617
Charge for the year	19	2,049	3,304	16,501	5,248	625	27,746
Disposal	-	-	-	-	-	(335)	(335)
At 31 December 2012	145	67,518	11,391	176,814	47,411	3,749	307,028
Net book value							
At 31 December 2012	791	6,828	6,978	50,122	4,273	1,237	70,229

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13. Property, plant and equipment

Bank

Cost	**Short term leasehold land RM'000**	**Buildings and refurbishment RM'000**	**Premises, plant and equipment RM'000**	**Office equipment RM'000**	**Furniture and fittings RM'000**	**Motor vehicles RM'000**	**Total RM'000**
At 1 January 2013	936	73,124	15,229	222,971	46,716	4,986	363,962
Additions	-	180	149	22,517	237	256	23,339
Reclassification	-	(460)	333	37	90	-	-
Disposal	-	-	-	-	-	(92)	(92)
At 31 December 2013	936	72,844	15,711	245,525	47,043	5,150	387,209
Accumulated Depreciation							
At 1 January 2013	145	67,518	9,997	174,412	44,268	3,750	300,090
Charge for the year	19	232	2,353	20,695	1,764	782	25,845
Disposal	-	-	-	-	-	(92)	(92)
At 31 December 2013	164	67,750	12,350	195,107	46,032	4,440	325,843
Net book value							
At 31 December 2013	772	5,094	3,361	50,418	1,011	710	61,366

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13. Property, plant and equipment (continued)

Bank

Cost	Short term leasehold land RM'000	Buildings and refurbishment RM'000	Premises, plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
At 1 January 2012	936	69,829	13,210	194,712	46,033	4,261	328,981
Additions	-	3,295	2,019	28,259	683	1,060	35,316
Disposal	-	-	-	-	-	(335)	(335)
At 31 December 2012	936	73,124	15,229	222,971	46,716	4,986	363,962
Accumulated Depreciation							
At 1 January 2012	126	65,469	7,737	158,859	39,995	3,459	275,645
Charge for the year	19	2,049	2,260	15,553	4,273	626	24,780
Disposal	-	-	-	-	-	(335)	(335)
At 31 December 2012	145	67,518	9,997	174,412	44,268	3,750	300,090
Net book value							
At 31 December 2012	791	5,606	5,232	48,559	2,448	1,236	63,872

14. Deposits from customers

(i) By type of deposits

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Demand deposits	15,228,387	13,736,568	14,047,772	12,445,321
Savings deposits	3,468,707	3,631,190	3,316,637	3,544,920
Fixed/Investment deposits	19,466,074	17,701,923	16,764,728	15,301,418
Negotiable instruments of deposits	431,311	494,805	322,901	372,524
	38,594,479	35,564,486	34,452,038	31,664,183

(ii) By type of customers

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	1,624,930	1,174,366	17,438	19,713
Business enterprises	16,108,625	13,014,394	15,624,897	12,310,741
Individuals	17,152,027	18,258,531	15,563,082	16,687,626
Others	3,708,897	3,117,195	3,246,621	2,646,103
	38,594,479	35,564,486	34,452,038	31,664,183

The maturity structure of the fixed/investment deposits and negotiable instruments of deposits is as follows:-

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Due within six months	16,253,618	13,837,647	13,764,411	11,670,776
Six months to one year	2,749,099	3,706,830	2,566,566	3,467,672
One year to three years	247,951	141,195	227,681	132,464
Three years to five years	597,037	109,084	479,291	95,485
Over five years	49,680	401,972	49,680	307,545
	19,897,385	18,196,728	17,087,629	15,673,942

15. Deposits and placements of banks and other financial institutions

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Licensed banks	2,139,485	3,898,984	2,139,485	3,833,708
Bank Negara Malaysia	31,050	45,783	31,050	45,783
Other financial institutions	5,000,321	4,369,889	4,885,874	4,332,752
	7,170,856	8,314,656	7,056,409	8,212,243

16. Other liabilities

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest/Income payable	200,004	186,967	184,911	171,206
Provision for retirement benefit scheme (Note 33)	491	438	491	438
Amount owing to subsidiaries	-	-	22	22
Other payables and accruals	1,686,523	1,839,697	2,452,600	2,267,127
	1,887,018	2,027,102	2,638,024	2,438,793

17. Subordinated debts

	Group and Bank	
	2013	**2012**
	RM'000	**RM'000**
At cost		
Subordinated bond	1,000,000	500,000

On 11 October 2012 and 28 August 2013, the Bank issued RM 500 million nominal value Subordinated Bond ("the Bonds") with a floating rate per annum equal to KLIBOR plus 1.51% and 1.2% each, payable semi-annually in April and October as well as February and August of each year. The Bonds with a 10-year tenor is due in 2022 and 2023 respectively. The Bank has the option to redeem the Bonds in whole or after the fifth anniversary date from the date of issuance of the Bonds, subject to the prior written consent of BNM and satisfaction of the following redemption conditions:-

(a) the Bonds is replaced with capital of the same or better quality, and the replacement of the same capital is effected at conditions which are sustainable for the income capacity of the Issuer; or

(b) the Bank demonstrates that its capital position is well above BNM's capital adequacy requirements and capital buffer requirements after the redemption.

The Bonds has a loss absorption feature which requires the Bonds to be cancelled upon the occurrence of a non-viability event as determined by the regulators.

18. Redeemable preference shares

	Group and Bank	
	2013	**2012**
	RM'000	**RM'000**
Authorised		
Redeemable preference shares of RM 1.00 each	300,000	300,000
Issued and fully paid	-	-

The Bank had in prior years fully redeemed 190,000 cumulative Redeemable Preference Shares ("RPS") of RM1.00 each. The redemption of the RPS had resulted in an amount of RM 190,000 in respect of the nominal value of the RPS to be transferred to a capital redemption reserve (Note 20).

19. Share capital

	Group and Bank			
	2013		2012	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Authorised				
Ordinary shares of RM1.00 each	700,000	700,000	700,000	700,000
Musyarakah Irredeemable Non-Cumulative Preference Shares of RM0.10 each	38,000	380,000	38,000	380,000
	738,000	1,080,000	738,000	1,080,000
Issued and fully paid				
Ordinary shares of RM1.00 each	125,000	125,000	125,000	125,000
Musyarakah Irredeemable Non-Cumulative Preference Shares of RM0.10 each	38,000	380,000	38,000	380,000
	163,000	505,000	163,000	505,000

The main features of the Irredeemable Non-Cumulative Preference Shares ("INPS") are as follows:

- Dividends may be declared to INPS shareholder at the discretion of the Board and subject to availability of profits attributable to the Bank;
- In the event of the winding up or other return of capital of the Bank, the INPS carry the right to payment out of the assets attributable to the Bank's Islamic business;
- The INPS carry no right to vote at a general meeting of the Bank except with regard to resolutions effecting variations or amendments to the rights of the INPS;
- The INPS are not convertible into ordinary shares of the Bank;
- The INPS do not confer the right to participate in the surplus assets of the Bank, save for a quantum equivalent to not more than 10% of the surplus assets to the Bank's Islamic business; and
- The INPS shall not be listed on Bursa Malaysia Securities Berhad or any other stock exchange.

20. Reserves

		Group		Bank	
		2013	**2012**	**2013**	**2012**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-distributable :					
Share premium		717,000	717,000	717,000	717,000
Statutory reserves	(i)	265,750	249,017	163,000	163,000
Capital redemption reserve (Note 18)		190	190	190	190
AFS reserves	(ii)	(3,115)	1,578	(3,105)	1,651
Regulatory reserves	(iii)	219,000	150,000	219,000	150,000
Cash flow hedge reserves	(iv)	(7,594)	2,392	(7,594)	2,392
		1,191,231	1,120,177	1,088,491	1,034,233
Distributable :					
Retained profits	(v)	2,577,740	2,408,664	2,527,338	2,404,758
		3,768,971	3,528,841	3,615,829	3,438,991

(i) The statutory reserves are maintained in compliance with Section 12 of the Financial Services Act, 2013 and Section 12 of the Islamic Financial Services Act, 2013, and are not distributable as cash dividends.

(ii) AFS reserves relate to the fair valuation of financial assets categorised as available-for-sale.

(iii) BNM requires the Bank to maintain a minimum level of impairment provisions which is in excess of the impairment provisions required under MFRSs. Of the retained profits as at 31 December 2013, an amount of RM219 million (31 December 2012 : RM150 million) has been reserved for this purpose.

(iv) Cash flow hedge reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

(v) Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders. As the Bank is under the single tier system, there is no restriction on the Bank to declare the payment of dividends out of its entire retained earnings as at the end of the financial year.

21. Dividends

Dividends paid in respect of the year ended 31 December are as follows:-

	Group and Bank	
	2013	2012
	RM'000	RM'000
Ordinary:-		
Final paid:-		
160 sen per share less tax in respect of year ended 2012 (2011: 208 sen per share less tax)	150,000	195,000
Interim paid:-		
160 sen per share less tax in respect of year ended 2013 (2012: 160 sen per share less tax)	150,000	150,000
	300,000	345,000

The Directors do not recommend the payment of final ordinary dividend in respect of the current financial year (2012: 160 sen per ordinary share).

22. Interest income

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	1,508,900	1,474,795	1,508,900	1,474,795
- Recoveries from impaired loans	24,490	17,669	24,490	17,669
Money at call and deposit placements with banks and other financial institutions	81,877	46,992	145,628	134,389
Financial assets held for trading	90,526	122,846	90,526	122,846
Investment securities available-for-sale	158,204	105,839	123,129	105,839
	1,863,997	1,768,141	1,892,673	1,855,538

23. Interest expense

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits and placements of banks and other financial institutions	83,373	96,721	83,279	96,721
Deposits from customers	665,683	685,219	665,683	685,219
Subordinated debts	31,492	24,197	31,492	24,197
	780,548	806,137	780,454	806,137

24. Net income from Islamic Banking operations

	Group	
	2013 RM'000	2012 RM'000
Income derived from investment of depositors' funds and others / Total distributable income	190,643	156,392
Income attributable to depositors	(116,238)	(83,043)
Income attributable to the Group	74,405	73,349
Income derived from investment of Islamic banking capital funds and shareholder's funds	213,254	247,777
	287,659	321,126

25. Other operating income

	Group		Bank	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fee and commission				
Fee and commission income:-				
Arising from financial instruments not fair valued through profit or loss	331,789	320,438	331,789	320,438
- Commission income	*197,411*	*210,186*	*197,411*	*210,186*
- Service fees	*100,981*	*79,170*	*100,981*	*79,170*
- Guarantee fees	*33,397*	*31,082*	*33,397*	*31,082*
Fee and commission expense:-				
Arising from financial instruments not fair valued through profit or loss	(64,757)	(66,460)	(64,757)	(66,460)
- Commission charges	*(28,611)*	*(32,104)*	*(28,611)*	*(32,104)*
- Service charges	*(36,146)*	*(34,356)*	*(36,146)*	*(34,356)*
	267,032	253,978	267,032	253,978
Net trading income				
Gain/(Loss) from sale of financial assets held for trading and derivative financial instruments	31,166	(1,826)	31,166	(1,826)
Unrealised gain on revaluation of financial assets held for trading and other financial instruments	25,226	142,449	25,226	142,449
Foreign exchange currency				
- Gain from dealing in foreign currency	161,117	225,944	161,117	225,944
- Unrealised gain from foreign exchange translation	128,827	24,818	128,827	24,818
	346,336	391,385	346,336	391,385
Other income				
Gains on disposal of investment securities available-for-sale	3,686	19,696	3,686	19,696
Gross dividends from unquoted investments	36,633	35,609	36,633	35,609
Rental income	15	-	15	-
Gain on disposal of property, plant and equipment	92	335	92	335
Others	1,049	4,645	78,593	69,804
	41,475	60,285	119,019	125,444
Total other operating income	**654,843**	**705,648**	**732,387**	**770,807**

26. Other operating expenses

	Group		Bank	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Personnel costs				
- Salaries, bonuses, wages and allowances	312,256	279,216	303,776	271,041
- Pension fund contributions	33,314	32,851	33,314	32,851
- Other staff related cost	34,104	45,371	31,736	42,323
	379,674	357,438	368,826	346,215
Establishment costs				
- Depreciation of property, plant and equipment	29,104	27,746	25,845	24,780
- Rental	27,652	26,635	25,529	24,889
- Information technology and project expenses	106,565	90,979	106,429	90,835
- Others	47,200	47,505	45,213	44,731
	210,521	192,865	203,016	185,235
Marketing expenses				
- Advertisement and publicity	20,220	28,940	20,052	28,158
- Others	14,784	23,532	14,253	23,057
	35,004	52,472	34,305	51,215
Administration and general expenses				
- Communication expenses	13,076	14,677	12,560	14,133
- Group administration and business support expenses	140,990	105,688	134,239	98,682
- Outsourcing expenses	96,696	91,375	96,696	91,375
- Others	98,780	83,209	82,427	72,362
	349,542	294,949	325,922	276,552
Total other operating expenses	**974,741**	**897,724**	**932,069**	**859,217**

The above expenditure includes the following items:-

	Group		Bank	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors' remuneration, excluding benefits-in-kind (Note 27):-				
- Directors of the Bank	2,088	2,101	2,037	2,050
- Directors of the subsidiaries	2,007	316	-	-
Share-based payments	5	1,387	5	1,387
Defined benefit obligations cost (Note 33)	124	134	124	134
Contributions to defined contribution plan (included in personnel costs)	33,190	32,717	33,190	32,717
Hire of equipment	1,893	1,708	1,893	1,708
Auditor's remuneration:-				
- Statutory audit	678	555	492	470
- Other services	587	481	382	315
Rental of premises	27,892	26,706	27,892	26,706

27. Key management personnel compensation

The key management personnel compensation are as follows:-

	Group		Bank	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors of the Bank:-				
- Fees	443	443	392	392
- Remuneration	1,645	1,658	1,645	1,658
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	554	486	554	454
Total short-term employee benefits*	2,642	2,587	2,591	2,504
Directors of the subsidiaries:-				
- Remuneration	2,007	316	-	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	417	230	-	-
Total short-term employee benefits	2,424	546	-	-
- Share-based payments	-	-	-	-
	2,424	546	-	-
Syariah Advisory Committee members	360	330	-	-
	5,426	3,463	2,591	2,504
Other key management personnel:-				
- Short-term employee benefits	14,971	11,320	17,395	11,866
- Share-based payments	1,478	603	1,478	603
	16,449	11,923	18,873	12,469

Other key management personnel comprises persons other than the Directors of the Group and the Bank, having authority and responsibility for planning, directing and controlling activities of the Group and the Bank directly or indirectly.

* Details of Directors' remuneration of the Bank during the year are as follows:-

2013	**Salary and other remuneration, including meeting allowance RM'000**	**Fees RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Executive Directors and Chief Executive Officers:-				
Osman Tarique Morad	1,576	-	554	2,130
Non-executive Directors:-				
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	12	140	-	152
Datuk Abu Hassan bin Kendut	19	92	-	111
Datuk Ishak bin Imam Abas	25	80	-	105
Datuk Seri Michael Yam Kong Choy	13	80	-	93
	1,645	392	554	2,591

27. Key management personnel compensation (continued)

2012	Salary and other remuneration, including meeting allowance RM'000	Fees RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Director and Chief Executive Officer:-				
Osman Tarique Morad	1,602	-	454	2,056
Non-executive Directors:-				
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	10	140	-	150
Datuk Abu Hassan bin Kendut	18	92	-	110
Datuk Ishak bin Imam Abas	21	80	-	101
Datuk Seri Michael Yam Kong Choy	7	80	-	87
	1,658	392	454	2,504

28. Provisions for loans, advances and financing

	Group		Bank	
	2013	2012 Restated	2013	2012 Restated
	RM'000	RM'000	RM'000	RM'000
Provisions for loans, advances and financing:-				
Individual impairment provisions	230,589	159,461	131,311	90,878
- Made in the financial year	231,033	189,932	128,650	119,830
- Discounting of collaterals	71,228	37,116	71,228	37,116
- Written back	(71,672)	(67,587)	(68,567)	(66,068)
Collective impairment provisions	(12,821)	(60,270)	18,060	(45,341)
- Made in the financial year	49,097	46,987	45,103	31,746
- Written back	(61,918)	(107,257)	(27,043)	(77,087)
Bad and doubtful debts on loans, advances and financing:-				
Written off	160,307	133,114	160,307	133,114
Recovered	(53,612)	(83,500)	(44,889)	(71,867)
	324,463	148,805	264,789	106,784

29. Credit exposure to connected parties

The credit exposures of the Group and the Bank to connected parties, as defined by Bank Negara Malaysia's 'Guidelines on Credit Transactions and Exposures with Connected Parties' are as follows:-

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	3,390,236	1,465,965	3,401,445	1,474,348
As a percentage of total credit exposures	5.4%	2.7%	6.1%	3.0%

There are currently no exposures to connected parties which are classified as impaired.

30. Significant related party transactions and balances

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Bank if the Group and the Bank have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties of the Group and the Bank are:-

(i) Subsidiaries of the Bank
Subsidiaries which are shown in Note 12.

(ii) Fellow subsidiaries of Standard Chartered PLC
Entities which are related by virtue of having Standard Chartered PLC as the ultimate holding company.

(iii) Key management personnel
Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel of the Group and the Bank includes all the Directors and certain members of senior management of the Group and the Bank.

(iv) Companies under control or significant influence of key management personnel
These are entities in which certain key management personnel hold key management position or have significant voting power via ownership of shares.

Transactions and balances relating to (i) are disclosed in Note (a) below , (ii) are disclosed in Note (b) while Note (c) discloses those relating to (iii) and (iv).

30. Significant related party transactions and balances (continued)

(a) Transactions and balances with subsidiaries of the Bank

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Transactions				
Income				
Interest on placements or loans	-	-	61,313	84,278
Management fee	-	-	71,382	65,159
	-	-	132,695	149,437

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Balances				
Amount due from subsidiaries				
Inter-company placements	-	-	2,983,995	2,241,593
Derivative financial instruments	-	-	4,819	7,601
Current account	-	-	32	33,520
Other balances	-	-	199,110	407,576
	-	-	3,187,956	2,690,290
Amount due to subsidiaries				
Derivative financial instruments	-	-	(4,794)	(2,431)
Current account	-	-	(22,576)	-
Other balances	-	-	(857,822)	(490,634)
	-	-	(885,192)	(493,065)

30. Significant related party transactions and balances (continued)

(b) Transactions and balances with fellow subsidiaries of Standard Chartered PLC

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Transactions				
Income				
Interest on placements or loans	100,972	175,086	100,972	175,086
Interest on deposits	311	308	309	308
	101,283	175,394	101,281	175,394
Expenditure				
Interest on borrowings	36,892	39,617	36,892	39,617
Interest on deposits	1,414	2,978	1,414	2,978
Other operating expenses	239,001	213,666	224,150	198,533
	277,307	256,261	262,456	241,128

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Balances				
Amount due from fellow subsidiaries of Standard				
Inter-company loans	494,763	956,971	494,763	956,971
Current accounts	470,039	539,280	470,039	539,280
Derivative financial instruments	896,416	688,840	896,416	688,840
Other balances	421,612	429,506	419,657	429,506
	2,282,830	2,614,597	2,280,875	2,614,597

30. Significant related party transactions and balances (continued)

(b) Transactions and balances with fellow subsidiaries of Standard Chartered PLC (continued)

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Amount due to fellow subsidiaries of Standard Chartered PLC				
Inter-company deposits	(1,664,882)	(718,261)	(1,664,882)	(718,261)
Current accounts	(1,653,837)	(152,890)	(1,653,805)	(119,370)
Derivative financial instruments	(426,307)	(626,202)	(426,307)	(626,202)
Amount due in respect of support charges	(64,838)	(58,584)	(57,805)	(51,636)
Other balances	(385,781)	(2,014,987)	(170,755)	(1,603,815)
	(4,195,645)	(3,570,924)	(3,973,554)	(3,119,284)

(c) Transactions and balances with key management personnel and companies under control or significant influence of key management personnel

Key management personnel compensation

Key management personnel compensation is disclosed in Note 27.

Transactions and balances other than compensation

	Group		Bank	
	2013	2012	2013	2012
Transactions	RM'000	RM'000	RM'000	RM'000
Income				
Interest on loans, advances and financing				
- Directors	81	97	81	97
- Other key management personnel	303	270	303	270
- Companies under control or significant influence of key management personnel	2,584	122	2,584	122
	2,968	489	2,968	489

30. Significant related party transactions and balances (continued)

(c) Transactions and balances with key management personnel and companies under control or significant influence of key management personnel (continued)

Transactions and balances other than compensation (continued)

	Group		Bank	
	2013	**2012**	**2013**	**2012**
Expenditure	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Interest on deposits				
- Directors	142	86	99	77
- Other key management personnel	20	12	19	11
	162	98	118	88

	Group		Bank	
	2013	**2012**	**2013**	**2012**
Balances	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Loans, advances and financing				
- Directors	1,659	1,774	1,659	1,774
- Other key management personnel	8,188	8,376	8,188	8,376
- Companies under control or significant influence of key management personnel	334,108	1	334,108	1
Deposits				
- Directors	(4,819)	(3,935)	(3,478)	(2,920)
- Other key management personnel	(1,628)	(878)	(1,628)	(854)
- Companies under control or significant influence of key management personnel	(10,294)	(2,445)	(10,294)	(2,445)

Loans made to Directors and other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees of the Group and the Bank.

31. Tax expense

	Group		Bank	
	2013	2012 Restated	2013	2012 Restated
	RM'000	RM'000	RM'000	RM'000
Income tax expense:-				
- Current year	171,097	226,456	151,627	201,913
- (Over)/Under provision in prior years	(9,477)	(5,180)	4,620	(5,199)
	161,620	221,276	156,247	196,714
Deferred tax expense (Note 32):-				
- Origination/reversal of temporary differences	8,286	2,773	5,929	4,667
- (Over)/Under provision in prior years	(4,686)	7,582	(6,004)	7,582
	3,600	10,355	(75)	12,249
Total tax expense	165,220	231,631	156,172	208,963
Reconciliation of effective tax expense:-				
Profit before taxation	726,747	942,249	647,748	854,207
Income tax using Malaysian tax rates @ 25%	181,687	235,562	161,937	213,552
Non-deductible expenses	6,833	2,646	4,756	2,007
Non-taxable income	(9,137)	(8,979)	(9,137)	(8,979)
	179,383	229,229	157,556	206,580
(Over)/Under provision in prior years				
- Income tax	(9,477)	(5,180)	4,620	(5,199)
- Deferred tax	(4,686)	7,582	(6,004)	7,582
Total tax expense	165,220	231,631	156,172	208,963
Tax recognised directly in equity:-				
AFS reserves	(1,564)	(1,626)	(1,585)	(1,585)
Cash flow hedge reserves	(3,328)	(1,445)	(3,328)	(1,445)
Actuarial gains or losses	-	62	-	62
Total tax recognised directly in equity (Note 32)	(4,892)	(3,009)	(4,913)	(2,968)

32. Deferred tax

The recognised deferred tax assets/(liabilities) (after offsetting) are as follows:-

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(10,137)	(4,804)	(10,409)	(4,699)
Collective impairment provisions				
for bad and doubtful debts and financing	-	6,005	-	2,841
Other temporary differences	50,990	40,250	46,545	37,919
Tax losses carried forward	120	63	-	-
Actuarial gains or losses	(1,168)	(1,168)	(1,168)	(1,168)
Reserves				
- Available-for-sale	1,037	(527)	1,034	(551)
- Cash flow hedge	2,531	(797)	2,531	(797)
	43,373	39,022	38,533	33,545

32. Deferred tax (continued)

Movement in temporary differences during the financial year are as follows:-

	At 1 January 2012 RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2012 RM'000	Acquisition during the year RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2013 RM'000
Group								
Property, plant and equipment	2,886	(7,690)	-	(4,804)	-	(5,333)	-	(10,137)
Collective impairment provisions for bad and doubtful debts and financing	5,185	820	-	6,005	-	(6,005)	-	-
Other temporary differences	43,798	(3,548)	-	40,250	3,059	7,681	-	50,990
Tax losses carried forward	-	63	-	63	-	57	-	120
Actuarial gains or losses	(1,106)	-	(62)	(1,168)	-	-	-	(1,168)
Reserves								
- Available-for-sale	(2,153)	-	1,626	(527)	-	-	1,564	1,037
- Cash flow hedge	(2,242)	-	1,445	(797)	-	-	3,328	2,531
	46,368	(10,355)	3,009	39,022	3,059	(3,600)	4,892	43,373
		Note 31	Note 31			Note 31	Note 31	

32. Deferred tax (continued)

Movement in temporary differences during the financial year are as follows (continued):-

	At 1 January 2012 RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2012 RM'000	Acquisition during the year RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2013 RM'000
Bank								
Property, plant and equipment	3,250	(7,949)	-	(4,699)	-	(5,710)	-	(10,409)
Collective impairment provisions for bad and doubtful debts and financing	2,841	-	-	2,841	-	(2,841)	-	-
Other temporary differences	42,219	(4,300)	-	37,919	-	8,626	-	46,545
Actuarial gains or losses	(1,106)	-	(62)	(1,168)	-	-	-	(1,168)
Reserves								
- Available-for-sale	(2,136)	-	1,585	(551)	-	-	1,585	1,034
- Cash flow hedge	(2,242)	-	1,445	(797)	-	-	3,328	2,531
	42,826	(12,249)	2,968	33,545	-	75	4,913	38,533
		Note 31	Note 31			Note 31	Note 31	

33. Staff retirement and service benefits

Funded scheme

The Group and the Bank makes contributions to the SCB Retirement Benefit Scheme, a partially funded defined benefit scheme that provides pension benefits for certain employees upon retirement. Under the scheme, eligible employees are entitled to retirement benefits of one month of the average basic salary for each completed year of service upon the retirement age of 55. Average basic salary refers to the average monthly basic salary earned in the twelve months' immediately prior to leaving service.

SCB Retirement Benefit Scheme	**Group and Bank**	
	2013	**2012**
	RM'000	**RM'000**
Amounts of net liabilities recognised in the statement of financial position		
Present value of defined benefit obligations (funded)	1,060	1,589
Fair value of plan assets	(569)	(1,151)
Recognised liability for defined benefit obligations (Note 16)	491	438
Movement in present value of defined benefit obligations		
Benefit obligation at 1 January	1,589	4,110
Current service cost	93	93
Interest cost	31	78
Actuarial gain recognised in equity	-	(208)
Benefits paid	(653)	(2,484)
Benefit obligation at 31 December	1,060	1,589
Movement in present value of plan assets		
Fair value at 1 January	1,151	2,425
Expected return on plan assets	-	37
Actuarial gain recognised in equity	4	39
Employer contributions	-	-
Benefits paid	(586)	(1,350)
Fair value at 31 December	569	1,151

	Group and Bank	
	2013	**2012**
	RM'000	**RM'000**
Components of pension cost		
Amount recognised in statements of comprehensive income		
Current service cost	93	93
Interest cost	31	78
Expected return on plan assets	-	(37)
Total pension cost recognised in statements of comprehensive income (Note 26)	124	134
Actual return on assets		
Actual return on plan assets	4	76

	2013	**2012**
	RM'000	**RM'000**
Actuarial gains recognised directly in equity		
Cumulative amount at 1 January	4,671	4,424
Recognised during the year	4	247
Cumulative amount at 31 December	4,675	4,671

33. Staff retirement and service benefits (continued)

The principal actuarial assumptions used are (expressed as weighted averages):-

	2013 Rate per annum	2012 Rate per annum
Discount rate	4.3%	3.6%
Expected rate of future salary increases	3.3%	3.3%
Inflation	3.0%	3.0%

	Funded Scheme	
	2013 RM'000	2012 RM'000
Plan assets comprise:-		
Short term money market instruments and cash	569	1,151
Total fair value of assets	569	1,151

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33. Staff retirement and service benefits (continued)

Historical information

	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000
Present value of defined benefit obligations	1,060	1,589	4,110	4,314	5,083
Fair value of plan assets	(569)	(1,151)	(2,425)	(2,257)	(2,112)
Deficit in the plan recognised as liabilities of the Bank	491	438	1,685	2,057	2,971
Experience adjustments arising on plan liabilities	-	(208)	-	(3,126)	-
Experience adjustments arising on plan assets	4	39	-	63	-

The Group expects to pay RM 21,124 (2013: RM 637,915) in contributions to defined benefit plans in 2014.

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34. Equity Compensation Benefits

The Bank participated in the following share compensation plans for the acquisition of shares in the ultimate holding company, Standard Chartered PLC. The market value of shares are denominated in pounds sterling at the time of grant.

i) International Sharesave Scheme and Sharesave Schemes

Under the International Sharesave scheme, employees have the choice of opening a three-year or five-year savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares of Standard Chartered PLC. The price at which they may purchase shares is at a discount of up to 20 per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under the scheme.

In some countries in which Standard Chartered PLC Group operates, it is not possible to operate the International Sharesave scheme, typically due to securities law and regulatory restrictions. In these countries Standard Chartered PLC Group offers an equivalent cash-based scheme to its employees. The remaining life of the International Sharesave scheme is one year.

A new sharesave scheme, the Standard Chartered 2013 Sharesave Plan was approved by Shareholders at the AGM in May 2013 and new sharesave invitations were made under this plan in September 2013. The remaining life of the 2013 Sharesave Plan is 10 years.

The options granted do not confer any right to participate in any share issue of any other company.

Options under the International Sharesave scheme are valued using a binomial option-pricing model. The same fair value is applied for awards made to both the directors and employees of Standard Chartered PLC Group. The fair value per option granted and the assumptions used in the calculation are as follows:-

	2013	**2012**
Grant date	9 October	11 October
Share price at grant date	£14.36	£13.95
Exercise price	£11.78	£11.40
Shares granted ('000)	43	47
Vesting period (years)	3	3
Expected volatility (%)	26.8	30
Expected option life (years)	3.33	3.33
Risk free rate (%)	0.8	0.4
Expected dividends (yield) (%)	4.3	3.1
Fair value (£)	3.30	3.28

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34. Equity Compensation Benefits (continued)

i) International Sharesave Scheme and Sharesave Schemes (continued)

The expected volatility is based on historical volatility over the last three to five years, or three to five years prior to grant. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is based on historical dividend for three years prior to grant. Where two amounts are shown for volatility, risk free rates, expected dividend yield and fair values, the first relates to a three year vesting period and the second to a five year vesting period.

Movements in the number of share options held by the Bank's employees are as follows:-

	2013 Number ('000)	Weighted average exercise price	2012 Number ('000)	Weighted average exercise price
At 1 January	164	£11.81	320	£11.38
Granted during the year	43	£11.78	47	£11.40
Additonal shares for rights issue	-	-	-	-
Exercised during the year	(25)	£11.66	(59)	£10.52
Lapsed during the year	(28)	£12.41	(144)	£11.25
At 31 December	154	£11.70	164	£11.81
Exercisable at 31 December	24	£14.10	22	£10.90

	2013				2012			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years
£9.80 / £14.63	£11.70	154	3.33	1.58	£11.81	164	3.33	2.2

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34. Equity Compensation Benefits (continued)

ii) 2006 Restricted Share Scheme ("RSS") / 2007 Supplementary Restricted Share Scheme ("SRSS")

Standard Chartered PLC Group's previous plans for delivering restricted shares were the 2006 RSS and 2007 SRSS. Both were replaced by the 2011 Standard Chartered Share Plan. There are still unvested and vested awards outstanding under these plans which were previously used to deliver the deferred portion of annual performance awards and as an incentive to motivate and retain high performing employees. Awards were generally in the form of nil cost options and do not have any performance conditions. Generally deferred restricted share awards vest equally over three years and for non-deferred awards half vests two years after the date of grant and the balance after three years. No further awards has been granted under the 2006 RSS and 2007 SRSS since 2011.

Movements in the number of share options held by the Bank's employees are as follows:-

	2013 Number ('000)	Weighted average exercise price	**2012** Number ('000)	Weighted average exercise price
At 1 January	109	-	227	-
Granted during the year	-	-	-	-
Notional dividend	1	-	2	-
Exercised during the year	(68)	-	(90)	-
Lapsed during the year	(13)	-	(30)	-
At 31 December	29	-	109	-
Exercisable at 31 December	14	-	62	-

	2013				**2012**			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years
N/A	-	29	-	3.55	-	109	-	4.17

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34. Equity Compensation Benefits (continued)

iii) Executive Share Option Scheme ("ESOS")

Standard Chartered PLC Group previously operated the 2000 ESOS for executive directors and selected senior managers. Executive share options to purchase ordinary shares in Standard Chartered PLC were exercisable after the third, but before the tenth, anniversary of the date of grant subject to an Earnings Per Share ("EPS") performance criteria being satisfied. The exercise price per share is the share price at the date of grant. Although there are unexercised awards outstanding under the 2000 ESOS, the scheme is now closed to new grants.

The options granted do not confer any right to participate in any share issue of any other company.

The options are valued using a Binomial option-pricing model.

Movements in the number of share options held by the Bank's employees are as follows:-

	2013 Number ('000)	Weighted average exercise price	2012 Number ('000)	Weighted average exercise price
At 1 January	6	£7.89	105	£7.02
Additonal shares for rights issue	-	-	-	-
Exercised during the year	-	-	(6)	£7.89
Lapsed during the year	-	-	(93)	£6.91
At 31 December	6	£7.89	6	£7.89
Exercisable at 31 December	6	£7.89	6	£7.89

	2013				2012			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years
£7.89	£7.89	6	5	0.17	£7.89	6	5	1.17

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34. Equity Compensation Benefits (continued)

iv) Performance Share Plan ("PSP")

Standard Chartered PLC Group's previous plan for delivering performance shares was the PSP. Although the PSP was replaced in 2011, there are still outstanding vested and unvested awards under the plan.

Under the PSP half the award is dependent upon Total Shareholder Return ("TSR") performance and the balance is subject to a target of defined EPS growth. Both measures use the same three-year period and are assessed independently. No PSP awards were granted in 2011 and no further awards can be granted under the plan.

The options granted do not confer any right to participate in any share issue of any other company.

Movements in the number of share options held by the Bank's employees are as follows:-

	2013 Number ('000)	Weighted average exercise price	2012 Number ('000)	Weighted average exercise price
At 1 January	11	-	45	-
Additonal shares for rights issue	-	-	-	-
Granted during the year	-	-	-	-
Exercised during the year	(10)	-	(11)	-
Lapsed during the year	-	-	(23)	-
At 31 December	1	-	11	-
Exercisable at 31 December	1	-	11	-

	2013				2012			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years
N/A	-	1	-	4.19	-	11	-	5.38

34. Equity Compensation Benefits (continued)

v) 2011 Standard Chartered Share Plan

The 2011 Standard Chartered Share Plan replaced all Standard Chartered PLC Group's existing discretionary share plan arrangements following approval by shareholders at the Group's Annual General Meeting on 5 May 2011. It is the Group's main share plan, applicable to all employees with the flexibility to provide a variety of award types including performance shares, deferred awards (shares or cash) and restricted shares. Performance and restricted share awards will generally be in the form of nil price options to acquire shares in the Company. The remaining life of the plan is eight years.

(a) 2011 Performance Share Awards

Performance share awards vest after a three year period and are subject to TSR, EPS and Return on Risk Weighted Assets ("RoRWA") performance measures. As set out in the Directors' Remuneration Report, the weighting between the three elements is split equally (one third of the award depending each on the achievement of TSR, EPS and RoRWA, assessed independently of one another).

The fair value of awards is based on the market value less an adjustment to take into account the expected dividends over the vesting period and the relevant performance condition applying to that portion of the award. The fair value of the TSR component is derived by discounting a third of the award that is subject to the TSR condition by the loss of expected dividends over the performance period together with the probability of meeting the TSR condition, which is calculated by the area under the TSR vesting schedule curve. The EPS fair value is derived by discounting one third of the award respectively by the loss of expected dividends over the performance period. The same approach is applied to calculate the RoRWA fair value for one third of the award. In respect of the EPS and RoRWA components only, the number of shares expected to vest is adjusted for actual performance when calculating the charge for the year. The same fair value is applied to awards made to both directors and employees of the Group.

	2013			2012			
Grant date	18 September	19 June	11 March	21 December	19 September	20 June	13 March
Share price at grant date	£15.14	£14.62	£18.22	£15.84	£14.82	£14.17	£15.65
Shares granted ('000)	-	-	-	-	-	-	-
Vesting period (years)	3	3	3	3	3	3	3
Expected dividends (yield) (%)	4.6	4.1	4.1	3.7	3.2	3.5	3.5
Fair value (EPS) (£)	4.4	4.3	5.4	4.7	4.5	4.3	4.7
Fair value (RoRWA) (£)	4.4	4.3	5.4	4.7	4.5	4.3	4.7
Fair value (TSR) (£)	1.8	1.8	2.2	1.9	1.8	1.7	1.9

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34. Equity Compensation Benefits (continued)

v) 2011 Standard Chartered Share Plan (continued)

(a) 2011 Performance Share Awards (continued)

Movements in the number of share options held by the Bank's employees are as follows:-

	2013 Number ('000)	Weighted average exercise price	2012 Number ('000)	Weighted average exercise price
At 1 January	33	-	22	-
Additonal shares for rights issue	-	-	-	-
Granted during the year	28	-	12	-
Exercised during the year	-	-	-	-
Lapsed during the year	(4)	-	(1)	-
At 31 December	57	-	33	-
Exercisable at 31 December	-	-	-	-

	2013				2012			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years
N/A	-	57	-	8.34	-	33	-	8.66

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34. Equity Compensation Benefits (continued)

v) 2011 Standard Chartered Share Plan (continued)

(b) 2011 Restricted Share Awards

Deferred share awards will be granted as restricted shares and are subject to a three-year deferral period, vesting equally one-third on each of the first, second and third anniversaries. On vesting the awards will be adjusted for dividend equivalent payments.

Awards which are made outside of the annual performance process, as additional incentive or retention mechanisms, are provided as restricted shares under the 2011 Standard Chartered Share Plan. These awards typically vest in equal instalments on the second and the third anniversaries of the award date. In a few circumstances some awards vest over a four year period in equal tranches, this is in line with similar plans operated by our competitors. Restricted share awards are not subject to an annual limit and do not have any performance conditions.

Deferred and restricted share awards do not have any performance conditions, although Standard Chartered PLC Group's claw-back policy will apply to deferred awards.

For awards, the fair value is based on the market value less an adjustment to take into account the expected dividends over the vesting period for non-deferred awards. The same fair value is applied for awards made to both the directors and employees of Standard Chartered PLC Group.

	2013				2012			
Grant date	17 December	18 September	19 June	11 March	21 December	19 September	20 June	13 March
Share price at grant date	£13.04	£15.14	£14.62	£18.22	£15.84	£14.82	£14.17	£15.65
Vesting period (years)	2/3 1/2/3/4	2/3,1/2/3/4	2/3,1/2/3/4	2/3,1/2/3/4	2/3 1/2/3/4	2/3	2/3	2/3
Expected dividends (yield) (%)	4.9	4.6	4.6	4.6	3.7	3.0	3.8	3.80
Fair value (£)	11.6	13.5	13.1	16.3	14.5	13.8	12.9	14.3

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34. Equity Compensation Benefits (continued)

v) 2011 Standard Chartered Share Plan (continued)

(b) 2011 Restricted Share Awards (continued)

Movements in the number of share options held by the Bank's employees are as follows:-

	2013 Number ('000)	Weighted average exercise price	2012 Number ('000)	Weighted average exercise price
At 1 January	70	-	2	-
Additonal shares for rights issue	-	-	-	-
Notional dividend	2			
Granted during the year	66	-	70	-
Exercised during the year	(21)	-	-	-
Lapsed during the year	(15)	-	(2)	-
At 31 December	102	-	70	-
Exercisable at 31 December	3	-	-	-

	2013				2012			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years
N/A	-	102	-	5.80	-	70	-	6.19

35. Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholder and the number of ordinary shares outstanding during the financial year:-

	Group	
	2013	**2012**
	RM'000	**RM'000**
Net profit attributable to ordinary shareholder	554,805	710,618

	Group	
	2013	**2012**
	Number ('000)	**Number ('000)**
Number of ordinary shares outstanding	125,000	125,000
Basic earnings per ordinary shares (sen)	444	568

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36. Commitments and contingencies

In normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies are as follows:-

	31 December 2013			31 December 2012		
Group	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Risk weighted amount RM'000**	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Risk weighted amount RM'000**
Direct credit substitutes	2,390,276	2,390,276	824,234	1,699,935	1,698,521	423,905
Transaction-related contingent items	4,254,108	4,253,025	952,615	3,759,364	3,642,859	966,914
Short-term self liquidating trade-related contingencies	390,974	390,974	105,794	521,072	497,940	109,762
Other commitments to extend credit:-						
- maturity not exceeding one year	12,282,795	5,471,974	1,840,909	13,261,669	4,594,421	1,499,749
- maturity exceeding one year	6,359,524	1,534,941	766,560	6,974,639	2,099,000	1,256,883
Foreign exchange related contracts:-						
- less than one year	32,294,898	975,552	234,754	42,695,582	734,554	156,436
- one year to less than five years	19,066,983	2,187,200	535,207	18,888,316	1,957,252	477,765
- five years and above	1,744,078	345,249	129,674	1,574,499	286,676	114,225
Interest rate related contracts:-						
- less than one year	19,220,803	40,177	4,996	21,996,302	84,276	9,742
- one year to less than five years	48,719,725	1,581,268	333,331	47,063,548	1,384,302	305,745
- five years and above	5,512,026	568,450	162,432	5,073,393	558,044	167,964
Miscellaneous commitments and contingencies	3,949,296	287,625	78,858	1,738,916	136,104	81,756
	156,185,486	20,026,711	5,969,364	165,247,235	17,673,949	5,570,846

Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

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36. Commitments and contingencies (continued)

	31 December 2013			31 December 2012		
Bank	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Risk weighted amount RM'000**	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Risk weighted amount RM'000**
Direct credit substitutes	2,387,464	2,387,464	823,662	1,696,370	1,696,300	423,294
Transaction-related contingent items	4,181,018	4,179,934	931,868	3,704,863	3,597,280	949,608
Short-term self liquidating trade-related contingencies	324,817	324,817	74,723	361,387	339,687	64,846
Other commitments to extend credit:-						
- maturity not exceeding one year	10,172,392	4,116,128	1,397,330	12,434,304	4,294,769	1,398,489
- maturity exceeding one year	5,083,055	1,302,260	679,210	6,221,888	1,942,688	1,143,625
Foreign exchange related contracts:-						
- less than one year	32,294,898	972,659	233,968	42,695,582	734,554	155,309
- one year to less than five years	19,066,983	2,187,200	535,207	18,888,316	1,957,252	477,765
- five years and above	1,744,078	345,249	129,674	1,574,499	286,676	114,225
Interest rate related contracts:-						
- less than one year	19,327,561	44,671	5,396	22,196,302	84,476	9,681
- one year to less than five years	48,719,725	1,579,583	329,955	47,063,662	1,378,785	288,963
- five years and above	5,512,026	568,449	162,427	5,010,779	554,286	158,343
Miscellaneous commitments and contingencies	3,948,551	288,817	76,082	1,738,916	136,104	81,756
	152,762,568	18,297,231	5,379,502	163,586,868	17,002,857	5,265,904

Foreign exchange and interest rate related contracts are subject to market risk and credit risk.

37. Risk management policies

The guidelines and policies adopted by the Group and the Bank to manage the risks that arise in the conduct of the business activities are as follows:-

(a) Operational risk
Operational risk is the risk of direct or indirect loss due to an event or action resulting from inadequate or failed internal processes, people and systems, or from external events.

BNM has formally approved the Bank's use of the The Standardised Approach ("TSA") for calculating and reporting operational risk capital requirement in November 2009. As a result, the Bank has been using TSA for calculating and reporting the operational risk capital requirement from July 2010 onwards.

Objective
Operational risk exposures arise as a result of business activities. It is the Group’s objective to minimise such exposures, subject to cost tradeoffs. This objective is met through a framework of policies and procedures originating from Standard Chartered PLC Group that drive our risk management approach through six inter-dependent risk management process categories of plan, inform, control, originate, optimise and communicate.

Governance structure
Governance over operational risk management is achieved through a defined structure of committees at the group, business and function. At each level, operational risk governance committees integrate into Standard Chartered PLC Group’s and the Bank's overall risk governance structure. Standard Chartered PLC Group Operational Risk Committee ("GORC"), a subcommittee of Standard Chartered PLC Group's Risk Management Committee ("RMC"), supervises the management of operational risks across all businesses and functions, while at a Country level, this role is performed by the Country Operational Risk Committee ("CORC"), a subcommittee of local RMC. Escalation rules, linked to risk tolerance limits, are in place to ensure that operational risk decisions are taken at the right level within the governance structure.

Roles and responsibilities
Responsibility for the management of operational risk rests with business and function management as an integral component of the management task. An independent Operational Risk function within the Risk function works alongside them to ensure that exposure to operational risk remains within acceptable levels.

Risk management approach
Standard Chartered PLC Group’s operational risk management procedures and processes are integral components of the broader Risk Management Framework and are approved and adopted by the Board for local adoption. Operational risks are managed through an end to end process of plan, inform, control, originate, optimise and communicate. This six inter-dependent risk management process is performed at all levels across the Group and country level, and is the foundation of the risk management approach. Once identified, risks are assessed against standard criteria to determine their significance and the degree of risk mitigation effort required to reduce the exposure to acceptable levels. The Group's operational risk management approach serves to continually improve the Group's ability to anticipate all material risks and to increase our ability to demonstrate, with a high degree of confidence, that those material risks are well controlled. Risk mitigation plans are overseen by the appropriate local and Standard Chartered PLC Group's governance committee.

Assurance
The GIA function provides independent assurance of the effectiveness of management’s control of its own business activities and of the processes maintained by the Risk Control Functions. As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

37. Risk management policies (continued)

(b) Credit risk

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group and the Bank in accordance with agreed terms. Credit exposures may arise from both the banking and trading book. Credit risk is managed through a framework which sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and the approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework.

Credit policies

The Group and the Bank adopts credit policies and standards issued by Standard Chartered Bank PLC Group. Standard Chartered PLC Group-wide credit policies and standards are considered and approved by its Standard Chartered PLC Group's Risk Committee ("GRC"), which also oversees the delegation of credit approval and loan impairment provisioning authorities. Policies and procedures that are specific to each business are established by authorised risk committees within Wholesale and Consumer Banking. These are consistent with the Standard Chartered PLC Group-wide credit policies, but are more detailed and adapted to reflect the different risk environments and portfolio characteristics.

Credit approval

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by Standard Chartered PLC Group’s Credit Committee (“GCC”). The GCC derives its authority from the GRC.

All other credit approval authorities are delegated by GRC and Country RMC to individuals at Country level based on their judgement and experience, and a risk adjusted scale which takes account of the estimated maximum potential loss from a given customer or portfolio. Credit origination and approval roles are segregated in all except for a few authorised cases. In those very few exceptions where they are not, originators can only approve limited exposures within defined risk parameters.

Concentration risk

Credit concentration risk is managed within concentration caps set by counterparty or groups of connected counterparties and by industry sector in Wholesale Banking; and by product in Consumer Banking. Additional targets are set and monitored for concentrations by credit rating. Credit concentrations are monitored by the RMC and concentration limits that are material to Standard Chartered PLC Group are reviewed and approved at least annually by the GCC at Standard Chartered PLC Group level.

Credit monitoring

The Group and the Bank regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are presented to RMC, containing information on key economic trends, portfolio delinquency and loan impairment performance, as well as Internal Ratings Based ("IRB") portfolio metrics including credit grade migration. Within CB Credit Risk, the CB Credit Governance Committee ("CB CGC") oversees senior management’s activities in managing Consumer Banking credit risk to ensure that an effective risk management process is in place and functioning; and to review and direct the management of the credit portfolio in country to ensure that systems and controls are in place and operating effectively such that earnings from the portfolio meet expectations.

Wholesale banking clients or portfolios are placed on Early Alert when they display signs of weakness or financial deterioration, for example, where there is a decline in the customer’s position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management. Such accounts and portfolios are subjected to a dedicated process overseen by Early Alert Committee ("EAC"). Account plans are re-evaluated and 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 specialist recovery unit.

37. Risk management policies (continued)

(b) Credit risk (continued)

Credit monitoring (continued)

In Consumer Banking, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and is considered lending decisions. Accounts which are past due are subject to a collections process, managed independently by the Risk function. Charged-off accounts are managed by a specialised recovery team.

The Small and Medium Enterprise (“SME”) business is managed within Consumer Banking in two distinct segments: Discretionary Lending and Programme Lending, differentiated by the annual turnover of the counterparty. Accounts under Discretionary Lending are monitored in line with Wholesale Banking procedures, while accounts under Programme Lending are monitored in line with other Consumer Banking accounts. Past due accounts under Discretionary Lending that meet the agreed criteria for management by GSAM are managed by GSAM.

(i) Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, 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 and counterparty risk of the guarantor.

Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include cash, residential, commercial and industrial properties, marketable securities, bank guarantees and letters of credit.

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 Credit Guarantee Corporation ("CGC"). Credit derivatives, due to their potential impact on income volatility are used in a controlled manner with reference to their expected volatility.

Collateral is valued 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.

For further information regarding credit risk mitigation in the trading book see Note 37 (b) (iii).

(ii) Problem credit management

<u>Consumer Banking</u>

In Consumer Banking, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. Within Consumer Banking, an account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes the Group and the Bank measures 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.

37. Risk management policies (continued)

(b) Credit risk (continued)

(ii) Problem credit management (continued)

Consumer Banking (continued)

Provisioning within Consumer Banking reflects the fact that the product portfolios (excluding medium enterprises among SME customers) consist of a large number of comparatively small exposures. A collective impairment provision ("CIP") is raised on a portfolio basis, however loss recognition / provisioning is done at account level for problem credit within each product. CIP is set using expected loss rates, based on past experience 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 CIP methodology provides for accounts for which an individual impairment provision has not been raised.

For unsecured products, the entire outstanding amount is generally written off at 150 days past due. Secured loans individual impairment provision ("IIP") are raised at 150 days past due.

The IIP provisions are based on the estimated present values of future cash flows, in particular those resulting from the realisation of security. Following such realisations any remaining amount will be written off. The days past due used to trigger write offs and IIP 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 off is accelerated for all restructured accounts to 90 days past due (unsecured) and 120 days past due (secured), respectively.

The procedures for managing problem credits for medium enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking.

Wholesale Banking
Loans are classified as impaired and considered impaired 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 GSAM, which is separate from the main businesses. Where any amount is considered irrecoverable, an 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. In any decision relating to the raising of provisions, the Group attempts 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.

37. Risk management policies (continued)

(b) Credit risk (continued)

(iii) Counterparty credit risk in the trading book

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

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

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

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

Note 39 provides further analysis on the Group's and the Bank's exposure to credit risk.

(c) Market risk

The Group recognises market risk as the risk of loss resulting from changes in market prices and rates. The Bank is exposed to market risk arising principally from customer-driven transactions. The objective of the Bank’s market risk policies and processes is to obtain the best balance of risk and return while meeting customers’ requirements.

The primary categories of market risk for the Group are:-

- Interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options; and
- Foreign currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options.

The Group has adopted the Standardised approach for market risk.

Market risk governance

The Board approves the Group’s market risk appetite taking account of market volatility, the range of traded products and asset classes, the business volumes and transaction sizes. Market risk appetite has remained broadly stable in 2013.

The Board is responsible for setting Value at Risk ("VaR") limits at a business level. The Board is also responsible for policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both trading and non-trading books of the Group. Limits by desk are proposed by the businesses within the terms of agreed policy.

37. Risk management policies (continued)

(c) Market risk (continued)

Market risk governance (continued)

Group Market Risk ("GMR") approves the limits within delegated authorities and monitor exposures against these limits.

All permanent limits are approved by the Board prior to implementation. Exceptions are escalated to the Board / Board's delegated committees. Additional limits are placed on specific instruments and position concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange is measured in terms of the underlying values or amounts involved. Option risks are controlled through revaluation limits on underlying price and volatility shifts, limits on volatility risk and other variables that determine the options' value.

Value at Risk

The Group measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk which applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent. This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year.

The Group applies two VaR methodologies:-

- Historical simulation: involves the revaluation of all existing positions to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This approach is applied for general market risk factors and from the fourth quarter of 2013 has been extended to also cover the majority of specific (credit spread) risk VaR.

- Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is now applied for some of the specific (credit spread) risk VaR in relation to idiosyncratic exposures in credit markets.

In both methods an historical observation period of one year is chosen and applied.

VaR is calculated as the Group's exposure as at the close of business. Intra-day risk levels may vary from those reported at the end of the day.

Back Testing

To assess their predictive power, VaR models are back tested against actual results.

37. Risk management policies (continued)

(c) Market risk (continued)

Stress testing

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations.

GMR complements the VaR measurement by quarterly stress testing market risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in liquidity that often occurs.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The RMC has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. The RMC considers stress testing results as part of its supervision of risk appetite.

Regular stress test scenarios are applied to interest rates, credit spreads and exchange rates. This covers all major asset classes in the non-trading and trading books.

Ad-hoc scenarios are also prepared for stress testing reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

Valuation framework

Products may only be traded subject to a formally approved Product Programme which identifies the risks, controls and regulatory treatment. The control framework is assessed by the relevant Bank functions as well as GIA on an ongoing basis. It is the Group's policy that all assets and liabilities held are to be recorded in the financial accounts on a fair-value basis that is consistent with MFRSs.

The Product Control function is responsible for valuation controls in accordance with policy. Where possible, positions held are marked to market on a consistent and daily basis using quoted prices within active markets. Where this is not possible, positions are marked to model using models which have been independently and periodically validated by GMR. Product Control ensures adherence to Standard Chartered PLC Group's policy for valuation adjustments to incorporate counterparty risk, bid/ask spreads, market liquidity and where appropriate model risk reserves to mark all positions on a prudent basis. The BRC provides oversight and governance of all policy.

Market risk VaR coverage

Interest rate risk from across the non-trading book portfolios is transferred to Financial Markets where it is managed by the Group's Asset and Liability Management ("ALM") desks under the supervision of ALCO. The ALM desks deal in the market in approved financial instruments in order to manage the net interest rate risk, subject to approved VaR and risk limits.

VaR and stress tests are therefore applied to these non-trading book exposures (except Group Treasury), including available for sale securities. Securities classed as Loans and Receivables or Held to Maturity are not reflected in VaR or stress tests since they are accounted on an amortised cost basis, so market price movements have no effect on either profit or loss or reserves.

Foreign exchange risk on the non-trading book portfolios is minimised by match funding assets and liabilities in the same currency. Structural foreign exchange currency risks are not included within the Group's VaR.

37. Risk management policies (continued)

(c) Market risk (continued)

Market risk VaR coverage (continued)

The table below analyses VaR by primary categories of market risk:-

Value at Risk (VaR at 97.5%, 1 day)

	2013			Actual as at
	Average	High	Low	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Trading				
Interest rate risk	3,623	6,708	1,813	3,239
Foreign exchange risk	656	2,302	167	367
Non-trading				
Interest rate risk	2,767	3,305	1,692	2,961

	2012			Actual as at
	Average	High	Low	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Trading				
Interest rate risk	4,989	8,023	2,146	4,081
Foreign exchange risk	1,254	3,340	304	1,347
Non-trading				
Interest rate risk	1,996	2,961	1,298	2,917

Note 41 provides further analysis on the Group's and the Bank's exposure to market risk.

(d) Liquidity risk

The Group and the Bank defines liquidity risk as the risk that the Group and the Bank either does not have sufficient financial resources available to meet all its obligations and commitments as and when they fall due, or can access them only at excessive cost.

Liquidity risk is managed through the Bank's ALCO. This committee, chaired by the Chief Executive Officer ("CEO"), is responsible for both statutory and prudential liquidity.

Liquidity risk is monitored through BNM's New Liquidity Framework and the internal liquidity risk management policy. A range of tools are used for the management of liquidity. These comprise commitment and wholesale borrowing guidelines, key balance sheet ratios, medium term funding requirements and day-to-day monitoring of future cash flows.

In addition, liquidity contingency funding plans are reviewed periodically to ensure that alternative funding strategies are in place and can be implemented on a timely basis to minimise the liquidity risk that may arise due to unforeseen adverse changes in the market place.

Note 40 provides further analysis on the Group's and the Bank's exposure to liquidity risk.

(e) Business risk

Business risk is the risk of failing to achieve business targets due to inappropriate strategies, inadequate resources and changes in the economic environment and is managed through the Bank's management processes. Regular reviews of the business performance are made with senior management. The reviews include financial performance measures, capital usage, resource utilisation and risk statistics to provide a broad understanding of the current business position.

37. Risk management policies (continued)

(f) Compliance risk

Compliance risk includes the risk of non-compliance with Standard Chartered PLC Group policies, local policies and regulatory requirements in the country where the Bank operates. The Compliance function is responsible for establishing and maintaining an appropriate framework for compliance policies and procedures. Compliance with such policies is the responsibility of all managers.

(g) Legal risk

Legal risk is the risk of unexpected losses, including reputational loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or other loss for the Bank, failure to protect the title to and the ability to control the rights to assets of the Bank, (including intellectual property rights), changes in the law or jurisdictional risk. The Legal function manages legal risk in the Bank through legal risk policies and procedures and effective use of its external lawyers.

38. Financial instruments

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-
(a) Loans and receivables ("L&R")
(b) Fair value through profit or loss ("FVTPL")
- Held for trading ("HFT")
- Designated at fair value ("DAFV")
(c) Held-for-hedging ("HFH")
(d) Available-for-sale financial assets ("AFS")
(e) Other liabilities ("OL")

Group 2013	Carrying amount RM'000	L&R / OL RM'000	FVTPL HFT/ DAFV RM'000	HFH RM'000	AFS RM'000
Financial assets					
Cash and short term funds	8,143,220	8,143,220	-	-	-
Deposits and placements with banks and other financial institutions	12,590	12,590	-	-	-
Securities repurchased under resale agreements	291,261	291,261	-	-	-
Financial assets held for trading	2,918,194	-	2,918,194	-	-
Investment securities available-for-sale	4,648,145	-	-	-	4,648,145
Loans, advances and financing	34,209,142	34,209,142	-	-	-
Derivative financial assets	2,096,671	-	2,010,383	86,288	-
Other assets	702,619	702,619	-	-	-
Statutory deposits with Bank Negara Malaysia	1,153,509	1,153,509	-	-	-
Total financial assets	**54,175,351**	**44,512,341**	**4,928,577**	**86,288**	**4,648,145**
Financial liabilities					
Deposits from customers	38,594,479	38,487,436	107,043	-	-
Deposits and placements of banks and other financial institutions	7,170,856	6,702,253	468,603	-	-
Derivative financial liabilities	1,754,037	-	1,733,659	20,378	-
Other liabilities	1,887,018	1,887,018	-	-	-
Subordinated debts	1,000,000	1,000,000	-	-	-
Total financial liabilities	**50,406,390**	**48,076,707**	**2,309,305**	**20,378**	**-**

38. Financial instruments (continued)

Categories of financial instruments (continued)

Group Restated 2012	Carrying amount RM'000	L&R / OL RM'000	FVTPL HFT/ DAFV RM'000	HFH RM'000	AFS RM'000
Financial assets					
Cash and short term funds	5,306,549	5,306,549	-	-	-
Deposits and placements with banks and other financial institutions	188,206	188,206	-	-	-
Securities repurchased under resale agreements	148,141	148,141	-	-	-
Financial assets held for trading	3,391,192	-	3,391,192	-	-
Investment securities available-for-sale	6,114,799	-	-	-	6,114,799
Loans, advances and financing	32,727,396	32,727,396	-	-	-
Derivative financial assets	1,589,143	-	1,495,264	93,879	-
Other assets	838,945	838,945	-	-	-
Statutory deposits with Bank Negara Malaysia	1,103,592	1,103,592	-	-	-
Total financial assets	**51,407,963**	**40,312,829**	**4,886,456**	**93,879**	**6,114,799**
Financial liabilities					
Deposits from customers	35,564,486	35,494,644	69,842	-	-
Deposits and placements of banks and other financial institutions	8,314,656	7,759,055	555,601	-	-
Derivative financial liabilities	1,385,896	-	1,381,939	3,957	-
Other liabilities	2,027,102	2,027,102	-	-	-
Subordinated debts	500,000	500,000	-	-	-
Total financial liabilities	**47,792,140**	**45,780,801**	**2,007,382**	**3,957**	**-**

38. Financial instruments (continued)

Categories of financial instruments (continued)

Bank 2013	Carrying amount RM'000	L&R / OL RM'000	FVTPL HFT/ DAFV RM'000	HFH RM'000	AFS RM'000
Financial assets					
Cash and short term funds	6,794,448	6,794,448	-	-	-
Deposits and placements with banks and other financial institutions	2,389,694	2,389,694	-	-	-
Securities repurchased under resale agreements	291,261	291,261	-	-	-
Financial assets held for trading	2,918,194	-	2,918,194	-	-
Investment securities available-for-sale	4,522,205	-	-	-	4,522,205
Loans, advances and financing	29,163,612	29,163,612	-	-	-
Derivative financial assets	2,096,231	-	2,009,943	86,288	-
Other assets	989,697	989,697	-	-	-
Statutory deposits with Bank Negara Malaysia	952,192	952,192	-	-	-
Total financial assets	**50,117,534**	**40,580,904**	**4,928,137**	**86,288**	**4,522,205**
Financial liabilities					
Deposits from customers	34,452,038	34,363,337	88,701	-	-
Deposits and placements of banks and other financial institutions	7,056,409	6,591,411	464,998	-	-
Derivative financial liabilities	1,756,805	-	1,736,427	20,378	-
Other liabilities	2,638,024	2,638,024	-	-	-
Subordinated debts	1,000,000	1,000,000	-	-	-
Total financial liabilities	**46,903,276**	**44,592,772**	**2,290,126**	**20,378**	**-**

38. Financial instruments (continued)

Categories of financial instruments (continued)

Bank Restated 2012	Carrying amount RM'000	L&R / OL RM'000	FVTPL HFT/ DAFV RM'000	HFH RM'000	AFS RM'000
Financial assets					
Cash and short term funds	4,139,071	4,139,071	-	-	-
Deposits and placements with banks and other financial institutions	2,053,652	2,053,652	-	-	-
Securities repurchased under resale agreements	148,141	148,141	-	-	-
Financial assets held for trading	3,391,192	-	3,391,192	-	-
Investment securities available-for-sale	4,973,165	-	-	-	4,973,165
Loans, advances and financing	28,847,104	28,847,104	-	-	-
Derivative financial assets	1,589,144	-	1,495,265	93,879	-
Other assets	1,223,117	1,223,117	-	-	-
Statutory deposits with Bank Negara Malaysia	964,907	964,907	-	-	-
Total financial assets	**47,329,493**	**37,375,992**	**4,886,457**	**93,879**	**4,973,165**
Financial liabilities					
Deposits from customers	31,664,183	31,607,940	56,243	-	-
Deposits and placements of banks and other financial institutions	8,212,243	7,656,642	555,601	-	-
Derivative financial liabilities	1,386,071	-	1,382,114	3,957	-
Other liabilities	2,438,793	2,438,793	-	-	-
Subordinated debts	500,000	500,000	-	-	-
Total financial liabilities	**44,201,290**	**42,203,375**	**1,993,958**	**3,957**	**-**

38. Financial instruments (continued)

Net gains and losses arising from financial instruments

	Group		Bank	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net gains/(losses) arising on:-				
Fair value through profit or loss:	412,244	477,710	412,244	477,710
- *Held for trading*	*430,389*	*485,889*	*430,389*	*485,889*
- *Held for hedging*	*(18,145)*	*(8,179)*	*(18,145)*	*(8,179)*
Available-for-sale financial assets:	222,013	175,750	158,692	156,386
- *Recognised in other comprehensive income*	*(4,693)*	*(4,888)*	*(4,756)*	*(4,758)*
- *Reclassified from equity to profit or loss*	*190,073*	*145,029*	*126,815*	*125,535*
- *Dividend income*	*36,633*	*35,609*	*36,633*	*35,609*
Loans and receivables	2,293,088	2,178,109	1,946,050	1,880,831
Financial liabilities measured at amortised costs	(872,080)	(852,659)	(755,836)	(769,616)
	2,055,265	1,978,910	1,761,150	1,745,311

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39. Credit risk

(i) Maximum exposure to credit risk

The following tables present the Group's and the Bank's maximum exposure to credit risk of their on-balance sheet and off-balance sheet financial instruments and credit exposures covered by collaterals and other credit enhancements. For on-balance sheet financial instruments, the maximum exposure to credit risk is the carrying amount reported on the statements of financial position. For off-balance sheet financial instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

	Group				Bank			
	Maximum exposures covered by credit exposures	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures covered by credit exposures	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures covered by credit exposures	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures covered by credit exposures	Credit exposures covered by collaterals and other credit enhancements
	2013		2012 Restated		2013		2012 Restated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-balance sheet assets								
Money at call and deposits placements maturing within one month	7,935,452	-	5,158,050	-	6,624,425	-	4,007,218	-
Deposits and placements with banks and other financial institutions	12,590	-	188,206	-	2,389,694	-	2,053,652	-
Securities purchased under resale agreements	291,261	291,261	148,141	148,141	291,261	291,261	148,141	148,141
Financial assets held for trading	2,918,194	-	3,391,192	-	2,918,194	-	3,391,192	-
Investment securities available-for-sale (excludes equity shares)	4,638,424	-	6,105,133	-	4,512,484	-	4,963,499	-
Loans, advances and financing	34,209,142	15,357,605	32,727,396	14,452,971	29,163,612	13,428,081	28,847,104	13,792,255
Derivative financial assets	2,096,671	-	1,589,143	-	2,096,231	-	1,589,144	-
Interest/Income receivables	52,627	-	50,176	-	60,442	-	56,989	-
Statutory deposits with Bank Negara Malaysia	1,153,509	-	1,103,592	-	952,192	-	964,907	-
	53,307,870	15,648,866	50,461,029	14,601,112	49,008,535	13,719,342	46,021,846	13,940,396

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39. Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

	Group				Bank			
	Maximum exposures covered by credit exposures	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures covered by credit exposures	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures covered by credit exposures	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures covered by credit exposures	Credit exposures covered by collaterals and other credit enhancements
	2013		2012 Restated		2013		2012 Restated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Off-balance sheet items								
Contingent commitments	7,035,358	659,813	5,980,371	706,042	6,893,299	654,559	5,762,620	704,483
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	18,642,319	832,678	20,236,308	474,960	15,255,447	402,402	18,656,192	313,180
	25,677,677	1,492,491	26,216,679	1,181,002	22,148,746	1,056,961	24,418,812	1,017,663

39. Credit risk (continued)

(ii) Offsetting financial assets and financial liabilities

The tables below set out carrying amounts of recognised financial assets and financial liabilities that are subject to International Swaps and Derivatives Association ("ISDA") and or similar master netting arrangements but do not meet the criteria for offsetting in the statements of financial position. This is because the parties to the ISDA agreement provides the right of set-off of recognised amounts that is only enforceable in event of default, insolvency or bankruptcy of the Group and the Bank or the counterparties or following other predetermined events. However, as Malaysia is currently not a clear netting jurisdiction, the Group and the Bank may not be able to enforce set-off in the event of default. In addition, the Group and the Bank and its counterparties also do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

	Carrying amounts of recognised financial instruments in the statement of financial position RM'000	Related financial instruments that are not offset in the statement of financial position RM'000	Net amount RM'000
Group			
2013			
Derivative financial assets	2,096,671	(887,614)	1,209,057
Derivative financial liabilities	(1,754,037)	887,614	(866,423)
2012			
Derivative financial assets	1,589,143	(1,074,893)	514,250
Derivative financial liabilities	(1,385,896)	1,074,893	(311,003)
Bank			
2013			
Derivative financial assets	2,096,231	(883,936)	1,212,295
Derivative financial liabilities	(1,756,805)	883,936	(872,869)
2012			
Derivative financial assets	1,589,144	(1,070,675)	518,469
Derivative financial liabilities	(1,386,071)	1,070,675	(315,396)

39. Credit risk (continued)

(iii) Summary analysis of loans, advances and financing

Group 2013	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
Individually impaired loans *	179,753	658,134	837,887
Impairment provision on off-balance sheet items	-	(12,145)	(12,145)
Past due but not impaired loans	2,101,355	52,976	2,154,331
Neither past due nor impaired loans	22,681,645	8,895,355	31,577,000
Total loans, advances and financing	24,962,753	9,594,320	34,557,073
Collective impairment provisions	(272,874)	(75,057)	(347,931)
	24,689,879	9,519,263	34,209,142

Group 2012 Restated	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
Individually impaired loans *	160,994	57,507	218,501
Impairment provision on off-balance sheet items	-	(12,145)	(12,145)
Past due but not impaired loans	2,046,025	2,375	2,048,400
Neither past due nor impaired loans	21,996,544	8,836,848	30,833,392
Total loans, advances and financing	24,203,563	8,884,585	33,088,148
Collective impairment provisions	(311,784)	(48,968)	(360,752)
	23,891,779	8,835,617	32,727,396

* Included in the balance is RM113,539,000 for Consumer Banking (2012: RM 96,870,000), in respect of loans where no individual impairment provisions were made as the recoverable amounts are in excess of the carrying amounts for secured loans, advances and financing. For unsecured loans, advances and financing, collective impairment provisions were made for loans for which an individual impairment provision has not been made.

Bank 2013	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
Individually impaired loans *	154,927	658,134	813,061
Impairment provision on off-balance sheet items	-	(12,145)	(12,145)
Past due but not impaired loans	1,648,626	52,976	1,701,602
Neither past due nor impaired loans	19,482,417	7,422,672	26,905,089
Total loans, advances and financing	21,285,970	8,121,637	29,407,607
Collective impairment provisions	(172,223)	(71,772)	(243,995)
	21,113,747	8,049,865	29,163,612

Bank 2012 Restated	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
Individually impaired loans *	130,479	57,507	187,986
Impairment provision on off-balance sheet items	-	(12,145)	(12,145)
Past due but not impaired loans	1,653,415	2,375	1,655,790
Neither past due nor impaired loans	19,813,314	7,428,094	27,241,408
Total loans, advances and financing	21,597,208	7,475,831	29,073,039
Collective impairment provisions	(178,326)	(47,609)	(225,935)
	21,418,882	7,428,222	28,847,104

* Included in the balance is RM 97,477,000 for Consumer Banking (2012: RM 72,841,000), in respect of loans where no individual impairment provisions were made as the recoverable amounts are in excess of the carrying amounts for secured loans, advances and financing. For unsecured loans, advances and financing, collective impairment provisions were made for loans for which an individual impairment provision has not been made.

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39. Credit risk (continued)

(iii) Summary analysis of loans, advances and financing (continued)

Credit quality

Loans, advances and financing neither past due nor impaired
Analysis of loans, advances and financing that are neither past due nor impaired analysed based on internal grading system is as follows:-

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Neither past due nor individually impaired				
- Grades 1-5	9,946,359	10,582,237	9,150,280	9,970,645
- Grades 6-7	11,254,898	10,172,643	9,782,050	9,188,605
- Grades 8-9	6,554,916	6,408,479	4,894,850	5,237,364
- Grades 10-12	3,820,827	3,670,033	3,077,909	2,844,794
	31,577,000	30,833,392	26,905,089	27,241,408

Loans, advances and financing past due but not individually impaired

The following tables set out the ageing of loans, advances and financing, which are past due and for which no individual impairment provisions have been raised. A loan is considered to be past due when the counterparty has failed to make a principal or interest payment when contractually due. Past due does not necessarily mean that a loan is impaired.

Group 2013	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
Up to 30 days past due	1,688,148	44,997	1,733,145
Between 31 - 60 days past due	310,117	4,462	314,579
Between 61 - 90 days past due	103,090	3,517	106,607
	2,101,355	52,976	2,154,331

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39. Credit risk (continued)

(iii) Summary analysis of loans, advances and financing (continued)

Loans, advances and financing past due but not individually impaired (continued)

Group 2012	**Consumer Banking RM'000**	**Wholesale Banking RM'000**	**Total RM'000**
Up to 30 days past due	1,612,576	2,375	1,614,951
Between 31 - 60 days past due	320,789	-	320,789
Between 61 - 90 days past due	112,660	-	112,660
	2,046,025	2,375	2,048,400

Bank 2013	**Consumer Banking RM'000**	**Wholesale Banking RM'000**	**Total RM'000**
Up to 30 days past due	1,305,605	44,997	1,350,602
Between 31 - 60 days past due	259,710	4,462	264,172
Between 61 - 90 days past due	83,311	3,517	86,828
	1,648,626	52,976	1,701,602

Bank 2012	**Consumer Banking RM'000**	**Wholesale Banking RM'000**	**Total RM'000**
Up to 30 days past due	1,294,432	2,375	1,296,807
Between 31 - 60 days past due	272,419	-	272,419
Between 61 - 90 days past due	86,564	-	86,564
	1,653,415	2,375	1,655,790

39. Credit risk (continued)

(iii) Summary analysis of loans, advances and financing (continued)

The following tables show the Group's and the Bank's impaired loans, advances and financing, individual impairment provisions and collective impairment provisions by significant geographic areas.

Group	**Within Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
2013			
Gross impaired loans, advances and financing	1,088,614	263	1,088,877
Individual impairment provisions	262,872	263	263,135
Collective impairment provisions	345,178	2,753	347,931
2012 (Restated)			
Gross impaired loans, advances and financing	424,774	166	424,940
Individual impairment provisions	218,418	166	218,584
Collective impairment provisions	358,260	2,492	360,752

Bank	**Within Malaysia RM'000**	**Outside Malaysia RM'000**	**Total RM'000**
2013			
Gross impaired loans, advances and financing	1,048,005	263	1,048,268
Individual impairment provisions	247,089	263	247,352
Collective impairment provisions	241,242	2,753	243,995
2012 (Restated)			
Gross impaired loans, advances and financing	390,885	166	391,051
Individual impairment provisions	215,044	166	215,210
Collective impairment provisions	223,443	2,492	225,935

39. Credit risk (continued)

(iv) Deposit placements maturing within one month and deposits and placements with banks and other financial institutions

All deposits and placements as at statement of financial position date are neither past due nor impaired. Table below summarises the balances, excluding balances with Bank Negara Malaysia, by external credit rating.

Group

	2013			2012		
	Standard & Poors RM'000	RAM RM'000	Total RM'000	Standard & Poors RM'000	RAM RM'000	Total RM'000
AAA	-	1,385,150	1,385,150	-	600,000	600,000
AA- to AA+	-	163,931	163,931	-	-	-
A- to A+	173,242	45,000	218,242	940,273	-	940,273
	173,242	1,594,081	1,767,323	940,273	600,000	1,540,273

Bank

	2013			2012		
	Standard & Poors RM'000	RAM RM'000	Total RM'000	Standard & Poors RM'000	RAM RM'000	Total RM'000
AAA	-	4,369,145	4,369,145	-	2,841,593	2,841,593
AA- to AA+	-	163,931	163,931	-	-	-
A- to A+	173,242	45,000	218,242	940,273	-	940,273
	173,242	4,578,076	4,751,318	940,273	2,841,593	3,781,866

(v) Summary analysis on securities portfolio

The following table summarises the financial assets held for trading, investment securities available-for-sale (excluding equity securities) and securities purchased under resale agreements. As at statement of financial position date, the Group and the Bank do not have any impaired securities and all debt securities are neither past due nor impaired. Their external credit rating are summarised as follows:-

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Government securities	5,774,422	8,078,193	5,674,724	6,981,560
Debt securities	2,073,457	1,566,273	2,047,215	1,521,272
AAA	*1,321,403*	*566,466*	*1,321,403*	*526,473*
AA- to AA+	*662,943*	*932,888*	*662,943*	*927,880*
A- to A+	*38,084*	*34,729*	*38,084*	*34,729*
Lower than A-	-	*12,243*	-	*12,243*
Unrated	*51,027*	*19,947*	*24,785*	*19,947*
Total securities portfolio	7,847,879	9,644,466	7,721,939	8,502,832

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40. Liquidity risk

The following tables summarise financial instruments into relevant maturity groupings based on the remaining contractual maturities as at the financial year end, on an undiscounted basis. The assets and liabilities in this table will not agree to the balances reported on the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis.

Group **As at 31 December 2013**	**3 months or less RM'000**	**> 3 - 12 months RM'000**	**> 1 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Financial assets					
Cash and short term funds	8,161,135	-	-	-	8,161,135
Deposits and placements with banks and other financial institutions	-	-	13,458	-	13,458
Securities purchased under resale agreements	291,915	-	-	-	291,915
Financial assets held for trading	575,623	1,253,805	657,197	622,833	3,109,458
Investment securities available-for-sale	2,382,400	245,356	2,249,784	291	4,877,831
Loans, advances and financing					
- Performing	7,547,026	5,296,911	5,780,951	28,317,158	46,942,046
- Impaired	-	-	-	825,742	825,742
Derivative financial assets	175,696	364,668	1,249,374	306,933	2,096,671
Other balances	1,856,128	-	-	-	1,856,128
	20,989,923	**7,160,740**	**9,950,764**	**30,072,957**	**68,174,384**
Financial liabilities					
Deposits from customers	30,917,329	7,052,212	950,205	5,572	38,925,318
Deposits and placements of banks and other financial institutions	6,614,057	954	255,959	407,817	7,278,787
Derivative financial liabilities	200,948	241,639	1,124,848	186,602	1,754,037
Other balances	1,427,954	459,112	-	-	1,887,066
Subordinated debts	-	-	-	1,277,200	1,277,200
	39,160,288	**7,753,917**	**2,331,012**	**1,877,191**	**51,122,408**
Net liquidity gap	**(18,170,365)**	**(593,177)**	**7,619,752**	**28,195,766**	**17,051,976**
Gross loans/financing commitments	**1,594,767**	**13,692,011**	**8,375,759**	**2,012,140**	**25,674,677**

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40. Liquidity risk (continued)

Group As at 31 December 2012 Restated	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial assets					
Cash and short term funds	5,317,467	-	-	-	5,317,467
Deposits and placements with banks and other financial institutions	177,426	-	13,028	-	190,454
Securities purchased under resale agreements	118,470	30,161	-	-	148,631
Financial assets held for trading	553,148	1,074,737	1,259,883	758,909	3,646,677
Investment securities available-for-sale	2,273,133	2,119,756	1,807,369	155,963	6,356,221
Loans, advances and financing					
- Performing	7,304,211	6,078,500	5,736,790	26,090,685	45,210,186
- Impaired	-	-	-	206,356	206,356
Derivative financial assets	148,227	196,659	934,980	309,277	1,589,143
Other balances	1,942,537	-	-	-	1,942,537
	17,834,619	**9,499,813**	**9,752,050**	**27,521,190**	**64,607,672**
Financial liabilities					
Deposits from customers	28,126,526	6,939,767	387,363	482,162	35,935,818
Deposits and placements of banks and other financial institutions	7,778,187	245	240,858	416,094	8,435,384
Derivative financial liabilities	103,279	220,215	840,454	221,948	1,385,896
Other balances	1,602,099	425,003	-	-	2,027,102
Subordinated debts	-	-	-	635,300	635,300
	37,610,091	**7,585,230**	**1,468,675**	**1,755,504**	**48,419,500**
Net liquidity gap	**(19,775,472)**	**1,914,583**	**8,283,375**	**25,765,686**	**16,188,172**
Gross loans/financing commitments	**1,653,444**	**12,683,671**	**9,213,323**	**2,666,241**	**26,216,679**

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40. Liquidity risk (continued)

The following tables summarise financial instruments into relevant maturity groupings based on the remaining contractual maturities as at the financial year end, on an undiscounted basis. The assets and liabilities in this table will not agree to the balances reported on the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis.

Bank **As at 31 December 2013**	**3 months or less RM'000**	**> 3 - 12 months RM'000**	**> 1 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Financial assets					
Cash and short term funds	6,809,095	-	-	-	6,809,095
Deposits and placements with banks and other financial institutions	1,448,894	950,451	13,700	-	2,413,045
Securities purchased under resale agreements	291,915	-	-	-	291,915
Financial assets held for trading	575,623	1,253,805	657,197	622,833	3,109,458
Investment securities available-for-sale	2,255,872	245,362	2,250,196	291	4,751,721
Loans, advances and financing					
- Performing	6,715,859	4,871,153	4,247,428	24,190,427	40,024,867
- Impaired	-	-	-	800,916	800,916
Derivative financial assets	175,689	364,668	1,248,279	307,595	2,096,231
Other balances	1,841,889	-	-	129,100	1,970,989
	20,114,836	**7,685,439**	**8,416,800**	**26,051,162**	**62,268,237**
Financial liabilities					
Deposits from customers	28,136,807	5,785,775	808,046	-	34,730,628
Deposits and placements of banks and other financial institutions	6,502,587	954	255,981	403,585	7,163,107
Derivative financial liabilities	205,337	241,639	1,123,751	186,078	1,756,805
Other balances	2,212,766	425,236	-	22	2,638,024
Subordinated debts	-	-	-	1,277,200	1,277,200
	37,057,497	**6,453,604**	**2,187,778**	**1,866,885**	**47,565,764**
Net liquidity gap	**(16,942,661)**	**1,231,835**	**6,229,022**	**24,184,277**	**14,702,473**
Gross loans/financing commitments	**536,956**	**11,861,479**	**8,147,225**	**1,603,086**	**22,148,746**

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40. Liquidity risk (continued)

Bank **As at 31 December 2012** **Restated**	**3 months or less RM'000**	**> 3 - 12 months RM'000**	**> 1 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Financial assets					
Cash and short term funds	4,146,926	-	-	-	4,146,926
Deposits and placements with banks and other financial institutions	950,716	1,092,625	13,586	30,301	2,087,228
Securities purchased under resale agreements	118,470	30,161	-	-	148,631
Financial assets held for trading	553,148	1,074,737	1,259,883	758,909	3,646,677
Investment securities available-for-sale	1,460,084	1,750,605	1,630,359	132,117	4,973,165
Loans, advances and financing					
- Performing	6,584,349	5,632,913	3,630,994	23,704,842	39,553,098
- Impaired	-	-	-	175,841	175,841
Derivative financial assets	153,666	198,660	929,453	309,365	1,591,144
Other balances	2,188,024	-	-	-	2,188,024
	16,155,383	**9,779,701**	**7,464,275**	**25,111,375**	**58,510,734**
Financial liabilities					
Deposits from customers	25,786,971	5,547,203	265,857	369,897	31,969,928
Deposits and placements of banks and other financial institutions	7,679,509	246	241,717	413,659	8,335,131
Derivative financial liabilities	103,453	220,215	840,453	221,950	1,386,071
Other balances	2,025,821	412,950	-	22	2,438,793
Subordinated debts	-	-	-	635,300	635,300
	35,595,754	**6,180,614**	**1,348,027**	**1,640,828**	**44,765,223**
Net liquidity gap	**(19,440,371)**	**3,599,087**	**6,116,248**	**23,470,547**	**13,745,511**
Gross loans/financing commitments	**1,397,712**	**11,554,874**	**9,188,078**	**2,278,148**	**24,418,812**

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41. Market risk

The tables below summarise the Group's and the Bank's financial instruments at carrying amounts, categorised by contractual re-pricing or maturity dates, whichever is earlier.

Interest rate risk

	Non-trading books							
Group **As at 31 December 2013**	**3 months or less RM'000**	**> 3 - 12 months RM'000**	**> 1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading books RM'000**	**Total RM'000**	**Effective interest rate (%)**
Financial assets								
Cash and short term funds	7,225,795	-	-	-	917,425	-	8,143,220	2.64
Deposits and placements with banks and other financial institutions	-	-	12,590	-	-	-	12,590	2.30
Securities purchased under resale agreements	291,261	-	-	-	-	-	291,261	2.69
Financial assets held for trading	-	-	-	-	-	2,918,194	2,918,194	3.32
Investment securities available-for-sale	2,331,298	242,250	2,038,392	242	35,963	-	4,648,145	3.28
Loans, advances and financing								
- Performing	27,478,834	3,461,586	1,712,778	730,202	-	-	33,383,400	5.41
- Impaired	-	-	-	-	825,742	-	825,742	
Derivative financial assets	7,915	46	1,686	-	-	2,087,024	2,096,671	
Other balances	-	-	-	-	1,856,128	-	1,856,128	
	37,335,103	**3,703,882**	**3,765,446**	**730,444**	**3,635,258**	**5,005,218**	**54,175,351**	
Financial liabilities								
Deposits from customers	22,853,520	6,921,252	836,029	4,771	7,978,907	-	38,594,479	2.62
Deposits and placements of banks and other financial institutions	6,596,305	945	230,000	343,606	-	-	7,170,856	2.90
Derivative financial liabilities	54	32	1,096	844	-	1,752,011	1,754,037	
Other balances	-	-	-	-	1,887,018	-	1,887,018	
Subordinated debts	-	-	-	1,000,000	-	-	1,000,000	4.62
	29,449,879	**6,922,229**	**1,067,125**	**1,349,221**	**9,865,925**	**1,752,011**	**50,406,390**	
On-balance sheet interest sensitivity gap	7,885,224	(3,218,347)	2,698,321	(618,777)	(6,230,667)	3,253,207		
Off-balance sheet interest sensitivity gap	391,971	(2,643,657)	(200,900)	126,845	-	-		
Total interest sensitivity gap	**8,277,195**	**(5,862,004)**	**2,497,421**	**(491,932)**	**(6,230,667)**	**3,253,207**		

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41. Market risk (continued)

Interest rate risk (continued)

Group As at 31 December 2012 Restated	Non-trading books 3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate (%)
Financial assets								
Cash and short term funds	4,404,546	-	-	-	902,003	-	5,306,549	2.47
Deposits and placements with banks and other financial institutions	176,462	-	11,744	-	-	-	188,206	2.19
Securities purchased under resale agreements	118,227	29,914	-	-	-	-	148,141	2.47
Financial assets held for trading	-	-	-	-	-	3,391,192	3,391,192	3.21
Investment securities available-for-sale	2,254,245	2,088,170	1,630,359	132,116	9,909	-	6,114,799	3.01
Loans, advances and financing								
- Performing	24,960,246	4,380,626	2,529,224	650,944	-	-	32,521,040	5.73
- Impaired	-	-	-	-	206,356	-	206,356	
Derivative financial assets	-	-	-	-	-	1,589,143	1,589,143	
Other balances	-	-	-	-	1,942,537	-	1,942,537	
	31,913,726	6,498,710	4,171,327	783,060	3,060,805	4,980,335	51,407,963	
Financial liabilities								
Deposits from customers	18,750,509	6,788,012	333,885	401,952	9,290,128	-	35,564,486	3.08
Deposits and placements of banks and other financial institutions	7,754,748	242	210,051	349,615	-	-	8,314,656	2.94
Derivative financial liabilities	-	-	-	-	-	1,385,896	1,385,896	
Other balances	-	-	-	-	2,027,102	-	2,027,102	
Subordinated debts	-	500,000	-	-	-	-	500,000	4.51
	26,505,257	7,288,254	543,936	751,567	11,317,230	1,385,896	47,792,140	
On-balance sheet interest sensitivity gap	5,408,469	(789,544)	3,627,391	31,493	(8,256,425)	3,594,439		
Off-balance sheet interest sensitivity gap	(992,507)	(476,699)	(1,638,623)	479,120	-	-		
Total interest sensitivity gap	**4,415,962**	**(1,266,243)**	**1,988,768**	**510,613**	**(8,256,425)**	**3,594,439**		

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41. Market risk (continued)

Interest rate risk (continued)

Bank As at 31 December 2013	Non-trading books 3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate (%)
Financial assets								
Cash and short term funds	5,891,623	-	-	-	902,825	-	6,794,448	2.59
Deposits and placements with banks and other financial institutions	1,441,763	935,341	12,590	-	-	-	2,389,694	2.94
Securities purchased under resale agreements	291,261	-	-	-	-	-	291,261	2.69
Financial assets held for trading	-	-	-	-	-	2,918,194	2,918,194	3.32
Investment securities available-for-sale	2,231,600	242,250	2,038,392	242	9,721	-	4,522,205	3.29
Loans, advances and financing								
- Performing	24,760,727	3,347,946	168,204	85,819	-	-	28,362,696	5.22
- Impaired	-	-	-	-	800,916	-	800,916	
Derivative financial assets	-	-	-	-	-	2,096,231	2,096,231	
Other balances	-	-	-	100,000	1,841,889	-	1,941,889	4.85
	34,616,974	4,525,537	2,219,186	186,061	3,555,351	5,014,425	50,117,534	
Financial liabilities								
Deposits from customers	20,083,158	5,677,739	712,234	-	7,978,907	-	34,452,038	2.56
Deposits and placements of banks and other financial institutions	6,485,463	945	230,000	340,001	-	-	7,056,409	2.90
Derivative financial liabilities	-	-	-	-	-	1,756,805	1,756,805	
Other balances	-	-	-	-	2,638,024	-	2,638,024	
Subordinated debts	-	-	-	1,000,000	-	-	1,000,000	4.62
	26,568,621	5,678,684	942,234	1,340,001	10,616,931	1,756,805	46,903,276	
On-balance sheet interest sensitivity gap	8,048,353	(1,153,147)	1,276,952	(1,153,940)	(7,061,580)	3,257,620		
Off-balance sheet interest sensitivity gap	391,971	(2,643,657)	(200,900)	126,845	-	-		
Total interest sensitivity gap	**8,440,324**	**(3,796,804)**	**1,076,052**	**(1,027,095)**	**(7,061,580)**	**3,257,620**		

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41. Market risk (continued)

Interest rate risk (continued)

Bank As at 31 December 2012 Restated	Non-trading books 3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate (%)
Financial assets								
Cash and short term funds	3,253,214	-	-	-	885,857	-	4,139,071	2.28
Deposits and placements with banks and other financial institutions	944,572	1,071,831	11,745	25,504	-	-	2,053,652	3.14
Securities purchased under resale agreements	118,227	29,914	-	-	-	-	148,141	2.47
Financial assets held for trading	-	-	-	-	-	3,391,192	3,391,192	3.21
Investment securities available-for-sale	1,450,176	1,750,605	1,630,359	132,116	9,909	-	4,973,165	3.00
Loans, advances and financing								
- Performing	23,805,004	4,254,461	487,513	124,285	-	-	28,671,263	5.29
- Impaired	-	-	-	-	175,841	-	175,841	
Derivative financial assets	-	-	-	-	-	1,589,144	1,589,144	
Other balances	-	-	-	-	2,188,024	-	2,188,024	
	29,571,193	7,106,811	2,129,617	281,905	3,259,631	4,980,336	47,329,493	
Financial liabilities								
Deposits from customers	16,418,597	5,342,339	305,594	307,525	9,290,128	-	31,664,183	3.12
Deposits and placements of banks and other financial institutions	7,655,949	242	210,051	346,001	-	-	8,212,243	3.02
Derivative financial liabilities	-	-	-	-	-	1,386,071	1,386,071	
Other balances	-	-	-	-	2,438,793	-	2,438,793	
Subordinated debts	-	500,000	-	-	-	-	500,000	4.51
	24,074,546	5,842,581	515,645	653,526	11,728,921	1,386,071	44,201,290	
On-balance sheet interest sensitivity gap	5,496,647	1,264,230	1,613,972	(371,621)	(8,469,290)	3,594,265		
Off-balance sheet interest sensitivity gap	(992,507)	(476,699)	(1,638,623)	479,120	-	-		
Total interest sensitivity gap	**4,504,140**	**787,531**	**(24,651)**	**107,499**	**(8,469,290)**	**3,594,265**		

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41. Market risk (continued)

Interest rate risk (continued)

The table below details the disclosure for interest rate risk in the Banking Book, the increase or decline in earnings and economic value for upward and downward rate shocks which are consistent with shocks applied in stress test for measuring interest rate risk, broken down by major currency exposures where relevant:-

	Group		Bank	
2013	**Impact on Positions as at Reporting Period**		**Impact on Positions as at Reporting Period**	
Type of Currency	**(200 basis points) Parallel Shift**		**(200 basis points) Parallel Shift**	
	Increase/(Decline) in profit before taxation RM'000	**Increase/(Decline) in equity RM'000**	**Increase/(Decline) in profit before taxation RM'000**	**Increase/(Decline) in equity RM'000**
MYR	612	459	33,908	25,431
USD	(35,520)	(26,640)	(28,615)	(21,462)
EUR	1,737	1,303	1,737	1,303
GBP	(470)	(352)	(470)	(352)
JPY	1,197	897	1,197	897
SGD	1,166	875	1,166	875
AUD	(4,114)	(3,086)	(4,114)	(3,086)

2012				
Type of Currency	**Impact on Positions as at Reporting Period**		**Impact on Positions as at Reporting Period**	
	(200 basis points) Parallel Shift		**(200 basis points) Parallel Shift**	
	Increase/(Decline) in profit before taxation RM'000	**Increase/(Decline) in equity RM'000**	**Increase/(Decline) in profit before taxation RM'000**	**Increase/(Decline) in equity RM'000**
MYR	32,479	24,359	64,182	48,136
USD	(3,328)	(2,496)	1,257	943
EUR	682	511	682	511
GBP	248	186	248	186
JPY	769	577	769	577

41. Market risk (continued)

Foreign currency risk

The table below summarises the Group's and the Bank's foreign exchange position for their financial instruments by major currencies. "Others" include mainly Australian Dollar, Euro, New Zealand Dollar, Hong Kong dollar and Japanese Yen.

Group As at 31 December 2013	MYR RM'000	USD RM'000	GBP RM'000	SGD RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short term funds	6,620,907	1,159,529	-	65,417	297,367	8,143,220
Deposits and placements with banks and other financial institutions	-	12,590	-	-	-	12,590
Securities purchased under resale agreements	291,261	-	-	-	-	291,261
Financial assets held for trading	2,918,194	-	-	-	-	2,918,194
Investment securities available-for-sale	4,647,522	-	623	-	-	4,648,145
Loans, advances and financing	30,350,087	3,083,269	669,076	4,966	101,744	34,209,142
Derivative financial assets	931,154	1,014,364	13,062	1,988	136,103	2,096,671
Other balances	1,787,105	45,009	18,680	251	5,083	1,856,128
	47,546,230	**5,314,761**	**701,441**	**72,622**	**540,297**	**54,175,351**
Financial liabilities						
Deposits from customers	34,633,521	2,935,463	132,198	64,101	829,196	38,594,479
Deposits and placements of banks and other financial institutions	5,246,357	1,146,755	624,283	-	153,461	7,170,856
Derivative financial liabilities	923,780	697,340	375	1,828	130,714	1,754,037
Other balances	1,977,631	462,911	(77,828) *	4,723	(480,419) *	1,887,018
Subordinated debts	1,000,000	-	-	-	-	1,000,000
	43,781,289	**5,242,469**	**679,028**	**70,652**	**632,952**	**50,406,390**
Total foreign currency sensitivity gap	**3,764,941**	**72,292**	**22,413**	**1,970**	**(92,655)**	

* Included in other balances is a receivable amounting to GBP 75,929,000 and AUD 455,599,000, which will be settled net together with balances in other currencies.

41. Market risk (continued)

Foreign currency risk (continued)

Group **As at 31 December 2012** **Restated**	**MYR** **RM'000**	**USD** **RM'000**	**GBP** **RM'000**	**SGD** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Financial assets						
Cash and short term funds	3,825,561	1,033,041	23,154	84,277	340,516	5,306,549
Deposits and placements with banks and other financial institutions	100,000	88,206	-	-	-	188,206
Securities purchased under resale agreements	148,141	-	-	-	-	148,141
Financial assets held for trading	3,391,192	-	-	-	-	3,391,192
Investment securities available-for-sale	5,769,135	345,096	568	-	-	6,114,799
Loans, advances and financing	29,204,550	2,844,307	609,726	9,065	59,748	32,727,396
Derivative financial assets	799,088	476,710	7,989	709	304,647	1,589,143
Other balances	1,843,346	73,061	18,113	151	7,866	1,942,537
	45,081,013	**4,860,421**	**659,550**	**94,202**	**712,777**	**51,407,963**
Financial liabilities						
Deposits from customers	32,198,841	2,219,096	163,821	108,700	874,028	35,564,486
Deposits and placements of banks and other financial institutions	7,338,609	356,054	583,297	20,140	16,556	8,314,656
Derivative financial liabilities	480,051	873,870	603	2,419	28,953	1,385,896
Other balances	1,716,522	280,482	-	7,685	22,413	2,027,102
Subordinated debts	500,000	-	-	-	-	500,000
	42,234,023	**3,729,502**	**747,721**	**138,944**	**941,950**	**47,792,140**
Total foreign currency sensitivity gap	**2,846,990**	**1,130,919**	**(88,171)**	**(44,742)**	**(229,173)**	

41. Market risk (continued)

Foreign currency risk (continued)

The table below summarises the Group's and the Bank's foreign exchange position for their financial instruments by major currencies. "Others" include mainly Australian Dollar, Euro, New Zealand Dollar and Japanese Yen.

Bank **As at 31 December 2013**	**MYR** **RM'000**	**USD** **RM'000**	**GBP** **RM'000**	**SGD** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Financial assets						
Cash and short term funds	5,265,244	1,166,420	-	65,417	297,367	6,794,448
Deposits and placements with banks and other financial institutions	2,087,733	301,961	-	-	-	2,389,694
Securities purchased under resale agreements	291,261	-	-	-	-	291,261
Financial assets held for trading	2,918,194	-	-	-	-	2,918,194
Investment securities available-for-sale	4,521,582	-	623	-	-	4,522,205
Loans, advances and financing	25,609,929	2,777,897	669,076	4,966	101,744	29,163,612
Derivative financial assets	930,713	1,014,364	13,062	1,988	136,104	2,096,231
Other balances	1,877,224	40,490	18,843	251	5,081	1,941,889
	43,501,880	**5,301,132**	**701,604**	**72,622**	**540,296**	**50,117,534**
Financial liabilities						
Deposits from customers	30,492,725	2,933,844	132,198	64,075	829,196	34,452,038
Deposits and placements of banks and other financial institutions	5,242,717	1,146,755	624,283	-	42,654	7,056,409
Derivative financial liabilities	923,779	695,721	375	1,828	135,102	1,756,805
Other balances	1,750,142	1,146,189	241,060	(90,898) *	(408,469) **	2,638,024
Subordinated debts	1,000,000	-	-	-	-	1,000,000
	39,409,363	**5,922,509**	**997,916**	**(24,995)**	**598,483**	**46,903,276**
Total foreign currency sensitivity gap	**4,092,517**	**(621,377)**	**(296,312)**	**97,617**	**(58,187)**	

* Included in other balances is a receivable from a subsidiary company amounting to SGD 43,252,000 and receivables of SGD52,100,000, which will be settled net together with balances in other currencies.

** Included in other balances is a receivable amounting to AUD 455,599,000, which will be settled in net together with balances in other currencies.

41. Market risk (continued)

Foreign currency risk (continued)

Bank **As at 31 December 2012** **Restated**	**MYR** **RM'000**	**USD** **RM'000**	**GBP** **RM'000**	**SGD** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Financial assets						
Cash and short term funds	2,613,989	1,077,135	23,154	84,277	340,516	4,139,071
Deposits and placements with banks and other financial institutions	1,880,230	173,422	-	-	-	2,053,652
Securities purchased under resale agreements	148,141	-	-	-	-	148,141
Financial assets held for trading	3,391,192	-	-	-	-	3,391,192
Investment securities available-for-sale	4,627,501	345,096	568	-	-	4,973,165
Loans, advances and financing	25,446,631	2,721,934	609,726	9,065	59,748	28,847,104
Derivative financial assets	800,976	474,823	7,989	709	304,647	1,589,144
Other balances	2,088,368	68,887	18,113	151	12,505	2,188,024
	40,997,028	**4,861,297**	**659,550**	**94,202**	**717,416**	**47,329,493**
Financial liabilities						
Deposits from customers	28,397,334	2,219,096	163,821	108,700	775,232	31,664,183
Deposits and placements of banks and other financial institutions	7,236,196	356,054	583,297	20,140	16,556	8,212,243
Derivative financial liabilities	482,279	871,817	603	2,419	28,953	1,386,071
Other balances	1,596,242	564,318	285,102	(83,945) *	77,076	2,438,793
Subordinated debts	500,000	-	-	-	-	500,000
	38,212,051	**4,011,285**	**1,032,823**	**47,314**	**897,817**	**44,201,290**
Total foreign currency sensitivity gap	**2,784,977**	**850,012**	**(373,273)**	**46,888**	**(180,401)**	

* Included in other balances is a receivable from a subsidiary company amounted to SGD 40,556,000, which will be settled in net together with balances in other currencies.

All foreign currency positions in the banking book of the Group and of the Bank are fully hedged, while stress test has been performed on foreign currency trading positions to assess impact of a 20% (31 December 2012: 20%) fall in Malaysian Ringgit exchange rates, adjusted to incorporate impact of correlation between different currencies. The impact has been assessed to be a decrease of RM 3 million in profit before tax and RM 2 million in equity (31 December 2012: RM 12 million in profit before tax and RM 9 million in equity).

42. Fair values of financial assets and liabilities

The following are the estimated fair values of the financial assets and liabilities followed by a general description of the methods and assumptions used in the estimation:-

	Group			
	Carrying value		**Fair value**	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Cash and short term funds	8,143,220	5,306,549	8,143,220	5,306,549
Deposits and placements with banks and other financial institutions	12,590	188,206	12,173	187,833
Securities purchased under resale agreement	291,261	148,141	291,261	148,141
Financial assets held for trading	2,918,194	3,391,192	2,918,194	3,391,192
Investment securities available-for-sale	4,648,145	6,114,799	4,648,145	6,114,799
Loans, advances and financing *	34,557,073	33,088,148	34,153,225	32,818,467
Derivative financial assets	2,096,671	1,589,143	2,096,671	1,589,143
Financial liabilities				
Deposits from customers	38,594,479	35,564,486	38,634,993	35,609,586
Deposits and placements of banks and other financial institutions	7,170,856	8,314,656	7,170,856	8,314,523
Subordinated debts	1,000,000	500,000	1,000,000	500,000
Derivative financial liabilities	1,754,037	1,385,896	1,754,037	1,385,896

Other assets and other liabilities are considered short term in nature. The fair values are estimated to be approximately their carrying values.

* The collective impairment provisions of the Group of RM347,931,000 (31 December 2012: RM 360,752,000) is not included in the carrying amount.

42. Fair values of financial assets and liabilities (continued)

	Bank			
	Carrying value		**Fair value**	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Cash and short term funds	6,794,448	4,139,071	6,794,448	4,139,071
Deposits and placements with banks and other financial institutions	2,389,694	2,053,652	2,389,277	2,053,042
Securities purchased under resale agreement	291,261	148,141	291,261	148,141
Financial assets held for trading	2,918,194	3,391,192	2,918,194	3,391,192
Investment securities available-for-sale	4,522,205	4,973,165	4,522,205	4,973,165
Loans, advances and financing *	29,407,607	29,073,039	29,158,131	28,935,416
Derivative financial assets	2,096,231	1,589,144	2,096,231	1,589,144
Financial liabilities				
Deposits from customers	34,452,038	31,664,183	34,458,494	31,694,081
Deposits and placements of banks and other financial institutions	7,056,409	8,212,243	7,056,409	8,212,243
Subordinated debts	1,000,000	500,000	1,000,000	500,000
Derivative financial liabilities	1,756,805	1,386,071	1,756,805	1,386,071

Other assets and other liabilities are considered short term in nature. The fair values are estimated to be approximately their carrying values.

* The collective impairment provisions of the Bank of RM 243,995,000 (31 December 2012: RM 225,935,000) is not included in the carrying amount.

42. Fair values of financial assets and liabilities (continued)

Methods and Assumptions

Financial Assets

(i) Cash and short term funds, deposits and placements with banks and other financial institutions

The fair values of cash and short term funds, deposits and placements with banks and other financial institutions are equivalent to placement value as these are regarded as short term financial instruments, defined as those with remaining maturities of less than one year and the carrying values are considered to be a reasonable estimate of their fair values. For deposits and placements with a remaining maturity greater than one year, the fair values are arrived at by discounting contractual future cash flows at the prevailing interbank rates for the remaining maturities as at the end of the reporting date.

(ii) Financial assets held for trading and investment securities available-for-sale

The estimated fair value is based on quoted or observable market prices at the statements of financial position date. Where such quoted or observable market prices are not available, the fair value is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, the estimated future cash flows are discounted using the prevailing market rates for a similar instrument at the end of reporting date.

(iii) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate and Islamic loans with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at the end of reporting date offered for similar loans to new borrowers with similar credit profiles, where applicable. In respect of impaired loans, the fair values are deemed to approximate the carrying values, net of individual impairment provisions.

(iv) Securities purchased under resale agreement

The carrying value is a reasonable estimate of their fair value because of their short term nature.

(v) Derivative financial instruments

Fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is financial assets (favourable) or financial liabilities (unfavourable) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The fair values of the Group's and the Bank's derivative instruments are estimated by reference to quoted market prices. Internal models are used where no market price is available.

Financial Liabilities

(i) Deposits and placements from customers, banks and other financial institutions

The fair values for deposit liabilities payable on demand (demand and savings deposits) and fixed deposit with remaining maturities of less than one year, are estimated to approximate their carrying values at the end of reporting date. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The fair values of Islamic deposits are deemed to approximate their carrying values as at statements of financial position date as the profit rates are determined at the end of their holding periods based on the profit generated from the assets invested. For negotiable instrument of deposits, the estimated fair values are based on quoted or observable market prices at the the end of reporting date. Where such quoted or observable market prices are not available, the fair values of negotiable instrument of deposits are estimated using discounted cash flow techniques.

(ii) Subordinated debts

The fair value of subordinated debts is estimated based on discounted cash flows using rates currently offered for debt instruments of similar remaining maturities and credit grading.

42. Fair values of financial assets and liabilities (continued)

Methods and Assumptions (continued)

Financial Liabilities (continued)

(iii) Derivative financial instruments

Fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is financial assets (favourable) or financial liabilities (unfavourable) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The fair values of the Group's and the Bank's derivative instruments are estimated by reference to quoted market prices. Internal models are used where no market price is available.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:-

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The valuation hierarchy, and the types of instruments classified into each level within that hierarchy, is set out below:-

	Level 1	Level 2	Level 3
Fair value detemined using	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Type of financial assets	Actively traded government and agency securities	Corporate and other government bonds and loans	Private debt equity investments
		Over-the-counter ("OTC") derivatives	Corporate bonds with illiquid markets
		Cash and short term funds	Loans, advances and financing
		Deposits and placements with banks and other financial institutions	
		Securities purchased under resale agreements	
		Other assets	
Type of financial liabilities	-	OTC derivatives	-
		Deposits from customers	
		Deposit and placement of banks and other financial institutions	
		Other liabilities	
		Subordinated debts	

42. Fair values of financial assets and liabilities (continued)

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Group 2013 Assets	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Cash and short term funds	-	-	-	-	-	8,143,220	-	8,143,220	8,143,220	8,143,220
Deposits and placements with banks and other financial institutions	-	-	-	-	-	12,173	-	12,173	12,173	12,590
Securities purchased under resale agreement	-	-	-	-	-	291,261	-	291,261	291,261	291,261
Loans, advances and financing	-	-	-	-	-	-	34,153,225	34,153,225	34,153,225	34,557,073
Financial assets held for trading										
Malaysian Government / Bank Negara Bills	1,719,200	-	-	1,719,200	-	-	-	-	1,719,200	1,719,200
Debt securities	989,383	209,611	-	1,198,994	-	-	-	-	1,198,994	1,198,994
Derivative financial instruments	1,350	2,095,321	-	2,096,671	-	-	-	-	2,096,671	2,096,671
Investment securities available-for-sale										
Malaysian Government / Bank Negara Bills	746,173	-	-	746,173	-	-	-	-	746,173	746,173
Debt securities	2,038,391	1,827,618	26,242	3,892,251	-	-	-	-	3,892,251	3,892,251
Unquoted equity securities, at cost	-	-	-	-	-	-	9,721	9,721	9,721	9,721
Other assets	-	-	-	-	-	702,619	-	702,619	702,619	702,619
At 31 December 2013	5,494,497	4,132,550	26,242	9,653,289	-	9,149,273	34,162,946	43,312,219	52,965,508	53,369,773

42. Fair values of financial assets and liabilities (continued)

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Group 2013 Liabilities	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Deposits from customers	-	107,043	-	107,043	-	38,527,950	-	38,527,950	38,634,993	38,594,479
Deposits and placements of banks and other financial institutions	-	468,603	-	468,603	-	6,702,253	-	6,702,253	7,170,856	7,170,856
Derivative financial instruments	1,033	1,753,004	-	1,754,037	-	-	-	-	1,754,037	1,754,037
Other liabilities	-	-	-	-	-	1,887,018	-	1,887,018	1,887,018	1,887,018
Subordinated debts	-	-	-	-	-	1,000,000	-	1,000,000	1,000,000	1,000,000
At 31 December 2013	1,033	2,328,650	-	2,329,683	-	48,117,221	-	48,117,221	50,446,904	50,406,390

42. Fair values of financial assets and liabilities (continued)

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Group 2012 Assets	Fair value of financial instruments carried at fair value Level 1 RM'000	 Level 2 RM'000	 Level 3 RM'000	 Total RM'000	Fair value of financial instruments not carried at fair value Total RM'000	Total fair value RM'000	Carrying amount RM'000
Cash and short term funds	-	-	-	-	5,306,549	5,306,549	5,306,549
Deposits and placements with banks and other financial institutions	-	-	-	-	187,833	187,833	188,206
Securities purchased under resale agreement	-	-	-	-	148,141	148,141	148,141
Loans, advances and financing	-	-	-	-	32,818,467	32,818,467	33,088,148
Financial assets held for trading							
Malaysian Government / Bank Negara Bills	1,396,302	-	-	1,396,302	-	1,396,302	1,396,302
Debt securities	1,811,644	183,246	-	1,994,890	-	1,994,890	1,994,890
Derivative financial instruments	739	1,584,756	3,648	1,589,143	-	1,589,143	1,589,143
Investment securities available-for-sale							
Malaysian Government / Bank Negara Bills	2,984,992	-	-	2,984,992	-	2,984,992	2,984,992
Debt securities	1,790,325	1,329,816	-	3,120,141	-	3,120,141	3,120,141
Unquoted securities	-	-	-	-	9,666	9,666	9,666
Other assets	-	-	-	-	838,945	838,945	838,945
As at 31 December 2012	7,984,002	3,097,818	3,648	11,085,468	39,309,601	50,395,069	50,665,123

42. Fair values of financial assets and liabilities (continued)

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Group 2012 Liabilities	Fair value of financial instruments carried at fair value Level 1 RM'000	 Level 2 RM'000	 Level 3 RM'000	 Total RM'000	Fair value of financial instruments not carried at fair value Total RM'000	Total fair value RM'000	Carrying amount RM'000
Deposits from customers	-	69,842	-	69,842	35,539,744	35,609,586	35,564,486
Deposits and placements of banks and other financial institutions	-	555,601	-	555,601	7,758,922	8,314,523	8,314,656
Derivative financial instruments	2,600	1,379,935	3,361	1,385,896	-	1,385,896	1,385,896
Other liabilities	-	-	-	-	2,027,102	2,027,102	2,027,102
Subordinated debts	-	-	-	-	500,000	500,000	500,000
As at 31 December 2012	2,600	2,005,378	3,361	2,011,339	45,825,768	47,837,107	47,792,140

42. Fair values of financial assets and liabilities (continued)

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Bank	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total	Carrying
2013	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	fair value	amount
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	-	-	-	-	-	6,794,448	-	6,794,448	6,794,448	6,794,448
Deposits and placements with banks and other financial institutions	-	-	-	-	-	2,389,277	-	2,389,277	2,389,277	2,389,694
Securities purchased under resale agreement	-	-	-	-	-	291,261	-	291,261	291,261	291,261
Loans, advances and financing	-	-	-	-	-	-	29,158,131	29,158,131	29,158,131	29,407,607
Financial assets held for trading										
Malaysian Government / Bank Negara Bills	1,719,200	-	-	1,719,200	-	-	-	-	1,719,200	1,719,200
Debt securities	989,383	209,611	-	1,198,994	-	-	-	-	1,198,994	1,198,994
Derivative financial instruments	1,350	2,094,881	-	2,096,231	-	-	-	-	2,096,231	2,096,231
Investment securities available-for-sale										
Malaysian Government / Bank Negara Bills	646,475	-	-	646,475	-	-	-	-	646,475	646,475
Debt securities	2,038,391	1,827,618	-	3,866,009	-	-	-	-	3,866,009	3,866,009
Unquoted equity securities, at cost	-	-	-	-	-	-	9,721	9,721	9,721	9,721
Other assets	-	-	-	-	-	989,697	-	989,697	989,697	989,697
At 31 December 2013	5,394,799	4,132,110	-	9,526,909	-	10,464,683	29,167,852	39,632,535	49,159,444	49,409,337

42. Fair values of financial assets and liabilities (continued)

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Bank	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total	Carrying
2013	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	fair value	amount
Liabilities	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deposits from customers	-	88,701	-	88,701	-	34,369,793	-	34,369,793	34,458,494	34,452,038
Deposits and placements of banks and other financial institutions	-	464,998	-	464,998	-	6,591,411	-	6,591,411	7,056,409	7,056,409
Derivative financial instruments	1,033	1,755,772	-	1,756,805	-	-	-	-	1,756,805	1,756,805
Other liabilities	-	-	-	-	-	2,638,024	-	2,638,024	2,638,024	2,638,024
Subordinated debts	-	-	-	-	-	1,000,000	-	1,000,000	1,000,000	1,000,000
At 31 December 2013	1,033	2,309,471	-	2,310,504	-	44,599,228	-	44,599,228	46,909,732	46,903,276

42. Fair values of financial assets and liabilities (continued)

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Bank 2012 Assets	Fair value of financial instruments carried at fair value Level 1 RM'000	 Level 2 RM'000	 Level 3 RM'000	 Total RM'000	Fair value of financial instruments not carried at fair value Total RM'000	Total fair value RM'000	Carrying amount RM'000
Cash and short term funds	-	-	-	-	4,139,071	4,139,071	4,139,071
Deposits and placements with banks and other financial institutions	-	-	-	-	2,053,042	2,053,042	2,053,652
Securities purchased under resale agreement	-	-	-	-	148,141	148,141	148,141
Loans, advances and financing	-	-	-	-	28,935,416	28,935,416	29,073,039
Financial assets held for trading							
Malaysian Government / Bank Negara Bills	1,396,302	-	-	1,396,302	-	1,396,302	1,396,302
Debt securities	1,811,644	183,246	-	1,994,890	-	1,994,890	1,994,890
Derivative financial instruments	739	1,584,757	3,648	1,589,144	-	1,589,144	1,589,144
Investment securities available-for-sale							
Malaysian Government / Bank Negara Bills	1,888,359	-	-	1,888,359	-	1,888,359	1,888,359
Debt securities	1,790,325	1,284,815	-	3,075,140	-	3,075,140	3,075,140
Unquoted securities	-	-	-	-	9,666	9,666	9,666
Other assets	-	-	-	-	1,223,117	1,223,117	1,223,117
At 31 December 2012	6,887,369	3,052,818	3,648	9,943,835	36,508,453	46,452,288	46,590,521

42. Fair values of financial assets and liabilities (continued)

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Bank	**Fair value of financial instruments carried at fair value**				**Fair value of financial instruments not carried at fair value**	**Total**	**Carrying**
2012	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**	**fair value**	**amount**
Liabilities	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Deposits from customers	-	56,243	-	56,243	31,637,838	31,694,081	31,664,183
Deposits and placements of banks and other financial institutions	-	555,601	-	555,601	7,656,642	8,212,243	8,212,243
Derivative financial instruments	2,600	1,380,110	3,361	1,386,071	-	1,386,071	1,386,071
Other liabilities	-	-	-	-	2,438,793	2,438,793	2,438,793
Subordinated debts	-	-	-	-	500,000	500,000	500,000
At 31 December 2012	2,600	1,991,954	3,361	1,997,915	42,233,273	44,231,188	44,201,290

There were no transfers between Level 1 and Level 2 in 2013.

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42. Fair values of financial assets and liabilities (continued)

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments:

Group

	31 December 2013			31 December 2012		
	Investment securities available-for-sale RM'000	Derivative assets RM'000	Derivative liabilities RM'000	Investment securities available-for-sale RM'000	Derivative assets RM'000	Derivative liabilities RM'000
At 1 January	-	3,648	3,361	-	-	-
Losses recognised in income statement	(3,146)	-	-	-	-	-
Arising from acquisition of a subsidiary	29,388	-	-	-	-	-
Purchases	-	-	-	-	3,648	3,361
Sales	-	(3,648)	(3,361)	-	-	-
At 31 December	26,242	-	-	-	3,648	3,361

Bank

	31 December 2013		31 December 2012	
	Derivative assets RM'000	Derivative liabilities RM'000	Derivative assets RM'000	Derivative liabilities RM'000
At 1 January	3,648	3,361	-	-
Purchases	-	-	3,648	3,361
Sales	(3,648)	(3,361)	-	-
At 31 December	-	-	3,648	3,361

42. Fair values of financial assets and liabilities (continued)

Methods and Assumptions (continued)

Fair value hierarchy (continued)

The following table shows the valuation techniques used in the determination of fair value within level 3, as well as the unobservable inputs used in the valuation model.

Type	Valuation techniques	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Private debt securities	The fair value of private debt securities is determined by discounting estimated future cash inflows.	Estimated future cash inflows	The estimated fair value would increase/(decrease) if interest rate and estimated future cash inflows were higher or lower.

Sensitivity analysis for level 3

	Other comprehensive income	
	Increase RM'000	(Decrease) RM'000
Estimated cash inflows (10% movement)	4,591	(4,591)

Derivative financial instruments

Group

(i) Derivatives held for trading

	31 December 2013			31 December 2012		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Foreign exchange derivative contracts:-						
- Forward foreign exchange	24,278,909	309,115	175,576	35,521,779	117,705	127,461
- Currency swaps	25,817,730	1,101,159	815,967	23,618,312	858,221	457,983
- Options purchased	1,634,829	89,021	-	1,791,912	40,543	1,137
- Options sold	1,267,734	-	96,603	2,226,394	-	29,049
Interest rate derivative contracts:-						
- Swaps	64,086,787	421,728	582,979	62,552,316	397,805	723,481
- Options purchased	2,912,462	21,688	2,511	2,924,805	34,012	1,219
- Options sold	295,504	-	702	284,427	-	181
- Exchange traded futures	3,925,000	-	-	5,746,000	-	-
Equity derivative contracts:-						
- Equity swaps and forwards	367,789	18,858	14,132	303,201	7,831	5,943
Commodity derivative contracts:-						
- Forward rate agreements and options	3,462,791	45,189	45,189	1,343,960	35,485	35,485
Credit derivative contracts	98,358	3,625	-	91,755	3,662	-
Total derivatives held for trading	**128,147,893**	**2,010,383**	**1,733,659**	**136,404,861**	**1,495,264**	**1,381,939**

42. Fair values of financial assets and liabilities (continued)

Derivative financial instruments (continued)

Group

(ii) Derivatives held-for-hedging

	31 December 2013			31 December 2012		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Derivatives designated as fair value hedges:-						
- Swaps	941,916	84,956	8,286	1,007,695	88,498	816
Derivatives designated as cash flow hedges:-						
- Swaps	1,418,000	1,332	12,092	1,618,000	5,381	3,141
Total derivatives held-for-hedging	**2,359,916**	**86,288**	**20,378**	**2,625,695**	**93,879**	**3,957**
	130,507,809	**2,096,671**	**1,754,037**	**139,030,556**	**1,589,143**	**1,385,896**

Bank

(i) Derivatives held for trading

	31 December 2013			31 December 2012		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Foreign exchange derivative contracts:-						
- Forward foreign exchange	24,385,666	309,115	179,964	35,521,779	117,705	127,461
- Currency swaps	25,817,730	1,101,159	815,966	23,618,312	858,221	457,983
- Options purchased	1,634,829	89,021	-	1,791,912	40,543	1,137
- Options sold	1,267,734	-	96,603	2,226,394	-	29,049
Interest rate derivative contracts:-						
- Swaps	64,066,432	420,035	581,360	62,752,316	392,454	723,830
- Options purchased	2,912,462	21,688	2,511	2,862,305	33,925	1,219
- Options sold	295,504	-	702	284,427	5,439	7
- Exchange traded futures	3,925,000	-	-	5,746,000	-	-
Equity derivative contracts:-						
- Equity swaps and forwards	387,400	20,111	14,132	303,201	7,831	5,943
Commodity derivative contracts:-						
- Forward rate agreements and options	3,462,791	45,189	45,189	1,343,960	35,485	35,485
Credit derivative contracts	98,358	3,625	-	91,755	3,662	-
Total derivatives held for trading	**128,253,906**	**2,009,943**	**1,736,427**	**136,542,361**	**1,495,265**	**1,382,114**

(ii) Derivatives held-for-hedging

	31 December 2013			31 December 2012		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Derivatives designated as fair value hedges:-						
- Swaps	941,916	84,956	8,286	1,007,695	88,498	816
Derivatives designated as cash flow hedges:-						
- Swaps	1,418,000	1,332	12,092	1,618,000	5,381	3,141
Total derivatives held-for-hedging	**2,359,916**	**86,288**	**20,378**	**2,625,695**	**93,879**	**3,957**
	130,613,822	**2,096,231**	**1,756,805**	**139,168,056**	**1,589,144**	**1,386,071**

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42. Fair values of financial assets and liabilities (continued)

Derivative financial instruments by sector

	31 December 2013		
Group	**Principal amounts RM'000**	**Positive fair value RM'000**	**Negative fair value RM'000**
Agriculture	22,839	482	8
Mining and quarrying	922,603	9,595	32,019
Manufacturing	6,074,122	113,892	71,000
Electricity, gas and water	218,173	6,036	1,668
Construction	776,467	25,086	12,566
Real estate	550,853	-	31,781
Wholesale & retail trade and restaurants & hotels			
Transportation, storage and communication	2,598,436	17,150	144,126
Finance, insurance and business services	117,707,466	1,895,443	1,430,682
Others	1,636,850	28,987	30,187
	130,507,809	**2,096,671**	**1,754,037**

	31 December 2012		
Group	**Principal amounts RM'000**	**Positive fair value RM'000**	**Negative fair value RM'000**
Agriculture	461,144	3,051	746
Mining and quarrying	1,096,289	8,974	8,608
Manufacturing	4,801,085	38,871	30,524
Electricity, gas and water	96,847	8,470	76
Construction	733,417	9,453	5,241
Real estate	703,628	467	6,368
Wholesale & retail trade and restaurants & hotels	1,990,938	12,049	13,558
Transportation, storage and communication	1,438,189	48,962	22,574
Finance, insurance and business services	127,093,653	1,449,286	1,297,253
Others	615,366	9,560	948
	139,030,556	**1,589,143**	**1,385,896**

42. Fair values of financial assets and liabilities (continued)

Derivative financial instruments by sector (continued)

Bank	31 December 2013 Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Agriculture	21,082	464	8
Mining and quarrying	902,247	7,909	30,400
Manufacturing	6,059,714	113,670	70,968
Electricity, gas and water	218,173	6,036	1,668
Construction	776,467	25,086	12,566
Real estate	550,853	-	31,781
Transportation, storage and communication	2,598,436	17,150	144,126
Finance, insurance and business services	117,850,000	1,896,929	1,435,101
Others	1,636,850	28,987	30,187
	130,613,822	**2,096,231**	**1,756,805**

Bank	31 December 2012 Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Agriculture	402,133	2,873	623
Mining and quarrying	1,082,678	7,082	6,826
Manufacturing	4,801,085	38,871	30,524
Electricity, gas and water	96,847	8,470	76
Construction	733,417	9,453	5,241
Real estate	653,628	409	6,368
Wholesale & retail trade and restaurants & hotels	1,990,938	12,049	13,558
Transportation, storage and communication	1,375,689	43,524	22,574
Finance, insurance and business services	127,416,275	1,456,853	1,299,333
Others	615,366	9,560	948
	139,168,056	**1,589,144**	**1,386,071**

43. Lease commitments

The Group and the Bank have lease commitments in respect of rented premises, all of which are classified as operating leases.

Total future minimum lease payments under non-cancellable long term commitments, net of sub-leases are as follows:-

	Group		Bank	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Less than one year	28,872	25,556	27,144	23,853
Between one and five years	40,116	27,874	38,285	26,563
More than five years	1,276	-	1,276	-
	70,264	53,430	66,705	50,416

The leases typically run for an initial period of 1 year to 4 years, with an option to renew the leases. None of the leases include contingent rent.

Certain leased properties have been sub-leased by the Group and the Bank. All subleases expired in May 2015.

44. Capital commitments

	Group		Bank	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Capital expenditure:-				
- authorised and contracted for	-	812	-	710
- authorised but not contracted for	-	2,013	-	2,013
	-	2,825	-	2,723

45. Capital management

(i) Capital management approach

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

Strategic, business and capital plans are drawn up annually covering a three year horizon and approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:-

- regulatory capital requirements and assessment of future standards;
- forecast demand for capital to support the credit ratings;
- increases in demand for capital due to business growth, forecasts, loan impairment outlook and market shocks or stresses;
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Group's risk, performance and capital.

45. Capital management (continued)

(i) Capital management approach (continued)

The Group uses internal models and other quantitative techniques in its internal risk management. Internal credit models are in use also to compute the amount of regulatory capital required.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. It is overseen by the Asset and Liability Committee ("ALCO"), which is responsible for managing the balance sheet, capital and liquidity. A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board.

ALCO is also responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios in all legal entities. These processes are designed to ensure that the Group has sufficient capital available to meet local regulatory requirements at all times.
The Group's Internal Capital Adequacy Assessment ("ICAAP") closely integrates the risk and capital assessment processes, and ensures that adequate levels of capital are maintained to support the Group's current and projected demand for capital under expected and stressed conditions. The Group's ICAAP, including methodologies in use for stress testing and economic capital calculations are aligned with those established at the Standard Chartered PLC Group level and has been designed to be applied consistently across the Group to meet the Pillar 2 requirements of BNM.

(ii) Basel II

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

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

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

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

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

46. Capital adequacy

The capital adequacy ratios of the Group and the Bank are analysed as follows:-

	Group		Bank	
	2013	2012 Restated	2013	2012 Restated
	RM'000	RM'000	RM'000	RM'000
Tier 1 Capital				
Paid-up ordinary share capital	125,000	125,000	125,000	125,000
Share premium	375,000	375,000	375,000	375,000
Other reserves	2,827,996	2,654,367	2,690,527	2,564,444
Less: Deferred tax assets	(39,804)	(41,513)	(34,967)	(36,062)
Unrealised gains and losses on 'available-for-sale' financial instruments	(3,115)	-	(3,105)	-
CET 1 capital	3,285,077	3,112,854	3,152,455	3,028,382
Musyarakah Irredeemable Non-Cumulative Preference Shares	342,000	380,000	342,000	380,000
Eligible Tier 1 capital	3,627,077	3,492,854	3,494,455	3,408,382
Tier 2 Capital				
Subordinated bonds	1,000,000	500,000	1,000,000	500,000
Collective impairment provisions under standardised approach	10,827	86,026	6,592	55,788
Surplus of total eligible provisions over total expected loss under AIRB approach	1,117	-	54,544	-
	1,011,944	586,026	1,061,136	555,788
Less: Investment in subsidiaries	-	-	(511,522)	(411,522)
Excess of Expected Loss over Expected Provisions under IRB approach	-	(54,800)	-	(705)
Exclusion of collective impairment provisions on impaired loans	-	(47,394)	-	(30,460)
Eligible Tier 2 capital	1,011,944	483,832	549,614	113,101
Total capital base	4,639,021	3,976,686	4,044,069	3,521,483

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:-

	Group		Bank	
	2013	2012 Restated	2013	2012 Restated
	RM'000	RM'000	RM'000	RM'000
Total risk-weighted assets:-				
Credit risk	29,336,671	24,843,338	25,813,311	21,806,983
Market risk	1,367,245	1,423,771	1,367,245	1,423,771
Operational risk	3,596,736	3,189,623	3,343,551	2,918,198
Large exposure for equity holdings	623	568	623	568
	34,301,275	29,457,300	30,524,730	26,149,520

46. Capital adequacy (continued)

The capital adequacy ratios of the Group and the Bank are as follows:-

	Group		Bank	
	2013	**2012 Restated**	**2013**	**2012 Restated**
Before proposed dividend:-				
CET 1 capital ratio	9.577%	10.567%**	10.328%	11.581%**
Tier 1 capital ratio	10.574%	11.857%	11.448%	13.034%
Risk-weighted capital ratio	13.524%	13.500%	13.249%	13.467%
After proposed dividend:-				
CET 1 capital ratio	9.577%	10.058% **	10.328%	11.007%**
Tier 1 capital ratio	10.574%	11.348%	11.448%	12.461%
Risk-weighted capital ratio	13.524%	12.991%	13.249%	12.893%

The capital adequacy ratios of the Islamic banking subsidiary of the Bank are as follows:-

	2013	**2012 Restated**
CET 1 capital ratio	11.314%	11.851% **
Tier 1 capital ratio	11.314%	11.851%
Risk-weighted capital ratio	13.719%	11.851%

With effect from 1 January 2013, the capital ratios have been computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II Risk Weighted Assets).

Comparative figures computed based on Risk-Weighted Capital Adequacy Framework (RWCAF) and Capital Adequacy Framework for Islamic Banks (CAFIB) have not been restated. However, CET 1 ratios (**) have been presented for comparative purpose.

47. Business Combination

Acquisition during the financial year

(i) Resolution Alliance Sdn Bhd (RASB)

On 1 June 2013, Golden Maestro Sdn Bhd (GMSB), a wholly owned subsidiary of the Bank had acquired 40 ordinary shares and 70 preference shares of RM1.00 each, respectively, representing 40% of the issued and paid up ordinary share capital and 70% of the irredeemable preference share capital, respectively, in Resolution Alliance Sdn Bhd for a total consideration of RM 26,902,621 from SCBHK.

The additional investment in RASB has increased the Group's equity interest in RASB to 70% and accordingly, the results of RASB have been consolidated as a subsidiary in the financial statements of the Group.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Fair value RM'000
Fair value of consideration transferred:	
Cash and cash equivalents	26,903
Identifiable assets acquired and liabilities assumed:	
Investment securities available-for-sale	29,388
Cash and cash equivalents	17,983
Other assets	3,439
Deferred tax assets	3,059
Other liabilities	(13,840)
Tax payable	(1,596)
Total identifiable net assets	38,433
Non controlling interest	(11,530)
	26,903
Net cash outflow arising from acquisition of subsidiary	
Purchase consideration satisfied via cash	(26,903)
Cash and cash equivalents acquired	17,983
Cash outflow on acquisition	(8,920)

For the financial year ended 31 December 2013, the acquisition contributed to revenue (comprising net interest income and non-interest income) and net profit of RM20,551,194 and RM15,684,604 respectively, to the Group for the period from 1 June 2013 to 31 December 2013. If the acquisition had occurred on 1 January 2013, the subsidiary would have contributed revenue and net profit of RM30,964,361 and RM22,441,660 respectively to the Group.

47. Business Combination (continued)

Acquisition during the financial year (continued)

(ii) Popular Ambience Sdn Bhd (PASB)

On 1 June 2013, Golden Maestro Sdn Bhd (GMSB), a wholly owned subsidiary of the Bank had acquired an additional 49 ordinary shares of RM1.00 each, representing 49% of the issued and paid up ordinary share capital in Popular Ambience Sdn Bhd for a total consideration of RM 343,578 from SCBHK.

The additional investment in PASB has increased the Group's equity interest in PASB from 51% to 100% and accordingly, the results of PASB have been consolidated as a subsidiary in the financial statements of the Group.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Fair value RM'000
Fair value of consideration transferred:	
Cash and cash equivalents	344
Identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	384
Other liabilities	(40)
Total identifiable net assets	344
Net cash outflow arising from acquisition of subsidiary	
Purchase consideration settled in cash and cash equivalents	(344)
Cash and cash equivalents acquired	384
Cash inflow on acquisition	40

48. Change in accounting policy on Impairment of Financial Assets - Loans, advances and financing

The Group and the Bank changed its accounting policy with respect to the measurement basis of collective impairment for loans, advances and financing. This change in accounting policy was applied retrospectively. The following tables summarise the transitional adjustments made to the comparative figures:

	Group		
	Collective impairment provisions RM'000	**Tax payable RM'000**	**Retained profits RM'000**
Balance as reported at 1 January 2012	229,189	99,171	2,212,830
Effect of change in accounting policy on 1 January 2012	191,833	(47,957)	(143,876)
Restated balance at 1 January 2012	421,022	51,214	2,068,954
Balance as reported at 31 December 2012	219,196	68,621	2,514,832
Effect of change in accounting policy on 31 December 2012	141,556	(35,388)	(106,168)
Restated balance at 31 December 2012	360,752	33,233	2,408,664

	Bank		
	Collective impairment provisions RM'000	**Tax payable RM'000**	**Retained profits RM'000**
Balance as reported at 1 January 2012	154,074	95,776	2,192,231
Effect of change in accounting policy on 1 January 2012	117,202	(29,300)	(87,902)
Restated balance at 1 January 2012	271,276	66,476	2,104,329
Balance as reported at 31 December 2012	140,799	56,435	2,468,610
Effect of change in accounting policy on 31 December 2012	85,136	(21,284)	(63,852)
Restated balance at 31 December 2012	225,935	35,151	2,404,758

The effects on the comprehensive income for the financial year end 2012 were as follows:

	Group RM'000	**Bank RM'000**
Impairment provisions	50,277	32,065
Income tax expense	(12,569)	(8,016)
Increase in profit or loss	37,708	24,049