



**Standard Chartered Bank Malaysia Berhad**  
(Incorporated in Malaysia)  
**and its subsidiaries**

**Financial statements for the financial  
year ended 31 December 2012**

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

**Directors' report for the financial year ended 31 December 2012**

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 2012.

**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**

|                        | <b>Group</b><br><b>RM'000</b> | <b>Bank</b><br><b>RM'000</b> |
|------------------------|-------------------------------|------------------------------|
| Profit before taxation | 891,972                       | 822,141                      |
| Tax expense            | <u>(219,062)</u>              | <u>(200,947)</u>             |
| Profit for the year    | <u>672,910</u>                | <u>621,194</u>               |

**Dividends**

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

- i) a final dividend (gross) of 208 sen per share, less tax at 25%, totalling RM195,000,000 in respect of the financial year ended 31 December 2011 on 12 April 2012.
- 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 2012 on 5 October 2012.

The Directors recommend the payment of a final ordinary dividend (gross) of 160 sen per ordinary share, less income tax at 25% totalling RM 150,000,000 (120 sen per ordinary share) in respect of the current financial year.

**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**

**2012 Results**

The Group registered a profit before taxation of RM891.97 million, representing a 6.60% improvement against 2011. Driven by strong loan growth, net interest income increased by 11.09% to RM962.00 million, while other operating income (including Islamic Banking income) achieved 8.98% gains against last year to surpass the RM1 billion mark. Other operating expenses increased by 7.65% to RM897.72 million attributable to the Group's commitment towards investment for growth. Provision for loans, advances and financing came in higher mainly attributable to the non-recurrence of prior year one-off recovery from loan portfolio.

The Group's total assets increased by 4.14% from RM49.60 billion to RM51.66 billion. Aside from the growth in unsecured lending, wholesale lending also contributed to the 6.7% growth in loans, advances and financing to RM32.87 billion.

Deposits from customers has decreased from RM38.32 billion to RM35.56 billion as at 31 December 2012 due to non recurrence of one-off campaign which ended in December 2011.

The Group's core capital ratio and risk-weighted capital ratio remained strong at 12.22% and 13.38%, respectively.

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**Strategy and Economic Environment**

The external economic environment remained challenging as major advanced economies continued to experience weak growth, constrained by fiscal adjustments and sluggish.

The Malaysian economy remains resilient. In third quarter 2012, its GDP growth moderated to a still commendable 5.2% year-on-year from a revised 5.6% in the second quarter. The growth was driven by strong domestic demand, with impressive albeit slightly slower year-on-year growth in private consumption and private and public investment outlays. Net exports had meanwhile contracted further due to the deterioration in external demand for manufactured goods and commodities. The GDP growth for 2012 is expected to be around 5.0%.

The Malaysian banking system has remained stable with high asset quality, strong capital buffers, sustained profitability and ample liquidity. The OPR was maintained at 3% throughout the year which remains supportive of economic activity and consistent with growth and inflation prospects. BNM acknowledged the uncertain global environment but noted that the current stance of monetary policy is accommodative and supportive of the economy. It also extended its inflation outlook into 2013, noting that inflation is expected to remain moderate moving into 2013.

As part of the new Financial Sector Blueprint objectives for a more inclusive financial sector, BNM introduced Agent Banking which will allow financial institutions to reach out to the underserved segments of the population particularly in rural areas through the use of non-bank retail outlets. The authorised Banking Agents will provide basic banking services of accepting deposits, facilitating withdrawals, fund transfers, bill payments and financing repayments.

The Group continues to retain a strong platform for growth in both the Consumer and Wholesale banking segments.

The Consumer Banking business continues to make good progress on its strategic transformation programme which emphasises customer focus, enhancing customer experience and building infrastructure capability. Towards this end, the Group and the Bank has successfully rolled out the all new core banking system (in July 2012) to better serve the customer. Business transformation continued to improve key product's margins and risk management.

Meanwhile, the Wholesale Banking business continued to build on its competitive platform through stronger and deeper client relationships while widening its solution delivery through growing product suites.

Malaysia is now the Standard Chartered PLC Group's global business hub for Islamic Consumer Banking. This is part of the Group's strategy to grow Islamic Banking business. A team of experts are relocated to Malaysia to further drive Saadiq's business momentum.

RAM Rating Services Berhad has maintained both the Bank's and Standard Chartered Saadiq Berhad's credit rating at AAA/P1, reflecting the Bank's and Standard Chartered Saadiq Berhad's robust asset quality, stable funding and liquidity and the strong financial standing.

**Plan for 2013**

Standard Chartered continued to make a significant commitment to corporate and social responsibility ("CSR") to building a sustainable business. During the year, the Group continued to play an active role in championing HIV/AIDS prevention and education programmes with staff and partners alike. The Bank also adopted KL Pocket Park as part of Greater KL's Entry Point Programme under the Greener KL programme. As part of the Bank's aspiration to build a financial-savvy community, the Financial Literacy team has educated more than 12,000 children and youth across East and West Malaysia.

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**Plan for 2013 (continued)**

Consumer Banking will continue to focus on growth momentum in major loan products and customer deposits, increase fee-based income from High Value segments through cross selling and promoting digital banking experience. Key to achieving these objectives will be by providing superior customer service experience at branch and through digital channels.

The Wholesale Banking business key plan will focus on increasing the depth of its customer relationships, enhancing commodities coverage, expanding products offerings, improving on its cross border capabilities and building the public sector franchise. Wholesale Banking will capitalise on the Bank's infrastructure, values and culture to achieve its plan.

Our Islamic Banking business will focus on growing High Value segment through leveraging on the Bank's network, increase Islamic products and expanding Islamic branches. Saadiq will also leverage on the Bank's Wholesale Banking expertise to capitalise on Syndication and Debt Capital markets.

**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 December 2010. 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 2012.

**Board of Directors**

**Composition of the Board of Directors**

The Board of Directors (the "Board") bring 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 nine (9) members, of which one (1) is the Executive Director, four (4) 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

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman  
Neeraj Swaroop - Deputy Chairman  
Datuk Abu Hassan bin Kendut  
Karen Fawcett  
Datuk Ishak bin Imam Abas  
Edward Martin Jake Williams  
Datuk Seri Michael Yam Kong Choy  
Osman Tarique Morad  
Judy Hsu Chung Wei (appointed on 12 May 2012)

Status of Directorship

Independent Non-Executive Director  
Non-Independent Non-Executive Director  
Independent Non-Executive Director  
Non-Independent Non-Executive Director  
Independent Non-Executive Director  
Non-Independent Non-Executive Director  
Independent Non-Executive Director  
Non-Independent Executive Director  
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.

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**Board of Directors (continued)**

**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 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 Banking and Financial Institutions Act, 1989 ("BAFIA") 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'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.

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 2012, 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:-

| <u>Members</u>  | <u>Attendance and Number of Board Meetings</u> |
|---|--|
| Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman | 6/6  |
| Neeraj Swaroop - Deputy Chairman                      | 6/6  |
| Datuk Abu Hassan bin Kendut                           | 6/6  |
| Karen Fawcett   | 5/6  |
| 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 (appointed on 15 May 2012)         | 3/3  |

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**Board of Directors (continued)**

**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) Karen Fawcett**

Karen Fawcett was appointed to the Board as a Non-Independent Non-Executive Director on 18 October 2005. She is currently the Group Head of Transaction Banking responsible for the global performance of Trade Finance, Cash Management, Securities Services and Wholesale Internet Banking Channels for the Group. Prior to joining the Standard Chartered Group, Karen was a partner at Booz Allen Hamilton, focusing on financial services. She graduated with an MBA from INSEAD, Fontainebleau, France in 1988 and MA Economics from Cambridge in 1987.

**(d) 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.

**(e) 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).

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**Board of Directors (continued)**

**Key information and background of Directors (continued)**

**(f) 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 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.

**(g) 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.

**(h) 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.

**(i) 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.



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**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

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  
Karen Fawcett  
Datuk Ishak bin Imam Abas  
Osman Tarique Morad  
Neeraj Swaroop

All of the Nomination Committee members are non-executive directors except for Mr. Osman Tarique Morad.

**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 three frameworks on the:-

- (i) Succession Planning in relation to the Directors, Chief Executive Officer and senior executives;
- (ii) Directors' Education and Continuous Education and Directors' Engagement; and
- (iii) Board Effectiveness Review.

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**Committees (continued)**

**a) Nomination Committee (continued)**

In 2012, the NC has also made assessment for the appointment of one (1) new director and the re-appointment of two (2) directors and was convinced that their appointment and 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.

For 2012, 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 2012, the committee met five (5) times and the attendance of the members are as follows:-

| <u>Members</u>  | <u>Attendance and Number of Meetings</u> |
|---|--|
| Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman | 3/3                                      |
| Karen Fawcett   | 3/3                                      |
| Datuk Ishak bin Imam Abas                             | 3/3                                      |
| Osman Tarique Morad                                   | 3/3                                      |
| Neeraj Swaroop  | 2/2                                      |

**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 BAFIA, 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.

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**Committees (continued)**

**b) Audit Committee (continued)**

**Number of meetings held**

The AC meets on a quarterly basis and during the financial year 2012, the committee met four (4) times and the attendance of the members are as follows:-

| <u>Members</u>                         | <u>Attendance and Number of Meetings</u> |
|--|--|
| Datuk Abu Hassan bin Kendut - Chairman | 4/4                                      |
| Datuk Ishak bin Imam Abas              | 4/4                                      |
| Datuk Seri Michael Yam Kong Choy       | 3/4                                      |

**c) Board Risk Committee**

The Board Risk Committee was established on 6 February 2006.

**Membership and composition**

The members of the Board Risk Committee ("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 2012, the committee met four (4) times and the attendance of the members are as follows:-

| <u>Members</u>                             | <u>Attendance and Number of Meetings</u> |
|--|--|
| Datuk Ishak bin Imam Abas - Chairman       | 4/4                                      |
| Tan Sri Dato' Mohd Sheriff bin Mohd Kassim | 1/1                                      |
| Datuk Abu Hassan bin Kendut                | 4/4                                      |
| Edward Martin Jake Williams                | 4/4                                      |
| Datuk Seri Michael Yam Kong Choy           | 2/3                                      |

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**Committees (continued)**

**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.

**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 Consultants' approval is thus required on all Product Programme documents, Product Development documents, Country Addenda, 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 Consultants must therefore approve all legal contracts, agreements and documentation. Similarly, all marketing materials, sales illustrations, advertisements and brochures must carry the Consultants' 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.

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**Committees (continued)**

**d) Syariah Advisory Committee (continued)**  
**Number of meetings held**

| <u>Members</u>                               | <u>Attendance and Number of Meetings</u> |
|--|--|
| 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.

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**Risk Management (continued)**

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.

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.

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**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 2012, 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.

**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 September 2012.

**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 Provisions for Loans/Financing.

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**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:-

| In Standard Chartered PLC                  | As at    | Number of shares  |           | As at      |
|--|----------|-------------------|-----------|------------|
|  | 1.1.2012 | Acquired          | Disposed  | 31.12.2012 |
| <u>Ordinary shares of US\$0.50 each</u>    |          |                   |           |            |
| Karen Fawcett                              | 20,422   | 82,794 (A)        | (55,112)  | 48,104     |
| Osman Tarique Morad                        | 10,423   | 7,526 (B)         | (6,992)   | 10,957     |
| Neeraj Swaroop                             | 65,425   | 2,064             | -         | 67,489     |
| Edward Martin Jake Williams                | 7,442    | 144,199 (C)       | (136,602) | 15,039     |
|  |          | Number of options |           |            |
|  | As at    | Awarded/          | Lapsed/   | As at      |
|  | 1.1.2012 | Granted           | Exercised | 31.12.2012 |
| <u>Executive Share Option Scheme</u>       |          |                   |           |            |
| Karen Fawcett                              | 36,624   | -                 | -         | 36,624     |
| Edward Martin Jake Williams                | 96,599   | -                 | (96,599)  | -          |
| <u>International Sharesave Scheme</u>      |          |                   |           |            |
| 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      |
| <u>Restricted Share Scheme</u>             |          |                   |           |            |
| Osman Tarique Morad                        | 1,937    | -                 | -         | 1,937      |
| Neeraj Swaroop                             | 6,979    | -                 | -         | 6,979      |
| Edward Martin Jake Williams                | 45,812   | 499               | (24,118)  | 22,193     |
| <u>Options Over Performance Share Plan</u> |          |                   |           |            |
| Osman Tarique Morad                        | 6,406    | -                 | (6,406)   | -          |
| Karen Fawcett                              | 59,179   | 20,614            | (29,660)  | 50,133     |
| Neeraj Swaroop                             | 46,584   | 20,614            | -         | 67,198     |
| Edward Martin Jake Williams                | 40,817   | 41,512            | (22,424)  | 59,905     |
| Judy Hsu Chung Wei                         | 34,884   | -                 | -         | 34,884     |
| <u>Deferred Restricted Share Scheme</u>    |          |                   |           |            |
| Karen Fawcett                              | 48,406   | 17,852            | (25,252)  | 41,006     |
| Neeraj Swaroop                             | 15,444   | 9,730             | -         | 25,174     |
| Judy Hsu Chung Wei                         | 27,543   | -                 | -         | 27,543     |
| Osman Tarique Morad                        | 4,719    | 115               | (2,988)   | 1,846      |
| <u>Performance Share Award</u>             |          |                   |           |            |
| Osman Tarique Morad                        | 3,065    | 3,339             | -         | 6,404      |
| <u>Deferred Restricted Share Award</u>     |          |                   |           |            |
| Osman Tarique Morad                        | -        | 1,546             | -         | 1,546      |



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**Board of Directors and their interests in shares (continued)**

- (A) Acquired by way of the exercise of Deferred Restricted Share Scheme and Options Over Performance Share Plan.
- (B) Acquired by way of the exercise of Options Over Performance Share Plan and Deferred Restricted Share Scheme.
- (C) Acquired by way of the exercise of the Executive Share Option Scheme, 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.

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**Options granted over unissued shares**

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

**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.

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: 24 April 2013

**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 22 to 167 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 for Banking Institutions 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 2012 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: 24 April 2013

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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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 22 to 167 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 24 April 2013.

.....  
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 2012 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 22 to 167.

*Directors' Responsibility for the Financial Statements*

The Directors of the Bank are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, 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 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 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 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 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, 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

Petaling Jaya  
Date: 24 April 2013

#### **Adrian Lee Lye Wang**

Chartered Accountant  
Approval Number: 2679/11/13(J)

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**

|   | Note | Group                |                      |                    | Bank                 |                      |                    |
|---|------|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|
|   |      | 31.12.2012<br>RM'000 | 31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 | 31.12.2012<br>RM'000 | 31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 |
| <b>Assets</b>   |      |                      |                      |                    |                      |                      |                    |
| Cash and short term funds   | 3    | 5,306,549            | 6,251,969            | 4,522,666          | 4,139,071            | 4,881,279            | 3,667,843          |
| Deposits and placements with banks and other financial institutions | 4    | 188,206              | 100,000              | 358,182            | 2,053,652            | 839,014              | 2,263,730          |
| Securities purchased under resale agreements                        | 5    | 148,141              | 117,966              | 89,854             | 148,141              | 117,966              | 89,854             |
| Financial assets held for trading                                   | 6    | 3,391,192            | 3,608,720            | 3,211,890          | 3,391,192            | 3,608,720            | 3,211,890          |
| Investment securities available-for-sale                            | 7    | 6,114,799            | 4,904,227            | 6,760,673          | 4,973,165            | 4,729,706            | 6,137,347          |
| Loans, advances and financing                                       | 8    | 32,868,952           | 30,809,351           | 28,387,691         | 28,932,240           | 27,953,197           | 26,062,181         |
| Derivative financial assets   | 42   | 1,589,143            | 1,907,653            | 2,326,601          | 1,589,144            | 1,907,744            | 2,324,679          |
| Other assets  | 10   | 838,945              | 843,060              | 207,364            | 1,223,117            | 949,694              | 284,936            |
| Tax recoverable   |      | -                    | 3,684                | 3,271              | -                    | -                    | -                  |
| Statutory deposits with Bank Negara Malaysia                        | 11   | 1,103,592            | 950,971              | 36,760             | 964,907              | 858,419              | 12,000             |
| Investments in subsidiaries   | 12   | -                    | -                    | -                  | 411,522              | 386,022              | 386,022            |
| Property, plant and equipment                                       | 13   | 70,229               | 58,998               | 55,530             | 63,872               | 53,336               | 55,530             |
| Deferred tax assets   | 32   | 39,022               | 46,368               | 120,683            | 33,545               | 42,826               | 113,483            |
| <b>Total assets</b>   |      | <b>51,658,770</b>    | <b>49,602,967</b>    | <b>46,081,165</b>  | <b>47,923,568</b>    | <b>46,327,923</b>    | <b>44,609,495</b>  |
| <b>Liabilities</b>  |      |                      |                      |                    |                      |                      |                    |
| Deposits from customers   | 14   | 35,564,486           | 38,323,994           | 34,256,728         | 31,664,183           | 35,378,935           | 32,935,268         |
| Deposits and placements of banks and other financial institutions   | 15   | 8,314,656            | 2,964,816            | 3,620,636          | 8,212,243            | 2,833,685            | 3,519,265          |
| Bills and acceptances payable                                       |      | -                    | -                    | 6,792              | -                    | -                    | 6,792              |
| Recourse obligations on loans sold to Cagamas Berhad                | 5    | -                    | -                    | 72,919             | -                    | -                    | 72,919             |
| Derivative financial liabilities                                    | 42   | 1,385,896            | 1,784,196            | 1,885,782          | 1,386,071            | 1,784,968            | 1,884,778          |
| Other liabilities   | 16   | 2,027,102            | 2,447,892            | 2,446,824          | 2,438,793            | 2,332,241            | 2,442,268          |
| Tax payable   |      | 68,621               | 99,171               | 104,421            | 56,435               | 95,776               | 102,548            |
| Subordinated debts  | 17   | 500,000              | 503,762              | 885,652            | 500,000              | 503,762              | 885,652            |
| <b>Total liabilities</b>  |      | <b>47,860,761</b>    | <b>46,123,831</b>    | <b>43,279,754</b>  | <b>44,257,725</b>    | <b>42,929,367</b>    | <b>41,849,490</b>  |
| <b>Equity</b>   |      |                      |                      |                    |                      |                      |                    |
| Share capital   | 19   | 163,000              | 163,000              | 125,000            | 163,000              | 163,000              | 125,000            |
| Reserves  | 20   | 3,635,009            | 3,316,136            | 2,676,411          | 3,502,843            | 3,235,556            | 2,635,005          |
| <b>Total equity attributable to equity holder of the Bank</b>       |      | <b>3,798,009</b>     | <b>3,479,136</b>     | <b>2,801,411</b>   | <b>3,665,843</b>     | <b>3,398,556</b>     | <b>2,760,005</b>   |
| <b>Total liabilities and equity</b>                                 |      | <b>51,658,770</b>    | <b>49,602,967</b>    | <b>46,081,165</b>  | <b>47,923,568</b>    | <b>46,327,923</b>    | <b>44,609,495</b>  |
| <b>Commitments and contingencies</b>                                |      |                      |                      |                    |                      |                      |                    |
|   | 36   | <b>165,247,235</b>   | <b>152,492,327</b>   | <b>162,357,835</b> | <b>163,586,868</b>   | <b>151,219,830</b>   | <b>161,064,175</b> |

The notes set out on pages 30 to 167 form an integral part of, and should be read in conjunction with, these financial statements.

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

|   | Note | Group            |                | Bank             |                |
|---|------|------------------|----------------|------------------|----------------|
|   |      | 2012<br>RM'000   | 2011<br>RM'000 | 2012<br>RM'000   | 2011<br>RM'000 |
| Interest income   | 22   | 1,768,141        | 1,625,374      | 1,855,538        | 1,681,058      |
| Interest expense  | 23   | (806,137)        | (759,377)      | (806,137)        | (759,377)      |
| <b>Net interest income</b>  |      | <b>962,004</b>   | <b>865,997</b> | <b>1,049,401</b> | <b>921,681</b> |
| Net income from Islamic Banking operations                                  | 24   | 321,126          | 253,003        | -                | -              |
|   |      | 1,283,130        | 1,119,000      | 1,049,401        | 921,681        |
| Other operating income  | 25   | 705,648          | 689,190        | 770,807          | 748,272        |
| Total net income  |      | 1,988,778        | 1,808,190      | 1,820,208        | 1,669,953      |
| Other operating expenses  | 26   | (897,724)        | (833,950)      | (859,217)        | (804,281)      |
| <b>Operating profit</b>   |      | <b>1,091,054</b> | <b>974,240</b> | <b>960,991</b>   | <b>865,672</b> |
| Provisions for loans, advances and financing                                | 28   | (199,082)        | (137,531)      | (138,850)        | (85,318)       |
| <b>Profit before taxation</b>   |      | <b>891,972</b>   | <b>836,709</b> | <b>822,141</b>   | <b>780,354</b> |
| Tax expense   | 31   | (219,062)        | (216,315)      | (200,947)        | (199,130)      |
| <b>Profit for the year</b>  |      | <b>672,910</b>   | <b>620,394</b> | <b>621,194</b>   | <b>581,224</b> |
| <b>Other comprehensive (expense)/income, net of income tax</b>              |      |                  |                |                  |                |
| <b>Items that may be reclassified subsequently to profit or loss</b>        |      |                  |                |                  |                |
| Fair value reserve (investment securities available-for-sale):-             |      |                  |                |                  |                |
| Net changes in fair value   |      | 4,585            | 14,372         | 4,715            | 14,368         |
| Net amount transferred to profit or loss                                    |      | (9,473)          | (7,368)        | (9,473)          | (7,368)        |
| Cash flow hedges:-  |      |                  |                |                  |                |
| Effective portion of changes in fair value                                  |      | (4,877)          | 10,986         | (4,877)          | 10,986         |
| Net amount transferred to profit or loss                                    |      | 543              | 4,341          | 543              | 4,341          |
| <b>Items that will not be reclassified subsequently to profit or loss</b>   |      |                  |                |                  |                |
| Actuarial gains from defined benefit plan                                   |      | 185              | -              | 185              | -              |
| <b>Other comprehensive (expense)/income for the year, net of income tax</b> |      | <b>(9,037)</b>   | <b>22,331</b>  | <b>(8,907)</b>   | <b>22,327</b>  |
| <b>Total comprehensive income for the year</b>                              |      | <b>663,873</b>   | <b>642,725</b> | <b>612,287</b>   | <b>603,551</b> |

The notes set out on pages 30 to 167 form an integral part of, and should be read in conjunction with, these financial statements.



**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
(Incorporated in Malaysia)  
**AND ITS SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

| GROUP   | ← Non-Distributable Reserves → |                            |                            |                                 |                                  |   | Distributable Reserves    |  | Total<br>RM'000  |                               |
|---|--------------------------------|----------------------------|----------------------------|---------------------------------|----------------------------------|---|---------------------------|--|------------------|-------------------------------|
|   | Note                           | Share<br>capital<br>RM'000 | Share<br>premium<br>RM'000 | Statutory<br>reserves<br>RM'000 | Regulatory<br>reserves<br>RM'000 | Capital<br>redemption<br>reserves<br>RM'000 | AFS<br>reserves<br>RM'000 | Cash flow<br>hedge<br>reserves<br>RM'000 |                  | Retained<br>profits<br>RM'000 |
| <b>At 1 January 2012</b>  |                                | 163,000                    | 717,000                    | 222,924                         | 150,000                          | 190   | 6,466                     | 6,726                                    | 2,212,830        | 3,479,136                     |
| Fair value reserve (investment securities available-for-sale):- |                                |                            |                            |                                 |                                  |   |                           |  |                  |                               |
| Net changes in fair value                                       |                                | -                          | -                          | -                               | -                                | -   | 4,585                     | -  | -                | 4,585                         |
| 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 income for the year                   |                                | -                          | -                          | -                               | -                                | -   | (4,888)                   | (4,334)                                  | 185              | (9,037)                       |
| Profit for the year   |                                | -                          | -                          | -                               | -                                | -   | -                         | -  | 672,910          | 672,910                       |
| <b>Total comprehensive (expense)/ income for the year</b>       |                                | -                          | -                          | -                               | -                                | -   | (4,888)                   | (4,334)                                  | 673,095          | 663,873                       |
| Transfer to statutory reserves                                  |                                | -                          | -                          | 26,093                          | -                                | -   | -                         | -  | (26,093)         | -                             |
| Distributions to owners of the Bank                             |                                |                            |                            |                                 |                                  |   |                           |  |                  |                               |
| Dividends (ordinary shares):-                                   |                                |                            |                            |                                 |                                  |   |                           |  |                  |                               |
| - 2011 final  | 21                             | -                          | -                          | -                               | -                                | -   | -                         | -  | (195,000)        | (195,000)                     |
| - 2012 interim  | 21                             | -                          | -                          | -                               | -                                | -   | -                         | -  | (150,000)        | (150,000)                     |
| <b>Total transactions with owners of the Bank</b>               |                                | -                          | -                          | -                               | -                                | -   | -                         | -  | (345,000)        | (345,000)                     |
| <b>At 31 December 2012</b>                                      |                                | <b>163,000</b>             | <b>717,000</b>             | <b>249,017</b>                  | <b>150,000</b>                   | <b>190</b>                                  | <b>1,578</b>              | <b>2,392</b>                             | <b>2,514,832</b> | <b>3,798,009</b>              |
|   |                                | 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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**AND ITS SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

| GROUP   | Note | ← Non-Distributable Reserves → |                            |                                 |                                  |   | → Distributable Reserves  |  | Total<br>RM'000  |                               |
|---|------|--------------------------------|----------------------------|---------------------------------|----------------------------------|---|---------------------------|--|------------------|-------------------------------|
|   |      | Share<br>capital<br>RM'000     | Share<br>premium<br>RM'000 | Statutory<br>reserves<br>RM'000 | Regulatory<br>reserves<br>RM'000 | Capital<br>redemption<br>reserves<br>RM'000 | AFS<br>reserves<br>RM'000 | Cash flow<br>hedge<br>reserves<br>RM'000 |                  | Retained<br>profits<br>RM'000 |
| <b>At 1 January 2011</b>  |      | 125,000                        | 375,000                    | 156,706                         | 150,000                          | 190   | (538)                     | (8,601)                                  | 2,003,654        | 2,801,411                     |
| Issuance of Musyarakah Irredeemable<br>Non-Cumulative Preference Shares |      | 38,000                         | 342,000                    | -                               | -                                | -   | -                         | -  | -                | 380,000                       |
| Fair value reserve (investment<br>securities available-for-sale):-      |      |                                |                            |                                 |                                  |   |                           |  |                  |                               |
| Net changes in fair value   |      | -                              | -                          | -                               | -                                | -   | 14,372                    | -  | -                | 14,372                        |
| Net amount transferred to profit<br>or loss                             |      | -                              | -                          | -                               | -                                | -   | (7,368)                   | -  | -                | (7,368)                       |
| Cash flow hedges:-  |      |                                |                            |                                 |                                  |   |                           |  |                  |                               |
| Effective portion of changes in<br>fair value                           |      | -                              | -                          | -                               | -                                | -   | -                         | 10,986                                   | -                | 10,986                        |
| Net amount transferred to profit<br>or loss                             |      | -                              | -                          | -                               | -                                | -   | -                         | 4,341                                    | -                | 4,341                         |
| Total other comprehensive income<br>for the year                        |      | -                              | -                          | -                               | -                                | -   | 7,004                     | 15,327                                   | -                | 22,331                        |
| Profit for the year   |      | -                              | -                          | -                               | -                                | -   | -                         | -  | 620,394          | 620,394                       |
| <b>Total comprehensive income for the<br/>year</b>                      |      | -                              | -                          | -                               | -                                | -   | 7,004                     | 15,327                                   | 620,394          | 642,725                       |
| Transfer to statutory reserves  |      | -                              | -                          | 66,218                          | -                                | -   | -                         | -  | (66,218)         | -                             |
| Distributions to owners of<br>the Bank                                  |      |                                |                            |                                 |                                  |   |                           |  |                  |                               |
| Dividends (ordinary shares):-   |      |                                |                            |                                 |                                  |   |                           |  |                  |                               |
| - 2010 final  | 21   | -                              | -                          | -                               | -                                | -   | -                         | -  | (225,000)        | (225,000)                     |
| - 2011 interim  | 21   | -                              | -                          | -                               | -                                | -   | -                         | -  | (120,000)        | (120,000)                     |
| <b>Total transactions with owners of the<br/>Bank</b>                   |      | -                              | -                          | -                               | -                                | -   | -                         | -  | (345,000)        | (345,000)                     |
| <b>At 31 December 2011</b>  |      | <b>163,000</b>                 | <b>717,000</b>             | <b>222,924</b>                  | <b>150,000</b>                   | <b>190</b>                                  | <b>6,466</b>              | <b>6,726</b>                             | <b>2,212,830</b> | <b>3,479,136</b>              |
|   |      | 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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**AND ITS SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

| BANK  | Note | ← Non-Distributable Reserves → |                            |                                 |                                  |   | → Distributable Reserves  |  |                               | Total<br>RM'000  |
|---|------|--------------------------------|----------------------------|---------------------------------|----------------------------------|---|---------------------------|--|-------------------------------|------------------|
|   |      | Share<br>capital<br>RM'000     | Share<br>premium<br>RM'000 | Statutory<br>reserves<br>RM'000 | Regulatory<br>reserves<br>RM'000 | Capital<br>redemption<br>reserves<br>RM'000 | AFS<br>reserves<br>RM'000 | Cash flow<br>hedge<br>reserves<br>RM'000 | Retained<br>profits<br>RM'000 |                  |
| <b>At 1 January 2012</b>  |      | 163,000                        | 717,000                    | 163,000                         | 150,000                          | 190   | 6,409                     | 6,726                                    | 2,192,231                     | 3,398,556        |
| 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 income for the year                   |      | -                              | -                          | -                               | -                                | -   | (4,758)                   | (4,334)                                  | 185                           | (8,907)          |
| Profit for the year   |      | -                              | -                          | -                               | -                                | -   | -                         | -  | 621,194                       | 621,194          |
| <b>Total comprehensive (expense)/ income for the year</b>       |      | -                              | -                          | -                               | -                                | -   | (4,758)                   | (4,334)                                  | 621,379                       | 612,287          |
| Distributions to owners of the Bank                             |      |                                |                            |                                 |                                  |   |                           |  |                               |                  |
| Dividends (ordinary shares):-                                   |      |                                |                            |                                 |                                  |   |                           |  |                               |                  |
| - 2011 final  | 21   | -                              | -                          | -                               | -                                | -   | -                         | -  | (195,000)                     | (195,000)        |
| - 2012 interim  | 21   | -                              | -                          | -                               | -                                | -   | -                         | -  | (150,000)                     | (150,000)        |
| <b>Total transactions with owners of the Bank</b>               |      | -                              | -                          | -                               | -                                | -   | -                         | -  | (345,000)                     | (345,000)        |
| <b>At 31 December 2012</b>                                      |      | <b>163,000</b>                 | <b>717,000</b>             | <b>163,000</b>                  | <b>150,000</b>                   | <b>190</b>                                  | <b>1,651</b>              | <b>2,392</b>                             | <b>2,468,610</b>              | <b>3,665,843</b> |
|   |      | 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 2012**

| BANK  | Note | ← Non-Distributable Reserves → |                            |                                 |                                  |   | → Distributable Reserves ← |  | Total<br>RM'000  |                               |
|---|------|--------------------------------|----------------------------|---------------------------------|----------------------------------|---|----------------------------|--|------------------|-------------------------------|
|   |      | Share<br>capital<br>RM'000     | Share<br>premium<br>RM'000 | Statutory<br>reserves<br>RM'000 | Regulatory<br>reserves<br>RM'000 | Capital<br>redemption<br>reserves<br>RM'000 | AFS<br>reserves<br>RM'000  | Cash flow<br>hedge<br>reserves<br>RM'000 |                  | Retained<br>profits<br>RM'000 |
| <b>At 1 January 2011</b>  |      | 125,000                        | 375,000                    | 125,000                         | 150,000                          | 190   | (591)                      | (8,601)                                  | 1,994,007        | 2,760,005                     |
| Issuance of Musyarakah Irredeemable<br>Non-Cumulative Preference Shares |      | 38,000                         | 342,000                    | -                               | -                                | -   | -                          | -  | -                | 380,000                       |
| Fair value reserve (investment<br>securities available-for-sale):-      |      |                                |                            |                                 |                                  |   |                            |  |                  |                               |
| Net changes in fair value   |      | -                              | -                          | -                               | -                                | -   | 14,368                     | -  | -                | 14,368                        |
| Net amount transferred to profit or loss                                |      | -                              | -                          | -                               | -                                | -   | (7,368)                    | -  | -                | (7,368)                       |
| Cash flow hedges:-  |      |                                |                            |                                 |                                  |   |                            |  |                  |                               |
| Effective portion of changes in fair value                              |      | -                              | -                          | -                               | -                                | -   | -                          | 10,986                                   | -                | 10,986                        |
| Net amount transferred to profit or loss                                |      | -                              | -                          | -                               | -                                | -   | -                          | 4,341                                    | -                | 4,341                         |
| Total other comprehensive income for the year                           |      | -                              | -                          | -                               | -                                | -   | 7,000                      | 15,327                                   | -                | 22,327                        |
| Profit for the year   |      | -                              | -                          | -                               | -                                | -   | -                          | -  | 581,224          | 581,224                       |
| <b>Total comprehensive income for the year</b>                          |      | -                              | -                          | -                               | -                                | -   | 7,000                      | 15,327                                   | 581,224          | 603,551                       |
| Transfer to statutory reserves  |      | -                              | -                          | 38,000                          | -                                | -   | -                          | -  | (38,000)         | -                             |
| Distributions to owners of<br>the Bank                                  |      |                                |                            |                                 |                                  |   |                            |  |                  |                               |
| Dividends payable:-   |      |                                |                            |                                 |                                  |   |                            |  |                  |                               |
| - 2010 final  | 21   | -                              | -                          | -                               | -                                | -   | -                          | -  | (225,000)        | (225,000)                     |
| - 2011 interim  | 21   | -                              | -                          | -                               | -                                | -   | -                          | -  | (120,000)        | (120,000)                     |
| <b>Total transactions with owners of the<br/>Bank</b>                   |      | -                              | -                          | -                               | -                                | -   | -                          | -  | (345,000)        | (345,000)                     |
| <b>At 31 December 2011</b>  |      | <b>163,000</b>                 | <b>717,000</b>             | <b>163,000</b>                  | <b>150,000</b>                   | <b>190</b>                                  | <b>6,409</b>               | <b>6,726</b>                             | <b>2,192,231</b> | <b>3,398,556</b>              |
|   |      | 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 2012**

|  | Group                     |                         | Bank                    |                         |
|--|---------------------------|-------------------------|-------------------------|-------------------------|
|  | 2012<br>RM'000            | 2011<br>RM'000          | 2012<br>RM'000          | 2011<br>RM'000          |
| <b>Cash flows from operating activities</b>  |                           |                         |                         |                         |
| Profit before taxation   | 891,972                   | 836,709                 | 822,141                 | 780,354                 |
| Adjustments for:-  |                           |                         |                         |                         |
| Dividend income  | (35,609)                  | (34,686)                | (35,609)                | (34,686)                |
| Depreciation   | 27,746                    | 26,142                  | 24,780                  | 24,041                  |
| Gain on disposal of property, plant and equipment  | (335)                     | (89)                    | (335)                   | (89)                    |
| Gain on disposal of investment securities available-for-sale                                   | (19,696)                  | (621)                   | (19,696)                | (621)                   |
| Profit equalisation reserve  | -                         | (7,478)                 | -                       | -                       |
| Amortisation of premium less accretion of discount on investment securities available-for-sale | (57,182)                  | (20,814)                | (39,651)                | (38,634)                |
| Operating profit before working capital changes  | <u>806,896</u>            | <u>799,163</u>          | <u>751,630</u>          | <u>730,365</u>          |
| Changes in working capital:-   |                           |                         |                         |                         |
| Deposits and placements with banks and other financial institutions                            | (88,206)                  | 258,182                 | (1,214,638)             | 1,424,716               |
| Securities purchased under resale agreement  | (30,175)                  | (28,112)                | (30,175)                | (28,112)                |
| Financial assets held for trading  | 217,528                   | (396,830)               | 217,528                 | (396,830)               |
| Loans, advances and financing  | (2,059,601)               | (2,421,660)             | (979,043)               | (1,891,016)             |
| Derivative financial instruments   | (79,790)                  | 317,362                 | (80,297)                | 317,125                 |
| Other assets   | (1,664)                   | (615,260)               | (279,202)               | (644,322)               |
| Statutory deposits with Bank Negara Malaysia   | (152,621)                 | (914,211)               | (106,488)               | (846,419)               |
| Deposits from customers  | (2,759,509)               | 4,067,266               | (3,714,752)             | 2,443,667               |
| Deposits and placements of banks and other financial institutions                              | 5,349,840                 | (655,820)               | 5,378,558               | (685,580)               |
| Bills and acceptances payable  | -                         | (6,792)                 | -                       | (6,792)                 |
| Recourse obligations on loans sold to Cagamas Berhad   | -                         | (72,919)                | -                       | (72,919)                |
| Other liabilities  | (424,304)                 | 6,656                   | 103,037                 | (111,917)               |
| Cash generated from operations   | <u>778,394</u>            | <u>337,025</u>          | <u>46,158</u>           | <u>231,966</u>          |
| Income taxes paid  | <u>(235,571)</u>          | <u>(155,105)</u>        | <u>(228,038)</u>        | <u>(142,687)</u>        |
| <b>Net cash generated from / (used in) operating activities</b>                                | <b><u>542,823</u></b>     | <b><u>181,920</u></b>   | <b><u>(181,880)</u></b> | <b><u>89,279</u></b>    |
| <b>Cash flows from investing activities</b>  |                           |                         |                         |                         |
| Dividends received   | 35,609                    | 34,686                  | 35,609                  | 34,686                  |
| Purchase of property, plant and equipment  | (38,977)                  | (30,005)                | (35,316)                | (26,907)                |
| Proceeds from disposal of property, plant and equipment  | 335                       | 484                     | 335                     | 5,149                   |
| Purchase of investment securities available-for-sale   | (15,340,563)              | (17,692,153)            | (10,892,483)            | (17,112,153)            |
| Proceeds from disposal of investment securities available-for-sale                             | 14,200,353                | 19,579,371              | 10,702,027              | 18,568,382              |
| Investment in a subsidiary   | -                         | -                       | (25,500)                | -                       |
| <b>Net cash (used in) / generated from investing activities</b>                                | <b><u>(1,143,243)</u></b> | <b><u>1,892,383</u></b> | <b><u>(215,328)</u></b> | <b><u>1,469,157</u></b> |

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**AND ITS SUBSIDIARIES**

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011 (CONTINUED)**

|   | Group                |                      | Bank                 |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 31.12.2012<br>RM'000 | 31.12.2011<br>RM'000 | 31.12.2012<br>RM'000 | 31.12.2011<br>RM'000 |
| <b>Cash flows from financing activities</b>                 |                      |                      |                      |                      |
| Dividends paid (Note 21)                                    | (345,000)            | (345,000)            | (345,000)            | (345,000)            |
| <b>Net cash used in financing activities</b>                | <u>(345,000)</u>     | <u>(345,000)</u>     | <u>(345,000)</u>     | <u>(345,000)</u>     |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | (945,420)            | 1,729,303            | (742,208)            | 1,213,436            |
| <b>Cash and cash equivalents brought forward</b>            | 6,251,969            | 4,522,666            | 4,881,279            | 3,667,843            |
| <b>Cash and cash equivalents carried forward</b>            | <u>5,306,549</u>     | <u>6,251,969</u>     | <u>4,139,071</u>     | <u>4,881,279</u>     |
| <b>Cash and cash equivalents comprise:</b>                  |                      |                      |                      |                      |
| Cash and short term funds (Note 3)                          | <u>5,306,549</u>     | <u>6,251,969</u>     | <u>4,139,071</u>     | <u>4,881,279</u>     |

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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## Notes to the financial statements

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.

### 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 ("IFRS") and Companies Act, 1965 in Malaysia. These are the Group and the Bank's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the financial statements of the Group and the Bank were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia. An explanation of how the transition to MFRSs has affected the reported financial position, financial performance and cashflows of the Group and the Bank is provided in Note 47.

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.

The Group and the Bank have early adopted the amendments to MFRS 101, Presentation of Financial Statements, which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of comprehensive income.

#### Accounting standards not yet effective

The following MFRSs and Interpretations have been issued by the MASB and are not yet effective:

##### Effective for annual periods commencing on or after 1 January 2013

- 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 (as amended in June 2011)*
- vi) MFRS 127 *Separate Financial Statements*
- vii) MFRS 128 *Investments in Associates and Joint Ventures (as amended in May 2011)*
- viii) IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- ix) *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments to MFRS 7)
- x) *First-time Adoption of Malaysian Financial Reporting Standards - Government Loans* (Amendments to MFRS 1)
- xi) *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)* (Amendments to MFRS 1)

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

**(a) Statement of compliance (continued)**

Effective for annual periods commencing on or after 1 January 2013 (continued)

- xii) *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)* (Amendments to MFRS 101)
- xiii) *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)* (Amendments to MFRS 116)
- xiv) *Financial Instruments : Presentation (Annual Improvements 2009-2011 Cycle)* (Amendments to MFRS 132)
- xv) *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)* (Amendments to MFRS 134)
- xvi) *Consolidated Financial Statements : Transition Guidance* (Amendments to MFRS 10)
- xvii) *Joint Arrangements: Transition Guidance* (Amendments to MFRS 11)
- xviii) *Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to MFRS 12)

Effective for annual periods commencing on or after 1 January 2014

- i) *Consolidated Financial Statements: Investment Entities* (Amendments to MFRS 10)
- ii) *Disclosure of Interests in Other Entities: Investment Entities* (Amendments to MFRS 12)
- iii) *Separate Financial Statements (2011): Investment Entities* (Amendments to MFRS 127)
- iv) *Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities* (Amendments to MFRS 132)

Effective for annual periods commencing on or after 1 January 2015

- i) MFRS 9 *Financial Instruments (IFRS 9 issued in November 2009)*
- ii) MFRS 9 *Financial Instruments (IFRS 9 issued in October 2010)*
- iii) Financial Instruments : Disclosures - Mandatory Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 7)

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

- from the annual period beginning on 1 January 2013 for those standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2013, except for IC Interpretation 20 which is not applicable to the Group and the Bank.
- from the annual period beginning on 1 January 2014 for those amendments 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 January 2015.

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.

The financial statements were approved by the Board of Directors on 24 April 2013.

**(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.



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

**(d) Use of estimates and judgements**

The preparation of financial statements in conformity with the MFRS's 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 makes 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 (l), Note 2 (o) and Note 2 (r))
- 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 in preparing the opening MFRSs statements of financial position of the Group and the Bank at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

**(a) Basis of consolidation**

The consolidated financial statements as at and for the financial year ended 31 December 2012 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) 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.

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**2. Significant accounting policies (continued)**

**(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:-

Financial assets

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.

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**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.

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**2. Significant accounting policies (continued)**

**(b) Financial instruments (continued)**

*ii) Financial instrument categories and subsequent measurement (continued)*

D) Available-for-sale financial assets (continued)

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.

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, Bills and acceptances payable, Recourse obligations on loans sold to Cagamas Berhad, Financial derivatives, Other liabilities and Subordinated debts.

Prior to the adoption of MFRSs, the Group and the Bank measured financial liabilities, subsequent to initial recognition, at amortised cost using the effective interest/ profit method in accordance with BNM guidelines on Financial Reporting for Banking Institutions.

With the adoption of MFRS 139, the Group and the Bank have applied fair value option for certain financial liability instruments.

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.

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**2. Significant accounting policies (continued)**

**(b) Financial instruments (continued)**

*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.

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.

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**2. Significant accounting policies (continued)**

**(b) Financial instruments (continued)**

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

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.

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**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 bankruptcy 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.

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**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.



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**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.

Prior to the adoption of MFRSs, the Group and the Bank applied the transitional provision as stated in the BNM guidelines on Classification and Impairment Provisions for Loans/Financing and maintained collective impairment provisions at 1.5% of total outstanding loans, net of individual impairment provision.

With the adoption of MFRS 139, Financial Instruments: Recognition and Measurement ("MFRS 139"), 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.

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**2. Significant accounting policies (continued)**

**(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.

*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.

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**2. Significant accounting policies (continued)**

**(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 positions. 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) Bills and acceptances payable**

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

**(f) Recourse obligations on loans sold to Cagamas Berhad**

Recourse obligations on loans sold to Cagamas Berhad represents the outstanding balance in respect of loans (excluding Islamic financing) which were sold to Cagamas Berhad with recourse to the Bank.

**(g) 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.

**(h) 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.

**(i) 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.

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**2. Significant accounting policies (continued)**

**(i) Impairment of other assets (continued)**

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.

**(j) 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.

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**2. Significant accounting policies (continued)**

**(j) 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.

**(k) 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".

**(l) 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.

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**2. Significant accounting policies (continued)**

**(m) 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.

**(n) 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.

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.

**(o) 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 (r). The effective interest/ profit rate is the rate that exactly discounts estimated future payments through the expected life of the financial liabilities.

**(p) Profit equalisation reserves**

Profit equalisation reserves ("PER") is a mechanism to reduce the fluctuations in the profit rate payable to the depositors for the Islamic Banking Operations. It is provided based on the framework of the Rate of Return issued by BNM. The amount of PER is appropriated from or written back to the total gross income of the Islamic Banking Operations. PER is reflected under other liabilities of the Group.

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**2. Significant accounting policies (continued)**

**(q) Currency translations**

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.

**(r) 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.

**(s) 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.

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**3. Cash and short term funds**

|  | Group            |                  |                  | Bank             |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
|  | 31.12.2012       | 31.12.2011       | 1.1.2011         | 31.12.2012       | 31.12.2011       | 1.1.2011         |
|  | RM'000           | RM'000           | RM'000           | RM'000           | RM'000           | RM'000           |
| Cash and balances with banks and other financial institutions  | 148,499          | 117,223          | 103,183          | 131,853          | 104,852          | 96,386           |
| Money at call and deposit placements maturing within one month | 5,158,050        | 6,134,746        | 4,419,483        | 4,007,218        | 4,776,427        | 3,571,457        |
|  | <u>5,306,549</u> | <u>6,251,969</u> | <u>4,522,666</u> | <u>4,139,071</u> | <u>4,881,279</u> | <u>3,667,843</u> |

**4. Deposits and placements with banks and other financial institutions**

|                              | Group          |                |                | Bank             |                |                  |
|------------------------------|----------------|----------------|----------------|------------------|----------------|------------------|
|                              | 31.12.2012     | 31.12.2011     | 1.1.2011       | 31.12.2012       | 31.12.2011     | 1.1.2011         |
|                              | RM'000         | RM'000         | RM'000         | RM'000           | RM'000         | RM'000           |
| Licensed banks               | -              | -              | 50,000         | 1,865,445        | 739,014        | 1,955,548        |
| Bank Negara Malaysia         | 100,000        | -              | -              | 100,000          | -              | -                |
| Other financial institutions | 88,206         | 100,000        | 308,182        | 88,207           | 100,000        | 308,182          |
|                              | <u>188,206</u> | <u>100,000</u> | <u>358,182</u> | <u>2,053,652</u> | <u>839,014</u> | <u>2,263,730</u> |

**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 |                |               |
|--|----------------|----------------|---------------|
|  | 31.12.2012     | 31.12.2011     | 1.1.2011      |
|  | RM'000         | RM'000         | RM'000        |
| <b>Statement of Financial Position - Assets</b>            |                |                |               |
| Securities and collaterals which can be re-pledged or sold | <u>148,141</u> | <u>117,966</u> | <u>89,854</u> |
|  |                |                |               |
|  |                |                |               |
| <b>Statement of Financial Position - Liabilities</b>       |                |                |               |
| Recourse obligations on loans sold to Cagamas              | -              | -              | 72,919        |
| Collateral of loans sold to Cagamas                        | <u>-</u>       | <u>-</u>       | <u>91,947</u> |

The major terms and condition for loans sold to Cagamas were that the loans must:-

- be for financing or refinancing the purchase, construction or renovation of residential properties;
- be fully disbursed;
- not be more than 3 months in arrears at the time of the sale; and
- have a remaining life which expires on or after the review date.



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**6. Financial assets held for trading**

|                                       | <b>Group</b>      |                   |                  | <b>Bank</b>       |                   |                  |
|---------------------------------------|-------------------|-------------------|------------------|-------------------|-------------------|------------------|
|                                       | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>  | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>  |
|                                       | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>    | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>    |
| <u>At fair value</u>                  |                   |                   |                  |                   |                   |                  |
| Malaysian Government treasury bills   | 137,411           | 58,762            | 194,831          | 137,411           | 58,762            | 194,831          |
| Malaysian Government bonds/securities | 1,724,946         | 1,305,965         | 636,956          | 1,724,946         | 1,305,965         | 636,956          |
| Government Islamic bonds              | 81,479            | 113,478           | 20,705           | 81,479            | 113,478           | 20,705           |
| Bank Negara Malaysia bills            | 1,258,891         | 1,862,113         | 2,156,498        | 1,258,891         | 1,862,113         | 2,156,498        |
| Private debt securities               | 188,465           | 268,402           | 202,900          | 188,465           | 268,402           | 202,900          |
|                                       | <u>3,391,192</u>  | <u>3,608,720</u>  | <u>3,211,890</u> | <u>3,391,192</u>  | <u>3,608,720</u>  | <u>3,211,890</u> |

**7. Investment securities available-for-sale**

|   | <b>Group</b>      |                   |                  | <b>Bank</b>       |                   |                  |
|---|-------------------|-------------------|------------------|-------------------|-------------------|------------------|
|   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>  | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>  |
|   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>    | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>    |
| <u>At fair value</u>                              |                   |                   |                  |                   |                   |                  |
| Malaysian Government bonds/securities             | 1,742,333         | 1,552,427         | 1,493,740        | 1,742,333         | 1,552,427         | 1,493,740        |
| Bank Negara Malaysia bills                        | 2,984,992         | 219,168           | 2,077,444        | 1,888,359         | 119,734           | 1,529,339        |
| Cagamas bonds                                     | -                 | 25,029            | 25,077           | -                 | -                 | -                |
| Bankers' acceptances and Islamic acceptance bills | 515,217           | 498,224           | 506,752          | 515,217           | 498,224           | 506,752          |
| Negotiable instruments of deposit                 | 499,999           | 2,177,569         | 2,480,002        | 460,007           | 2,137,569         | 2,445,002        |
| Private debt securities                           | 362,349           | 405,730           | 153,031          | 357,340           | 395,672           | 137,887          |
|   | <u>6,104,890</u>  | <u>4,878,147</u>  | <u>6,736,046</u> | <u>4,963,256</u>  | <u>4,703,626</u>  | <u>6,112,720</u> |
| Unquoted securities:-                             |                   |                   |                  |                   |                   |                  |
| Equity shares, at cost                            | 9,666             | 9,660             | 9,647            | 9,666             | 9,660             | 9,647            |
| Private debt securities, at fair value            | 243               | 16,420            | 14,980           | 243               | 16,420            | 14,980           |
|   | <u>6,114,799</u>  | <u>4,904,227</u>  | <u>6,760,673</u> | <u>4,973,165</u>  | <u>4,729,706</u>  | <u>6,137,347</u> |

Included in unquoted equity shares are 51% shareholdings held in Popular Ambience Sdn. Bhd. ("PASB") and Resolution Alliance Sdn Bhd ("RASB"), amounting to RM 51 each. Both companies are incorporated in Malaysia. The remaining 49% shareholdings of PASB are held by Standard Chartered Bank (Hong Kong) Limited ("SCBHK"), while that of RASB are held by SCBHK (40%) and an unrelated third party (9%). The principal activities of PASB and RASB are that of special purpose vehicles established to undertake the purchase of non-performing loans.

In accordance with paragraphs 12 and 13 of MFRS 127, *Consolidated and Separate Financial Statements*, consolidated financial statements shall include the financial statements of all subsidiaries of the parent where control exists.

The shareholders of PASB and RASB have entered into separate Master Shareholders' Agreements in which the Bank had assigned to SCBHK its rights over all the profits or losses of PASB and RASB and the entitlement to appoint Directors of PASB and RASB. The Bank has therefore ceased to have control over PASB and RASB as it does not have the ability to exercise its power to govern the financial and operating policies of PASB and RASB so as to obtain benefits from its activities. In view of the above, PASB and RASB are excluded from the Group's consolidated financial statements and they are classified under investment securities available-for-sale.

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**8. Loans, advances and financing****(i) By type**

|  | <b>Group</b>             |                          |                          | <b>Bank</b>              |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|  | <b>31.12.2012</b>        | <b>31.12.2011</b>        | <b>1.1.2011</b>          | <b>31.12.2012</b>        | <b>31.12.2011</b>        | <b>1.1.2011</b>          |
|  | <b>RM'000</b>            | <b>RM'000</b>            | <b>RM'000</b>            | <b>RM'000</b>            | <b>RM'000</b>            | <b>RM'000</b>            |
| <u>At amortised cost</u>                                       |                          |                          |                          |                          |                          |                          |
| Overdrafts   | 646,987                  | 582,563                  | 660,746                  | 646,987                  | 582,563                  | 660,746                  |
| Term loans/financing   |                          |                          |                          |                          |                          |                          |
| - Housing loans/financing                                      | 13,069,756               | 13,297,938               | 13,022,787               | 11,970,351               | 12,359,104               | 12,188,088               |
| - Syndicated term loan/financing                               | 156,669                  | 844,194                  | 928,345                  | 156,669                  | 844,194                  | 928,345                  |
| - Hire purchase receivables                                    | 234,809                  | 188,025                  | 101,845                  | -                        | -                        | -                        |
| - Lease receivables  | 559,044                  | 445,735                  | 365,030                  | -                        | -                        | -                        |
| - Other term loans/financing                                   | 10,970,898               | 9,903,125                | 7,827,018                | 8,479,073                | 7,907,750                | 6,438,005                |
| Bills receivable   | 3,164,832                | 2,382,754                | 2,328,025                | 3,117,480                | 2,342,683                | 2,326,325                |
| Trust receipts   | 1,567,772                | 1,675,670                | 1,435,463                | 1,407,164                | 1,505,135                | 1,250,769                |
| Staff loans/financing  | 69,558                   | 79,140                   | 86,539                   | 67,715                   | 76,098                   | 83,221                   |
| Loans/financing to banks and other financial institutions      | 365,000                  | 138,509                  | 358,259                  | 365,000                  | 138,509                  | 358,259                  |
| Credit card receivables  | 2,276,880                | 1,805,801                | 1,505,746                | 2,276,880                | 1,805,801                | 1,505,746                |
| Revolving credit   | 1,473,397                | 1,143,068                | 1,120,404                | 806,362                  | 799,804                  | 722,637                  |
|  | <u>34,555,602</u>        | <u>32,486,522</u>        | <u>29,740,207</u>        | <u>29,293,681</u>        | <u>28,361,641</u>        | <u>26,462,141</u>        |
| Less: Unearned interest and income                             | (1,248,870)              | (1,198,320)              | (893,959)                | (5,432)                  | (7,217)                  | (1,693)                  |
| Gross loans, advances and financing                            | <u>33,306,732</u>        | <u>31,288,202</u>        | <u>28,846,248</u>        | <u>29,288,249</u>        | <u>28,354,424</u>        | <u>26,460,448</u>        |
| Less: Impairment provisions on loans, advances and financing:- |                          |                          |                          |                          |                          |                          |
| -Individual impairment provisions                              | (218,584)                | (249,662)                | (268,545)                | (215,210)                | (247,153)                | (266,840)                |
| -Collective impairment provisions                              | (219,196)                | (229,189)                | (190,012)                | (140,799)                | (154,074)                | (131,427)                |
| Total net loans, advances and financing                        | <u><u>32,868,952</u></u> | <u><u>30,809,351</u></u> | <u><u>28,387,691</u></u> | <u><u>28,932,240</u></u> | <u><u>27,953,197</u></u> | <u><u>26,062,181</u></u> |

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**8. Loans, advances and financing (continued)****(ii) By type of customer**

|  | <b>Group</b>      |                   |                   | <b>Bank</b>       |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   |
|  | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Domestic banking institutions            | 56,573            | -                 | 2,963             | 56,573            | -                 | 2,963             |
| Domestic non-bank financial institutions | 665,964           | 210,941           | 321,472           | 416,203           | 165,139           | 261,339           |
| Domestic business enterprises            | 12,227,034        | 11,073,679        | 9,716,031         | 10,492,115        | 9,937,270         | 8,612,695         |
| <i>Small medium enterprises</i>          | <u>4,147,228</u>  | <u>3,449,283</u>  | <u>2,890,944</u>  | <u>3,654,593</u>  | <u>3,306,232</u>  | <u>2,764,578</u>  |
| <i>Others</i>                            | <u>8,079,806</u>  | <u>7,624,396</u>  | <u>6,825,087</u>  | <u>6,837,522</u>  | <u>6,631,038</u>  | <u>5,848,117</u>  |
| Individuals                              | 18,259,278        | 18,166,840        | 16,929,474        | 16,290,965        | 16,444,227        | 15,736,971        |
| Other domestic entities                  | 707               | 738               | 669               | 707               | 738               | 669               |
| Foreign entities                         | 2,097,176         | 1,836,004         | 1,875,639         | 2,031,686         | 1,807,050         | 1,845,811         |
|  | <u>33,306,732</u> | <u>31,288,202</u> | <u>28,846,248</u> | <u>29,288,249</u> | <u>28,354,424</u> | <u>26,460,448</u> |

**(iii) By interest/profit rate sensitivity**

|                                   | <b>Group</b>      |                   |                   | <b>Bank</b>       |                   |                   |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   |
|                                   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Fixed rate                        |                   |                   |                   |                   |                   |                   |
| Housing loans/ financing          | 38,089            | 44,030            | 49,725            | 35,044            | 39,995            | 45,031            |
| Other fixed rate loans/ financing | 5,525,553         | 4,660,029         | 3,389,887         | 3,662,071         | 3,025,517         | 2,109,176         |
| Variable rate                     |                   |                   |                   |                   |                   |                   |
| BLR plus                          | 16,446,376        | 16,611,775        | 16,315,907        | 15,838,866        | 16,229,030        | 16,010,288        |
| Cost plus                         | 9,901,455         | 8,904,539         | 8,109,945         | 9,289,222         | 8,565,069         | 7,714,900         |
| Other variable rates              | 1,395,259         | 1,067,829         | 980,784           | 463,046           | 494,813           | 581,053           |
|                                   | <u>33,306,732</u> | <u>31,288,202</u> | <u>28,846,248</u> | <u>29,288,249</u> | <u>28,354,424</u> | <u>26,460,448</u> |

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**8. Loans, advances and financing (continued)****(iv) By sector**

|   | <b>Group</b>      |                   |                   | <b>Bank</b>       |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   |
|   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Agriculture                                       | 387,422           | 235,601           | 312,620           | 234,732           | 137,675           | 188,985           |
| Mining and quarrying                              | 276,425           | 338,815           | 164,105           | 218,920           | 258,986           | 155,250           |
| Manufacturing                                     | 4,464,558         | 3,865,446         | 3,350,381         | 3,952,384         | 3,513,524         | 3,096,185         |
| Electricity, gas and water                        | 11,392            | 421,589           | 639,117           | 9,167             | 419,316           | 638,925           |
| Construction                                      | 754,693           | 599,903           | 319,412           | 676,490           | 566,178           | 302,016           |
| Real estate                                       | 915,124           | 946,459           | 482,731           | 803,419           | 759,568           | 307,411           |
| Wholesale & retail trade and restaurants & hotels | 2,746,491         | 2,106,073         | 2,135,959         | 2,378,742         | 1,966,297         | 2,034,214         |
| Transportation, storage and communication         | 553,763           | 518,907           | 340,342           | 323,008           | 353,472           | 107,744           |
| Finance, insurance and business services          | 2,101,068         | 1,295,746         | 1,683,718         | 1,710,548         | 1,195,174         | 1,471,274         |
| Household   | 19,440,835        | 19,242,236        | 17,901,437        | 17,407,032        | 17,490,669        | 16,679,106        |
| Others  | 1,654,961         | 1,717,427         | 1,516,426         | 1,573,807         | 1,693,565         | 1,479,338         |
|   | <u>33,306,732</u> | <u>31,288,202</u> | <u>28,846,248</u> | <u>29,288,249</u> | <u>28,354,424</u> | <u>26,460,448</u> |

**(v) By purpose**

|  | <b>Group</b>      |                   |                   | <b>Bank</b>       |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   |
|  | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Purchase of securities                 | 25,000            | 455,470           | 633,625           | 25,000            | 455,470           | 633,625           |
| Purchase of landed property            | 16,026,164        | 15,938,395        | 15,434,170        | 15,207,807        | 15,475,184        | 15,039,144        |
| - Residential                          | <u>12,857,522</u> | <u>12,885,891</u> | <u>12,664,411</u> | <u>12,220,573</u> | <u>12,497,858</u> | <u>12,352,786</u> |
| - Non-residential                      | <u>3,168,642</u>  | <u>3,052,504</u>  | <u>2,769,759</u>  | <u>2,987,234</u>  | <u>2,977,326</u>  | <u>2,686,358</u>  |
| Fixed assets excluding land & building | 148,826           | 97,797            | 53,237            | -                 | -                 | -                 |
| Personal use                           | 2,974,585         | 3,003,890         | 2,146,347         | 1,610,451         | 1,668,461         | 1,271,493         |
| Credit cards                           | 2,276,880         | 1,805,801         | 1,505,746         | 2,276,880         | 1,805,801         | 1,505,746         |
| Working capital                        | 11,349,586        | 9,773,406         | 8,761,108         | 9,662,420         | 8,750,783         | 7,679,997         |
| Others                                 | 505,691           | 213,443           | 312,015           | 505,691           | 198,725           | 330,443           |
|  | <u>33,306,732</u> | <u>31,288,202</u> | <u>28,846,248</u> | <u>29,288,249</u> | <u>28,354,424</u> | <u>26,460,448</u> |

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**8. Loans, advances and financing (continued)****(vi) By maturity structure**

|                           | Group                |                      |                    | Bank                 |                      |                    |
|---------------------------|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|
|                           | 31.12.2012<br>RM'000 | 31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 | 31.12.2012<br>RM'000 | 31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 |
| Maturing within one year  | 11,106,800           | 8,961,857            | 10,456,653         | 10,378,473           | 8,568,157            | 9,494,847          |
| One year to three years   | 2,811,548            | 2,594,566            | 1,232,516          | 1,960,099            | 2,012,566            | 846,327            |
| Three years to five years | 3,103,763            | 3,520,185            | 1,962,296          | 1,824,357            | 2,344,805            | 1,354,538          |
| Over five years           | 16,284,621           | 16,211,594           | 15,194,783         | 15,125,320           | 15,428,896           | 14,764,736         |
|                           | <u>33,306,732</u>    | <u>31,288,202</u>    | <u>28,846,248</u>  | <u>29,288,249</u>    | <u>28,354,424</u>    | <u>26,460,448</u>  |

**(vii) By geographical distribution**

|                  | Group                |                      |                    | Bank                 |                      |                    |
|------------------|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|
|                  | 31.12.2012<br>RM'000 | 31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 | 31.12.2012<br>RM'000 | 31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 |
| Within Malaysia  | 32,792,024           | 31,042,872           | 28,492,454         | 28,773,541           | 28,109,094           | 26,106,654         |
| Outside Malaysia | 514,708              | 245,330              | 353,794            | 514,708              | 245,330              | 353,794            |
|                  | <u>33,306,732</u>    | <u>31,288,202</u>    | <u>28,846,248</u>  | <u>29,288,249</u>    | <u>28,354,424</u>    | <u>26,460,448</u>  |

**(viii) Analysis of foreign currency exposure**

|                          | Group                |                      |                    | Bank                 |                      |                    |
|--------------------------|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|
|                          | 31.12.2012<br>RM'000 | 31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 | 31.12.2012<br>RM'000 | 31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 |
| USD                      | 2,844,307            | 2,379,607            | 1,513,419          | 2,721,934            | 2,223,905            | 1,381,405          |
| GBP                      | 609,726              | 579,887              | 561,076            | 609,726              | 579,281              | 561,076            |
| Other foreign currencies | <u>68,813</u>        | <u>14,180</u>        | <u>23,259</u>      | <u>68,813</u>        | <u>14,180</u>        | <u>22,987</u>      |

**9. Impaired loans, advances and financing****(i) Movements in impaired loans, advances and financing**

|  | Group            |                  | Bank             |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2012<br>RM'000   | 2011<br>RM'000   | 2012<br>RM'000   | 2011<br>RM'000   |
| At 1 January   | 374,713          | 441,715          | 356,203          | 419,285          |
| Classified as impaired during the financial year   | 721,433          | 506,336          | 625,963          | 449,055          |
| Reclassified as performing during the financial year                                     | (280,157)        | (296,041)        | (278,470)        | (294,639)        |
| Amount recovered during the financial year   | (97,391)         | (62,944)         | (85,775)         | (54,277)         |
| Amount written off during the financial year   | <u>(293,658)</u> | <u>(214,353)</u> | <u>(226,870)</u> | <u>(163,221)</u> |
| At 31 December   | 424,940          | 374,713          | 391,051          | 356,203          |
| Individual impairment provisions   | (218,584)        | (249,662)        | (215,210)        | (247,153)        |
| Net impaired loans, advances and financing   | <u>206,356</u>   | <u>125,051</u>   | <u>175,841</u>   | <u>109,050</u>   |
| Ratio of net impaired loans, advances and financing to net loans, advances and financing | <u>0.62%</u>     | <u>0.40%</u>     | <u>0.60%</u>     | <u>0.39%</u>     |

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**9. Impaired loans, advances and financing (continued)****(ii) Movements in impairment provisions for loans, advances and financing**

|   | Group            |                  | Bank             |                 |
|---|------------------|------------------|------------------|-----------------|
|   | 2012<br>RM'000   | 2011<br>RM'000   | 2012<br>RM'000   | 2011<br>RM'000  |
| <b>Collective impairment provisions</b>   |                  |                  |                  |                 |
| At 1 January  | 229,189          | 190,012          | 154,074          | 131,427         |
| Impairment made during the financial year   | 46,987           | 55,431           | 31,746           | 35,158          |
| Amount written back   | <u>(56,980)</u>  | <u>(16,254)</u>  | <u>(45,021)</u>  | <u>(12,511)</u> |
| At 31 December  | <u>219,196</u>   | <u>229,189</u>   | <u>140,799</u>   | <u>154,074</u>  |
| As a percentage of gross loans, advances and financing<br>less individual impairment provisions | <u>0.66%</u>     | <u>0.74%</u>     | <u>0.48%</u>     | <u>0.55%</u>    |
| <b>Individual impairment provisions</b>   |                  |                  |                  |                 |
| At 1 January  | 249,662          | 268,545          | 247,153          | 266,840         |
| Impairment made during the financial year   | 227,048          | 196,970          | 156,946          | 144,112         |
| Amount written back   | (71,568)         | (76,717)         | (70,049)         | (75,463)        |
| Amount written off  | <u>(186,558)</u> | <u>(139,136)</u> | <u>(118,840)</u> | <u>(88,336)</u> |
| At 31 December  | <u>218,584</u>   | <u>249,662</u>   | <u>215,210</u>   | <u>247,153</u>  |

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**9. Impaired loans, advances and financing (continued)****(iii) Impaired loans, advances and financing by sector**

|   | <b>Group</b>      |                   |                 | <b>Bank</b>       |                   |                 |
|---|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
|   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> |
|   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>   |
| Agriculture   | 14,432            | 14,361            | 13,981          | 14,432            | 14,361            | 13,981          |
| Manufacturing   | 82,809            | 28,902            | 34,832          | 81,929            | 28,902            | 32,819          |
| Construction  | 60,801            | 54,451            | 55,563          | 60,801            | 54,451            | 55,563          |
| Real estate   | -                 | 795               | -               | -                 | 795               | -               |
| Wholesale & retail trade<br>and restaurants &<br>hotels | 35,092            | 56,885            | 49,392          | 34,948            | 56,885            | 49,392          |
| Transportation, storage<br>and communication            | 1,138             | 241               | 32              | 1,138             | 241               | 32              |
| Finance, insurance and<br>business services             | 2,755             | 1,675             | 2,567           | 2,755             | 1,675             | 2,567           |
| Household   | 223,089           | 216,129           | 273,169         | 190,370           | 197,619           | 252,752         |
| Others  | 4,824             | 1,274             | 12,179          | 4,678             | 1,274             | 12,179          |
|   | <u>424,940</u>    | <u>374,713</u>    | <u>441,715</u>  | <u>391,051</u>    | <u>356,203</u>    | <u>419,285</u>  |

**(iv) Impaired loans, advances and financing by purpose**

|                                | <b>Group</b>      |                   |                 | <b>Bank</b>       |                   |                 |
|--------------------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
|                                | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> |
|                                | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>   |
| Purchase of landed<br>property | 147,884           | 183,968           | 242,183         | 143,858           | 175,940           | 232,684         |
| - Residential                  | 139,056           | 167,989           | 217,209         | 135,030           | 159,961           | 207,710         |
| - Non-residential              | 8,828             | 15,979            | 24,974          | 8,828             | 15,979            | 24,974          |
| Personal use                   | 60,364            | 21,398            | 27,875          | 30,791            | 10,916            | 14,979          |
| Credit cards                   | 23,766            | 15,602            | 14,790          | 23,766            | 15,602            | 14,790          |
| Working capital                | 192,926           | 153,745           | 156,867         | 192,636           | 153,745           | 156,832         |
|                                | <u>424,940</u>    | <u>374,713</u>    | <u>441,715</u>  | <u>391,051</u>    | <u>356,203</u>    | <u>419,285</u>  |

**(v) Impaired loans, advances and financing by geographical distribution**

|                  | <b>Group</b>      |                   |                 | <b>Bank</b>       |                   |                 |
|------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
|                  | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> |
|                  | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>   |
| Within Malaysia  | 424,774           | 374,337           | 441,098         | 390,885           | 355,827           | 418,668         |
| Outside Malaysia | 166               | 376               | 617             | 166               | 376               | 617             |
|                  | <u>424,940</u>    | <u>374,713</u>    | <u>441,715</u>  | <u>391,051</u>    | <u>356,203</u>    | <u>419,285</u>  |

**10. Other assets**

|   | <b>Group</b>      |                   |                 | <b>Bank</b>       |                   |                 |
|---|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
|   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> |
|   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>   |
| Interest/Income<br>receivables                    | 50,176            | 55,875            | 39,383          | 56,989            | 58,377            | 40,897          |
| Other receivables,<br>deposits and<br>prepayments | 788,769           | 787,185           | 167,981         | 1,166,128         | 891,317           | 244,039         |
|   | <u>838,945</u>    | <u>843,060</u>    | <u>207,364</u>  | <u>1,223,117</u>  | <u>949,694</u>    | <u>284,936</u>  |

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**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**

|                          | <b>31.12.2012</b> | <b>Bank</b>       | <b>1.1.2011</b> |
|--------------------------|-------------------|-------------------|-----------------|
|                          | <b>RM'000</b>     | <b>31.12.2011</b> | <b>RM'000</b>   |
|                          |                   | <b>RM'000</b>     | <b>RM'000</b>   |
| Unquoted shares, at cost | <u>411,522</u>    | <u>386,022</u>    | <u>386,022</u>  |

The subsidiaries of the Bank are as follows:-

| <b>Name</b>                              | <b>Principal activities</b> | <b>Country of incorporation</b> | <b>Effective equity interest</b> |                   |
|--|-----------------------------|---------------------------------|----------------------------------|-------------------|
|  |                             |                                 | <b>31.12.2012</b>                | <b>31.12.2011</b> |
| 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%                             | -                 |

SCBMB Trustee Berhad ("SCBMB Trustee") was incorporated on 13 June 2012 with authorised share capital of RM1,000,000 divided into 100,000 ordinary shares of RM10 each and paid-up capital of RM10. The Bank and its four wholly owned subsidiaries, namely Cartaban (Malaya) Nominees Sdn.Bhd, Cartaban Nominees (Asing) Sdn.Bhd, Cartaban Nominees (Tempatan) Sdn.Bhd and Golden Maestro Sdn.Bhd, each had subscribed to 20% of the issued and paid-up capital of SCBMB Trustee of RM500,000 on 2 August 2012.

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



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**13. Property, plant and equipment**

| Group                           | Short term<br>leasehold<br>land<br>RM'000 | Buildings and<br>refurbishment<br>RM'000 | Premises,<br>plant and<br>equipment<br>RM'000 | Office<br>equipment<br>RM'000 | Furniture<br>and fittings<br>RM'000 | Motor<br>vehicles<br>RM'000 | Total<br>RM'000 |
|---------------------------------|---|--|---|-------------------------------|-------------------------------------|-----------------------------|-----------------|
| <b>Cost</b>                     |   |  |   |                               |                                     |                             |                 |
| 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             | <u>936</u>                                | <u>74,346</u>                            | <u>18,369</u>                                 | <u>226,936</u>                | <u>51,684</u>                       | <u>4,986</u>                | <u>377,257</u>  |
| <b>Accumulated Depreciation</b> |   |  |   |                               |                                     |                             |                 |
| 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             | <u>145</u>                                | <u>67,518</u>                            | <u>11,391</u>                                 | <u>176,814</u>                | <u>47,411</u>                       | <u>3,749</u>                | <u>307,028</u>  |
| <b>Net book value</b>           |   |  |   |                               |                                     |                             |                 |
| At 31 December 2012             | <u>791</u>                                | <u>6,828</u>                             | <u>6,978</u>                                  | <u>50,122</u>                 | <u>4,273</u>                        | <u>1,237</u>                | <u>70,229</u>   |

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**13. Property, plant and equipment (continued)**

| Group                           | Short term<br>leasehold<br>land<br>RM'000 | Buildings and<br>refurbishment<br>RM'000 | Premises,<br>plant and<br>equipment<br>RM'000 | Office<br>equipment<br>RM'000 | Furniture<br>and fittings<br>RM'000 | Motor<br>vehicles<br>RM'000 | Total<br>RM'000 |
|---------------------------------|---|--|---|-------------------------------|-------------------------------------|-----------------------------|-----------------|
| <b>Cost</b>                     |   |  |   |                               |                                     |                             |                 |
| At 1 January 2011               | 936                                       | 70,226                                   | 7,922   | 177,165                       | 48,745                              | 4,013                       | 309,007         |
| Additions                       | -   | -  | 6,704   | 20,622                        | 2,034                               | 248                         | 29,608          |
| Reclassification                | -   | (397)                                    | 397   | -                             | -                                   | -                           | -               |
| At 31 December 2011             | <u>936</u>                                | <u>69,829</u>                            | <u>15,023</u>                                 | <u>197,787</u>                | <u>50,779</u>                       | <u>4,261</u>                | <u>338,615</u>  |
| <b>Accumulated Depreciation</b> |   |  |   |                               |                                     |                             |                 |
| At 1 January 2011               | 108                                       | 62,466                                   | 7,344   | 145,448                       | 34,993                              | 3,118                       | 253,477         |
| Charge for the year             | 18  | 3,003                                    | 743   | 14,865                        | 7,170                               | 341                         | 26,140          |
| At 31 December 2011             | <u>126</u>                                | <u>65,469</u>                            | <u>8,087</u>                                  | <u>160,313</u>                | <u>42,163</u>                       | <u>3,459</u>                | <u>279,617</u>  |
| <b>Net book value</b>           |   |  |   |                               |                                     |                             |                 |
| At 31 December 2011             | <u>810</u>                                | <u>4,360</u>                             | <u>6,936</u>                                  | <u>37,474</u>                 | <u>8,616</u>                        | <u>802</u>                  | <u>58,998</u>   |

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**13. Property, plant and equipment**

| <b>Bank</b>                     | <b>Short term<br/>leasehold<br/>land<br/>RM'000</b> | <b>Buildings and<br/>refurbishment<br/>RM'000</b> | <b>Premises,<br/>plant and<br/>equipment<br/>RM'000</b> | <b>Office<br/>equipment<br/>RM'000</b> | <b>Furniture<br/>and fittings<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---------------------------------|---|---|---|--|--|--------------------------------------|-------------------------|
| <b>Cost</b>                     |   |   |   |  |  |                                      |                         |
| 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             | <u>936</u>  | <u>73,124</u>                                     | <u>15,229</u>   | <u>222,971</u>                         | <u>46,716</u>                                | <u>4,986</u>                         | <u>363,962</u>          |
| <b>Accumulated Depreciation</b> |   |   |   |  |  |                                      |                         |
| 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             | <u>145</u>  | <u>67,518</u>                                     | <u>9,997</u>  | <u>174,412</u>                         | <u>44,268</u>                                | <u>3,750</u>                         | <u>300,090</u>          |
| <b>Net book value</b>           |   |   |   |  |  |                                      |                         |
| At 31 December 2012             | <u>791</u>  | <u>5,606</u>                                      | <u>5,232</u>  | <u>48,559</u>                          | <u>2,448</u>                                 | <u>1,236</u>                         | <u>63,872</u>           |

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**13. Property, plant and equipment (continued)**

| <b>Bank</b>                     | <b>Short term<br/>leasehold<br/>land<br/>RM'000</b> | <b>Buildings and<br/>refurbishment<br/>RM'000</b> | <b>Premises,<br/>plant and<br/>equipment<br/>RM'000</b> | <b>Office<br/>equipment<br/>RM'000</b> | <b>Furniture<br/>and fittings<br/>RM'000</b> | <b>Motor<br/>vehicles<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---------------------------------|---|---|---|--|--|--------------------------------------|-------------------------|
| <b>Cost</b>                     |   |   |   |  |  |                                      |                         |
| At 1 January 2011               | 936   | 70,226  | 7,922   | 177,165                                | 48,745                                       | 4,013                                | 309,007                 |
| Additions                       | -   | -   | 4,983   | 20,338                                 | 941  | 248                                  | 26,510                  |
| Reclassification                | -   | (397)   | 397   | -                                      | -  | -                                    | -                       |
| Transfer to subsidiary          | -   | -   | (92)  | (2,791)                                | (3,653)                                      | -                                    | (6,536)                 |
| At 31 December 2011             | <u>936</u>  | <u>69,829</u>                                     | <u>13,210</u>   | <u>194,712</u>                         | <u>46,033</u>                                | <u>4,261</u>                         | <u>328,981</u>          |
| <b>Accumulated Depreciation</b> |   |   |   |  |  |                                      |                         |
| At 1 January 2011               | 108   | 62,466  | 7,344   | 145,448                                | 34,993                                       | 3,118                                | 253,477                 |
| Charge for the year             | 18  | 3,003   | 397   | 14,055                                 | 6,227  | 341                                  | 24,041                  |
| Transfer to subsidiary          | -   | -   | (4)   | (644)                                  | (1,225)                                      | -                                    | (1,873)                 |
| At 31 December 2011             | <u>126</u>  | <u>65,469</u>                                     | <u>7,737</u>  | <u>158,859</u>                         | <u>39,995</u>                                | <u>3,459</u>                         | <u>275,645</u>          |
| <b>Net book value</b>           |   |   |   |  |  |                                      |                         |
| At 31 December 2011             | <u>810</u>  | <u>4,360</u>                                      | <u>5,473</u>  | <u>35,853</u>                          | <u>6,038</u>                                 | <u>802</u>                           | <u>53,336</u>           |

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**14. Deposits from customers****(i) By type of deposits**

|                                    | <b>Group</b>      |                   |                   | <b>Bank</b>       |                   |                   |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                    | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   |
|                                    | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Demand deposits                    | 13,736,568        | 15,054,339        | 12,825,314        | 12,445,321        | 13,774,501        | 12,359,091        |
| Savings deposits                   | 3,631,190         | 4,801,559         | 3,942,783         | 3,544,920         | 4,676,741         | 3,879,015         |
| Fixed/Investment deposits          | 17,701,923        | 17,975,673        | 16,803,823        | 15,301,418        | 16,551,628        | 16,198,205        |
| Negotiable instruments of deposits | 494,805           | 492,423           | 684,808           | 372,524           | 376,065           | 498,957           |
|                                    | <u>35,564,486</u> | <u>38,323,994</u> | <u>34,256,728</u> | <u>31,664,183</u> | <u>35,378,935</u> | <u>32,935,268</u> |

**(ii) By type of customers**

|                                 | <b>Group</b>      |                   |                   | <b>Bank</b>       |                   |                   |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                 | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   |
|                                 | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Government and statutory bodies | 1,174,366         | 206,519           | 126,072           | 19,713            | 20,672            | 26,072            |
| Business enterprises            | 13,014,394        | 16,652,774        | 15,032,215        | 12,310,741        | 15,847,010        | 14,486,533        |
| Individuals                     | 18,258,531        | 19,506,578        | 16,955,819        | 16,687,626        | 17,782,315        | 16,510,743        |
| Others                          | 3,117,195         | 1,958,123         | 2,142,622         | 2,646,103         | 1,728,938         | 1,911,920         |
|                                 | <u>35,564,486</u> | <u>38,323,994</u> | <u>34,256,728</u> | <u>31,664,183</u> | <u>35,378,935</u> | <u>32,935,268</u> |

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

|                           | <b>Group</b>      |                   |                   | <b>Bank</b>       |                   |                   |
|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                           | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   |
|                           | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Due within six months     | 13,837,647        | 14,695,303        | 13,976,010        | 11,670,776        | 13,503,487        | 13,384,052        |
| Six months to one year    | 3,706,830         | 2,825,947         | 2,456,205         | 3,467,672         | 2,594,816         | 2,368,938         |
| One year to three years   | 141,195           | 224,505           | 117,495           | 132,464           | 200,589           | 91,097            |
| Three years to five years | 109,084           | 326,177           | 533,137           | 95,485            | 326,177           | 533,137           |
| Over five years           | 401,972           | 396,164           | 405,784           | 307,545           | 302,624           | 319,938           |
|                           | <u>18,196,728</u> | <u>18,468,096</u> | <u>17,488,631</u> | <u>15,673,942</u> | <u>16,927,693</u> | <u>16,697,162</u> |

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**15. Deposits and placements of banks and other financial institutions**

|                              | <b>Group</b>      |                   |                  | <b>Bank</b>       |                   |                  |
|------------------------------|-------------------|-------------------|------------------|-------------------|-------------------|------------------|
|                              | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>  | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>  |
|                              | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>    | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>    |
| Licensed banks               | 3,898,984         | 242,903           | 278,846          | 3,833,708         | 220,154           | 253,271          |
| Bank Negara Malaysia         | 45,783            | 35,942            | 77,637           | 45,783            | 35,942            | 77,637           |
| Other financial institutions | 4,369,889         | 2,685,971         | 3,264,153        | 4,332,752         | 2,577,589         | 3,188,357        |
|                              | <u>8,314,656</u>  | <u>2,964,816</u>  | <u>3,620,636</u> | <u>8,212,243</u>  | <u>2,833,685</u>  | <u>3,519,265</u> |

**16. Other liabilities**

|   | <b>Group</b>      |                   |                  | <b>Bank</b>       |                   |                  |
|---|-------------------|-------------------|------------------|-------------------|-------------------|------------------|
|   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>  | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>  |
|   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>    | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>    |
| Interest/Income payable                           | 186,967           | 148,232           | 123,115          | 171,206           | 137,306           | 119,284          |
| Provision for retirement benefit scheme (Note 33) | 438               | 1,685             | 2,057            | 438               | 1,685             | 2,057            |
| Amount owing to subsidiaries                      | -                 | -                 | -                | 22                | 22                | 22               |
| Profit equalisation reserve                       | -                 | -                 | 7,478            | -                 | -                 | -                |
| Other payables and accruals                       | 1,839,697         | 2,297,975         | 2,314,174        | 2,267,127         | 2,193,228         | 2,320,905        |
|   | <u>2,027,102</u>  | <u>2,447,892</u>  | <u>2,446,824</u> | <u>2,438,793</u>  | <u>2,332,241</u>  | <u>2,442,268</u> |

The movements in profit equalisation reserve are as follows:-

**Profit equalisation reserve**

|   | <b>Group</b>      |                   |                 | <b>Bank</b>       |                   |                 |
|---|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
|   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> |
|   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>   |
| At 1 January                                  | -                 | 7,478             | 7,478           | -                 | -                 | -               |
| Amount written back during the financial year | -                 | (7,478)           | -               | -                 | -                 | -               |
| At 31 December                                | <u>-</u>          | <u>-</u>          | <u>7,478</u>    | <u>-</u>          | <u>-</u>          | <u>-</u>        |

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**17. Subordinated debts**

|  | <b>31.12.2012</b> | <b>Group and Bank<br/>31.12.2011</b> | <b>1.1.2011</b> |
|--|-------------------|--------------------------------------|-----------------|
|  | <b>RM'000</b>     | <b>RM'000</b>                        | <b>RM'000</b>   |
| <u>At cost</u>   |                   |                                      |                 |
| Islamic subordinated debt (i)  | -                 | -                                    | 380,000         |
| Subordinated bond (ii)   | 500,000           | -                                    | -               |
| <u>At cost, modified for change in value as a result of fair value hedge</u> |                   |                                      |                 |
| Subordinated bonds (iii)   | -                 | 503,762                              | 505,652         |
|  | <u>500,000</u>    | <u>503,762</u>                       | <u>885,652</u>  |

(i) The Islamic subordinated debt had been fully repaid through the issuance of 380 million Musyarakah Irredeemable Non-Cumulative Preference shares of RM0.10 each at a premium of RM0.90 (Note 19) on 21 December 2011.

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

- (a) the Bond 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.

(iii) On 15 November 2007, the Bank issued RM 500 million nominal value Subordinated Bonds ("the Bonds") with a fixed coupon rate of 4.28% per annum payable semi-annually in arrears in May and November of each year. The Bonds, with a 10-year tenor, due in November 2017, are under a 10 non callable 5 basis feature, whereby the Bank has the option to redeem the Bonds in whole or in part on or after the 5th anniversary date from the date of issuance of the Bonds. Should the Bank decide not to exercise its options to redeem the Bonds, the holders of the Bonds will be entitled to a revised interest rate of 3 months KLIBOR plus 0.69% from the 5th anniversary date until the final redemption of the Bonds.

During the year, the Bonds have been fully redeemed.

**18. Redeemable preference shares**

|  | <b>31.12.2012</b> | <b>Group and Bank<br/>31.12.2011</b> | <b>1.1.2011</b> |
|--|-------------------|--------------------------------------|-----------------|
|  | <b>RM'000</b>     | <b>RM'000</b>                        | <b>RM'000</b>   |
| <b>Authorised</b>                            |                   |                                      |                 |
| Redeemable preference shares of RM 1.00 each | <u>300,000</u>    | <u>300,000</u>                       | <u>300,000</u>  |
| <b>Issued and fully paid</b>                 | <u>-</u>          | <u>-</u>                             | <u>-</u>        |

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).

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**19. Share capital**

|   | 31.12.2012       |                             | Group and Bank<br>31.12.2011 |                             | 1.1.2011         |                             |
|---|------------------|-----------------------------|------------------------------|-----------------------------|------------------|-----------------------------|
|   | Amount<br>RM'000 | Number<br>of shares<br>'000 | Amount<br>RM'000             | Number<br>of shares<br>'000 | Amount<br>RM'000 | Number<br>of shares<br>'000 |
| <b>Authorised</b>   |                  |                             |                              |                             |                  |                             |
| Ordinary shares of RM1.00 each  | 700,000          | 700,000                     | 700,000                      | 700,000                     | 700,000          | 700,000                     |
| Musyarakah Irredeemable<br>Non-Cumulative Preference Shares<br>of RM0.10 each | 38,000           | 380,000                     | 38,000                       | 380,000                     | -                | -                           |
|   | <u>738,000</u>   | <u>1,080,000</u>            | <u>738,000</u>               | <u>1,080,000</u>            | <u>700,000</u>   | <u>700,000</u>              |
| <b>Issued and fully paid</b>  |                  |                             |                              |                             |                  |                             |
| Ordinary shares of RM1.00 each  | 125,000          | 125,000                     | 125,000                      | 125,000                     | 125,000          | 125,000                     |
| Musyarakah Irredeemable<br>Non-Cumulative Preference Shares<br>of RM0.10 each | 38,000           | 380,000                     | 38,000                       | 380,000                     | -                | -                           |
|   | <u>163,000</u>   | <u>505,000</u>              | <u>163,000</u>               | <u>505,000</u>              | <u>125,000</u>   | <u>125,000</u>              |

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.



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**20. Reserves**

|                                      | Note  | 31.12.2012<br>RM'000 | Group<br>31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 | 31.12.2012<br>RM'000 | Bank<br>31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 |
|--------------------------------------|-------|----------------------|-------------------------------|--------------------|----------------------|------------------------------|--------------------|
| <i>Non-distributable :</i>           |       |                      |                               |                    |                      |                              |                    |
| Share premium                        |       | 717,000              | 717,000                       | 375,000            | 717,000              | 717,000                      | 375,000            |
| Statutory reserves                   | (i)   | 249,017              | 222,924                       | 156,706            | 163,000              | 163,000                      | 125,000            |
| Capital redemption reserve (Note 18) |       | 190                  | 190                           | 190                | 190                  | 190                          | 190                |
| AFS reserves                         | (ii)  | 1,578                | 6,466                         | (538)              | 1,651                | 6,409                        | (591)              |
| Regulatory reserves                  | (iii) | 150,000              | 150,000                       | 150,000            | 150,000              | 150,000                      | 150,000            |
| Cash flow hedge reserves             | (iv)  | 2,392                | 6,726                         | (8,601)            | 2,392                | 6,726                        | (8,601)            |
|                                      |       | <u>1,120,177</u>     | <u>1,103,306</u>              | <u>672,757</u>     | <u>1,034,233</u>     | <u>1,043,325</u>             | <u>640,998</u>     |
| <i>Distributable :</i>               |       |                      |                               |                    |                      |                              |                    |
| Retained profits                     | (iv)  | 2,514,832            | 2,212,830                     | 2,003,654          | 2,468,610            | 2,192,231                    | 1,994,007          |
|                                      |       | <u>3,635,009</u>     | <u>3,316,136</u>              | <u>2,676,411</u>   | <u>3,502,843</u>     | <u>3,235,556</u>             | <u>2,635,005</u>   |

- (i) The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989, and Section 15 of the Islamic Banking Act, 1983, 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 2012, an amount of RM150 million (31 December 2011 and 1 January 2011 : 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) The Finance Act, 2007 introduced a single tier tax system with effect from year of assessment 2008. Under this tax system, the Section 108 tax credit will be available to the Bank until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier. Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank approximately RM 722,671,000 dividend out of its retained earnings as at 31 December 2012.

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**21. Dividends**

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

|   | <b>Group and Bank</b> |                |
|---|-----------------------|----------------|
|   | <b>2012</b>           | <b>2011</b>    |
|   | <b>RM'000</b>         | <b>RM'000</b>  |
| Ordinary:-  |                       |                |
| Final paid:-  |                       |                |
| 208 sen per share less tax in respect of year ended 2011 (2010: 240 sen per share less tax) | 195,000               | 225,000        |
| Interim paid:-  |                       |                |
| 160 sen per share less tax in respect of year ended 2012 (2011: 128 sen per share less tax) | 150,000               | 120,000        |
|   | <u>345,000</u>        | <u>345,000</u> |

The Directors recommend the payment of a final ordinary dividend (gross) of 160 sen per ordinary share, less income tax at 25% totalling RM 150,000,000 (120 sen per ordinary share) in respect of the current financial year. This proposed dividend will be recognised in subsequent financial reports upon approval by the shareholders at the forthcoming Annual General Meeting.

**22. Interest income**

|  | <b>Group</b>     |                  | <b>Bank</b>      |                  |
|--|------------------|------------------|------------------|------------------|
|  | <b>2012</b>      | <b>2011</b>      | <b>2012</b>      | <b>2011</b>      |
|  | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    |
| Loans and advances   |                  |                  |                  |                  |
| - Interest income other than recoveries from impaired loans                      | 1,474,795        | 1,281,409        | 1,474,795        | 1,281,409        |
| - Recoveries from impaired loans   | 17,669           | 18,366           | 17,669           | 18,366           |
| Money at call and deposit placements with banks and other financial institutions | 46,992           | 105,654          | 134,389          | 161,338          |
| Financial assets held for trading  | 122,846          | 81,862           | 122,846          | 81,862           |
| Investment securities available-for-sale   | 105,839          | 138,083          | 105,839          | 138,083          |
|  | <u>1,768,141</u> | <u>1,625,374</u> | <u>1,855,538</u> | <u>1,681,058</u> |

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**23. Interest expense**

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Deposits and placements of banks and other financial institutions | 96,721         | 67,787         | 96,721         | 67,787         |
| Deposits from customers   | 685,219        | 643,583        | 685,219        | 643,583        |
| Loans sold to Cagamas   | -              | 708            | -              | 708            |
| Subordinated debts  | 24,197         | 47,299         | 24,197         | 47,299         |
|   | <u>806,137</u> | <u>759,377</u> | <u>806,137</u> | <u>759,377</u> |

**24. Net income from Islamic Banking operations**

|   | Group           |                 |
|---|-----------------|-----------------|
|   | 2012<br>RM'000  | 2011<br>RM'000  |
| Income derived from investment of depositors' funds and others                          | 156,392         | 99,049          |
| Transfer from profit equalisation reserves  | -               | 7,478           |
| Total distributable income  | <u>156,392</u>  | <u>106,527</u>  |
| Income attributable to depositors   | <u>(83,043)</u> | <u>(42,679)</u> |
| Income attributable to the Group  | 73,349          | 63,848          |
| Income derived from investment of Islamic banking capital funds and shareholder's funds | <u>247,777</u>  | <u>189,155</u>  |
|   | <u>321,126</u>  | <u>253,003</u>  |

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**25. Other operating income**

|   | Group                 |                       | Bank                  |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2012<br>RM'000        | 2011<br>RM'000        | 2012<br>RM'000        | 2011<br>RM'000        |
| <b>Fee and commission</b>   |                       |                       |                       |                       |
| Fee and commission income:-   |                       |                       |                       |                       |
| Arising from financial instruments not<br>fair valued through profit or loss                              | 320,438               | 277,943               | 320,438               | 277,943               |
| - <i>Commission income</i>  | 210,186               | 180,916               | 210,186               | 180,916               |
| - <i>Service fees</i>   | 79,170                | 66,758                | 79,170                | 66,758                |
| - <i>Guarantee fees</i>   | 31,082                | 30,269                | 31,082                | 30,269                |
| Fee and commission expense:-  |                       |                       |                       |                       |
| Arising from financial instruments not<br>fair valued through profit or loss                              | (66,460)              | (45,766)              | (66,460)              | (45,766)              |
| - <i>Commission charges</i>   | (52,388)              | (20,603)              | (52,388)              | (20,603)              |
| - <i>Service charges</i>  | (14,072)              | (25,163)              | (14,072)              | (25,163)              |
|   | <u>253,978</u>        | <u>232,177</u>        | <u>253,978</u>        | <u>232,177</u>        |
| <b>Net trading income</b>   |                       |                       |                       |                       |
| (Loss)/gain from sale of financial assets<br>held for trading and derivative<br>financial instruments     | (1,826)               | 80,152                | (1,826)               | 80,152                |
| Unrealised gain on revaluation<br>of financial assets held for trading<br>and other financial instruments | 142,449               | 89,796                | 142,449               | 89,796                |
| Foreign exchange currency   |                       |                       |                       |                       |
| - Gain from dealing in foreign<br>currency  | 225,944               | 217,719               | 225,944               | 217,719               |
| - Unrealised gain from foreign<br>exchange translation  | 24,818                | 27,363                | 24,818                | 27,363                |
|   | <u>391,385</u>        | <u>415,030</u>        | <u>391,385</u>        | <u>415,030</u>        |
| <b>Other income</b>   |                       |                       |                       |                       |
| Gains from sale of investment<br>securities available-for-sale  | 19,696                | 621                   | 19,696                | 621                   |
| Gross dividends from unquoted<br>investments  | 35,609                | 34,686                | 35,609                | 34,686                |
| Rental income   | -                     | 42                    | -                     | 42                    |
| Gain on disposal of property, plant<br>and equipment  | 335                   | 89                    | 335                   | 89                    |
| Others  | 4,645                 | 6,545                 | 69,804                | 65,627                |
|   | <u>60,285</u>         | <u>41,983</u>         | <u>125,444</u>        | <u>101,065</u>        |
| <b>Total other operating income</b>   | <b><u>705,648</u></b> | <b><u>689,190</u></b> | <b><u>770,807</u></b> | <b><u>748,272</u></b> |

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**26. Other operating expenses**

|  | Group                 |                       | Bank                  |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 2012<br>RM'000        | 2011<br>RM'000        | 2012<br>RM'000        | 2011<br>RM'000        |
| <b>Personnel costs</b>                               |                       |                       |                       |                       |
| - Salaries, bonuses, wages and allowances            | 279,216               | 266,402               | 271,041               | 260,305               |
| - Pension fund contributions                         | 32,851                | 32,527                | 32,851                | 32,527                |
| - Other staff related cost                           | 45,371                | 28,719                | 42,323                | 27,402                |
|  | <u>357,438</u>        | <u>327,648</u>        | <u>346,215</u>        | <u>320,234</u>        |
| <b>Establishment costs</b>                           |                       |                       |                       |                       |
| - Depreciation of property, plant and equipment      | 27,746                | 26,140                | 24,780                | 24,041                |
| - Rental   | 26,635                | 25,433                | 24,889                | 24,160                |
| - Information technology and project expenses        | 90,979                | 68,567                | 90,835                | 68,520                |
| - Others   | 47,505                | 40,100                | 44,731                | 38,466                |
|  | <u>192,865</u>        | <u>160,240</u>        | <u>185,235</u>        | <u>155,187</u>        |
| <b>Marketing expenses</b>                            |                       |                       |                       |                       |
| - Advertisement and publicity                        | 28,940                | 31,951                | 28,158                | 31,522                |
| - Others   | 23,532                | 24,104                | 23,057                | 23,692                |
|  | <u>52,472</u>         | <u>56,055</u>         | <u>51,215</u>         | <u>55,214</u>         |
| <b>Administration and general expenses</b>           |                       |                       |                       |                       |
| - Communication expenses                             | 14,677                | 12,821                | 14,133                | 12,376                |
| - Group administration and business support expenses | 105,688               | 102,178               | 98,682                | 96,461                |
| - Outsourcing expenses                               | 91,375                | 84,658                | 91,375                | 84,658                |
| - Others   | 83,209                | 90,350                | 72,362                | 80,151                |
|  | <u>294,949</u>        | <u>290,007</u>        | <u>276,552</u>        | <u>273,646</u>        |
| <b>Total other operating expenses</b>                | <u><b>897,724</b></u> | <u><b>833,950</b></u> | <u><b>859,217</b></u> | <u><b>804,281</b></u> |

The above expenditure includes the following items:-

|  | Group          |                | Bank           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Directors' remuneration, excluding benefits-in-kind (Note 27):-          |                |                |                |                |
| - Directors of the Bank  | 2,101          | 2,147          | 2,050          | 2,075          |
| - Directors of the subsidiaries  | 316            | 852            | -              | -              |
| Share-based payments   | 1,387          | 4,824          | 1,387          | 4,824          |
| Defined benefit obligations cost (Note 33)                               | 134            | 899            | 134            | 899            |
| Contributions to defined contribution plan (included in personnel costs) | 32,717         | 31,628         | 32,717         | 31,628         |
| Hire of equipment  | 1,708          | 927            | 1,708          | 927            |
| Auditor's remuneration:-   |                |                |                |                |
| - Statutory audit  | 555            | 500            | 470            | 440            |
| - Other services   | 481            | 357            | 315            | 269            |
| Rental of premises   | 26,706         | 25,959         | 26,706         | 25,959         |

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**27. Key management personnel compensation**

The key management personnel compensation are as follows:-

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Directors of the Bank:-   |                |                |                |                |
| - Fees  | 443            | 427            | 392            | 392            |
| - Remuneration  | 1,658          | 1,720          | 1,658          | 1,683          |
| - Other short term employee benefits<br>(including estimated monetary value<br>of benefits-in-kind) | 486            | 514            | 454            | 507            |
| Total short-term employee benefits*   | <u>2,587</u>   | <u>2,661</u>   | <u>2,504</u>   | <u>2,582</u>   |
| Directors of the subsidiaries:-   |                |                |                |                |
| - Remuneration  | 316            | 852            | -              | -              |
| - Other short term employee benefits<br>(including estimated monetary value<br>of benefits-in-kind) | 230            | 1              | -              | -              |
| Total short-term employee benefits  | <u>546</u>     | <u>853</u>     | <u>-</u>       | <u>-</u>       |
| - Share-based payments  | -              | -              | -              | -              |
|   | <u>546</u>     | <u>853</u>     | <u>-</u>       | <u>-</u>       |
|   | <u>3,133</u>   | <u>3,514</u>   | <u>2,504</u>   | <u>2,582</u>   |
| Other key management personnel:-  |                |                |                |                |
| - Short-term employee benefits  | 11,320         | 11,485         | 11,866         | 12,337         |
| - Share-based payments  | 603            | 401            | 603            | 401            |
|   | <u>11,923</u>  | <u>11,886</u>  | <u>12,469</u>  | <u>12,738</u>  |

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:-

| 2012  | Salary and other<br>remuneration,<br>including<br>meeting<br>allowance |                | Benefits-in-<br>kind<br>RM'000 | Total<br>RM'000 |
|---|--|----------------|--------------------------------|-----------------|
|   | RM'000   | Fees<br>RM'000 |                                |                 |
| Executive Directors and Chief Executive<br>Officers:- |  |                |                                |                 |
| Osman Tarique Morad                                   | 1,602  | -              | 454                            | 2,056           |
| Non-executive Directors:-                             |  |                |                                |                 |
| Tan Sri Dato' Mohd Sheriff bin<br>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              |
|   | <u>1,658</u>   | <u>392</u>     | <u>454</u>                     | <u>2,504</u>    |

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**27. Key management personnel compensation (continued)**

| 2011   | Salary and other remuneration, including meeting allowance<br>RM'000 | Fees<br>RM'000 | Benefits-in-kind<br>RM'000 | Total<br>RM'000 |
|--|--|----------------|----------------------------|-----------------|
| Executive Director and Chief Executive Officer:- |  |                |                            |                 |
| Osman Tarique Morad                              | 1,613  | -              | 507                        | 2,120           |
| Non-executive Directors:-                        |  |                |                            |                 |
| Tan Sri Dato' Mohd Sheriff bin Mohd Kassim       | 20   | 140            | -                          | 160             |
| Datuk Abu Hassan bin Kendut                      | 20   | 92             | -                          | 112             |
| Datuk Ishak bin Imam Abas                        | 25   | 80             | -                          | 105             |
| Datuk Seri Michael Yam Kong Choy                 | 5  | 80             | -                          | 85              |
|  | 1,683  | 392            | 507                        | 2,582           |

**28. Provisions for loans, advances and financing**

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Provisions for loans, advances and financing:-            |                |                |                |                |
| Individual impairment provisions                          | 159,461        | 125,555        | 90,878         | 73,951         |
| - Made in the financial year                              | 189,932        | 162,266        | 119,830        | 109,408        |
| - Discounting of collaterals                              | 37,116         | 34,704         | 37,116         | 34,704         |
| - Written back  | (67,587)       | (71,415)       | (66,068)       | (70,161)       |
| Collective impairment provisions                          |                |                |                |                |
| - Made in the financial year                              | 46,987         | 55,431         | 31,746         | 35,158         |
| - Written back  | (56,980)       | (16,254)       | (45,021)       | (12,511)       |
| Bad and doubtful debts on loans, advances and financing:- |                |                |                |                |
| Written off   | 133,114        | 80,518         | 133,114        | 80,518         |
| Recovered   | (83,500)       | (107,719)      | (71,867)       | (91,798)       |
|   | 199,082        | 137,531        | 138,850        | 85,318         |

**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           |                |
|--|----------------|----------------|----------------|----------------|
|  | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Aggregate value of outstanding credit exposures to connected parties | 1,465,965      | 1,366,514      | 1,474,348      | 1,396,899      |
| As a percentage of total credit exposures                            | 2.7%           | 2.6%           | 3.0%           | 2.9%           |

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

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**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).



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**30. Significant related party transactions and balances (continued)****(a) Transactions and balances with subsidiaries of the Bank**

|                                     | Group                |                               | Bank               |                      |                              |                    |
|-------------------------------------|----------------------|-------------------------------|--------------------|----------------------|------------------------------|--------------------|
|                                     | 2012<br>RM'000       | 2011<br>RM'000                | 2012<br>RM'000     | 2011<br>RM'000       |                              |                    |
| <b>Transactions</b>                 |                      |                               |                    |                      |                              |                    |
| <b>Income</b>                       |                      |                               |                    |                      |                              |                    |
| Interest on placements or loans     | -                    | -                             | 84,278             | 55,684               |                              |                    |
| Management fee                      | -                    | -                             | 65,159             | 59,082               |                              |                    |
|                                     | <u>-</u>             | <u>-</u>                      | <u>149,437</u>     | <u>114,766</u>       |                              |                    |
|                                     |                      |                               |                    |                      |                              |                    |
|                                     | 31.12.2012<br>RM'000 | Group<br>31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 | 31.12.2012<br>RM'000 | Bank<br>31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 |
| <b>Balances</b>                     |                      |                               |                    |                      |                              |                    |
| <b>Amount due from subsidiaries</b> |                      |                               |                    |                      |                              |                    |
| Inter-company placements            | -                    | -                             | -                  | 2,241,593            | 2,151,722                    | 1,991,113          |
| Derivative financial instruments    | -                    | -                             | -                  | 7,601                | 9,198                        | 42,511             |
| Current account                     | -                    | -                             | -                  | 33,520               | 5,562                        | -                  |
| Other balances                      | -                    | -                             | -                  | 407,576              | 120,313                      | 76,133             |
|                                     | <u>-</u>             | <u>-</u>                      | <u>-</u>           | <u>2,690,290</u>     | <u>2,286,795</u>             | <u>2,109,757</u>   |
|                                     |                      |                               |                    |                      |                              |                    |
| <b>Amount due to subsidiaries</b>   |                      |                               |                    |                      |                              |                    |
| Derivative financial instruments    | -                    | -                             | -                  | (2,431)              | (11,467)                     | (15,348)           |
| Other balances                      | -                    | -                             | -                  | (490,634)            | -                            | (75,859)           |
|                                     | <u>-</u>             | <u>-</u>                      | <u>-</u>           | <u>(493,065)</u>     | <u>(11,467)</u>              | <u>(91,207)</u>    |

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**30. Significant related party transactions and balances (continued)****(b) Transactions and balances with fellow subsidiaries of Standard Chartered PLC**

|  | Group                |                               | Bank               |                      |                              |                    |
|--|----------------------|-------------------------------|--------------------|----------------------|------------------------------|--------------------|
|  | 2012<br>RM'000       | 2011<br>RM'000                | 2012<br>RM'000     | 2011<br>RM'000       |                              |                    |
| <b>Transactions</b>  |                      |                               |                    |                      |                              |                    |
| <b>Income</b>  |                      |                               |                    |                      |                              |                    |
| Interest on placements or loans                                      | 175,086              | 119,174                       | 175,086            | 119,174              |                              |                    |
| Interest on deposits   | 308                  | 49                            | 308                | 49                   |                              |                    |
|  | <u>175,394</u>       | <u>119,223</u>                | <u>175,394</u>     | <u>119,223</u>       |                              |                    |
| <b>Expenditure</b>   |                      |                               |                    |                      |                              |                    |
| Interest on borrowings   | 39,617               | 36,188                        | 39,617             | 36,188               |                              |                    |
| Interest on deposits   | 2,978                | 1,149                         | 2,978              | 1,149                |                              |                    |
| Other operating expenses   | 213,666              | 242,580                       | 198,533            | 229,688              |                              |                    |
|  | <u>256,261</u>       | <u>279,917</u>                | <u>241,128</u>     | <u>267,025</u>       |                              |                    |
| <b>Balances</b>  |                      |                               |                    |                      |                              |                    |
| <b>Amount due from fellow subsidiaries of Standard Chartered PLC</b> |                      |                               |                    |                      |                              |                    |
|  | 31.12.2012<br>RM'000 | Group<br>31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 | 31.12.2012<br>RM'000 | Bank<br>31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 |
| Inter-company loans  | 956,971              | 83,125                        | 971,402            | 956,971              | 83,125                       | 971,402            |
| Current accounts   | 539,280              | 621,881                       | 406,345            | 539,280              | 515,064                      | 203,815            |
| Derivative financial instruments                                     | 688,840              | 646,928                       | 566,662            | 688,840              | 646,928                      | 566,662            |
| Other balances   | 429,506              | 7,568                         | 3,069              | 429,506              | 7,568                        | 3,069              |
|  | <u>2,614,597</u>     | <u>1,359,502</u>              | <u>1,947,478</u>   | <u>2,614,597</u>     | <u>1,252,685</u>             | <u>1,744,948</u>   |

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**30. Significant related party transactions and balances (continued)****(b) Transactions and balances with fellow subsidiaries of Standard Chartered PLC (continued)**

|  | <b>Group</b>       |                    |                    | <b>Bank</b>        |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | <b>31.12.2012</b>  | <b>31.12.2011</b>  | <b>1.1.2011</b>    | <b>31.12.2012</b>  | <b>31.12.2011</b>  | <b>1.1.2011</b>    |
| <b>Amount due to fellow subsidiaries of Standard Chartered PLC</b> | <b>RM'000</b>      | <b>RM'000</b>      | <b>RM'000</b>      | <b>RM'000</b>      | <b>RM'000</b>      | <b>RM'000</b>      |
| Inter-company deposits   | (718,261)          | (709,435)          | (1,693,667)        | (718,261)          | (709,435)          | (1,693,667)        |
| Current accounts   | (152,890)          | (230,697)          | (451,828)          | (119,370)          | (140,982)          | (394,681)          |
| Derivative financial instruments                                   | (626,202)          | (700,474)          | (786,365)          | (626,202)          | (700,474)          | (786,365)          |
| Amount due in respect of support charges                           | (58,584)           | (103,089)          | (82,243)           | (51,636)           | (91,251)           | (73,263)           |
| Other balances   | (2,014,987)        | (500,370)          | (73,143)           | (1,603,815)        | (439,720)          | (69,334)           |
|  | <u>(3,570,924)</u> | <u>(2,244,065)</u> | <u>(3,087,246)</u> | <u>(3,119,284)</u> | <u>(2,081,862)</u> | <u>(3,017,310)</u> |

**(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***

|  | <b>Group</b>  |               | <b>Bank</b>   |               |
|--|---------------|---------------|---------------|---------------|
|  | <b>2012</b>   | <b>2011</b>   | <b>2012</b>   | <b>2011</b>   |
| <b>Transactions</b>  | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |
| <b>Income</b>  |               |               |               |               |
| Interest on loans, advances and financing                                      |               |               |               |               |
| - Directors  | 97            | 113           | 97            | 105           |
| - Other key management personnel   | 270           | 185           | 270           | 185           |
| - Companies under control or significant influence of key management personnel | 122           | 80            | 122           | 80            |
|  | <u>489</u>    | <u>378</u>    | <u>489</u>    | <u>370</u>    |

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**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            |                   |                            |                 |
|--|-------------------|-----------------------------|-----------------|-------------------|----------------------------|-----------------|
|  | 2012<br>RM'000    | 2011<br>RM'000              | 2012<br>RM'000  | 2011<br>RM'000    |                            |                 |
| <b>Expenditure</b>   |                   |                             |                 |                   |                            |                 |
| Interest on deposits   |                   |                             |                 |                   |                            |                 |
| - Directors  | 86                | 17                          | 77              | 9                 |                            |                 |
| - Other key management personnel   | 12                | 35                          | 11              | 35                |                            |                 |
| - Companies under control or significant influence of key management personnel | -                 | -                           | -               | -                 |                            |                 |
|  | <u>98</u>         | <u>52</u>                   | <u>88</u>       | <u>44</u>         |                            |                 |
|  |                   |                             |                 |                   |                            |                 |
|  | <b>31.12.2012</b> | <b>Group<br/>31.12.2011</b> | <b>1.1.2011</b> | <b>31.12.2012</b> | <b>Bank<br/>31.12.2011</b> | <b>1.1.2011</b> |
| <b>Balances</b>  | <b>RM'000</b>     | <b>RM'000</b>               | <b>RM'000</b>   | <b>RM'000</b>     | <b>RM'000</b>              | <b>RM'000</b>   |
| Loans, advances and financing  |                   |                             |                 |                   |                            |                 |
| - Directors  | 1,774             | 2,957                       | 3,079           | 1,774             | 2,030                      | 2,786           |
| - Other key management personnel   | 8,376             | 6,285                       | 10,175          | 8,376             | 6,285                      | 10,133          |
| - Companies under control or significant influence of key management personnel | 1                 | 4                           | -               | 1                 | 4                          | -               |
| Deposits   |                   |                             |                 |                   |                            |                 |
| - Directors  | (3,935)           | (1,767)                     | (1,674)         | (2,920)           | (1,121)                    | (1,476)         |
| - Other key management personnel   | (878)             | (1,664)                     | (2,179)         | (854)             | (1,657)                    | (2,164)         |
| - Companies under control or significant influence of key management personnel | (2,445)           | (2,409)                     | (8,754)         | (2,445)           | (2,409)                    | (8,754)         |

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.

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**31. Tax expense**

|   | Group          |                | Bank           |                |
|---|----------------|----------------|----------------|----------------|
|   | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Income tax expense:-                              |                |                |                |                |
| - Current year                                    | 213,887        | 208,468        | 193,897        | 189,417        |
| - Over provision in prior years                   | (5,180)        | (59,025)       | (5,199)        | (53,502)       |
|   | <u>208,707</u> | <u>149,443</u> | <u>188,698</u> | <u>135,915</u> |
| Deferred tax expense (Note 32):-                  |                |                |                |                |
| - Origination/reversal of temporary differences   | 2,773          | 1,196          | 4,667          | (730)          |
| - Under provision in prior years                  | 7,582          | 65,676         | 7,582          | 63,945         |
|   | <u>10,355</u>  | <u>66,872</u>  | <u>12,249</u>  | <u>63,215</u>  |
| Total tax expense                                 | <u>219,062</u> | <u>216,315</u> | <u>200,947</u> | <u>199,130</u> |
| Reconciliation of effective tax expense:-         |                |                |                |                |
| Profit before taxation                            | <u>891,972</u> | <u>836,709</u> | <u>822,141</u> | <u>780,354</u> |
| Income tax using Malaysian tax rates @ 25%        | 222,993        | 209,177        | 205,535        | 195,089        |
| Non-deductible expenses                           | 2,646          | 15,242         | 2,008          | 8,353          |
| Non-taxable income                                | (8,979)        | (14,755)       | (8,979)        | (14,755)       |
|   | <u>216,660</u> | <u>209,664</u> | <u>198,564</u> | <u>188,687</u> |
| (Over)/Under provision in prior years             |                |                |                |                |
| - Income tax                                      | (5,180)        | (59,025)       | (5,199)        | (53,502)       |
| - Deferred tax                                    | 7,582          | 65,676         | 7,582          | 63,945         |
| Total tax expense                                 | <u>219,062</u> | <u>216,315</u> | <u>200,947</u> | <u>199,130</u> |
| Tax recognised directly in equity:-               |                |                |                |                |
| AFS reserves                                      | (1,626)        | 2,334          | (1,585)        | 2,333          |
| Cash flow hedge reserves                          | (1,445)        | 5,109          | (1,445)        | 5,109          |
| Actuarial gains or losses                         | 62             | -              | 62             | -              |
| Total tax recognised directly in equity (Note 32) | <u>(3,009)</u> | <u>7,443</u>   | <u>(2,968)</u> | <u>7,442</u>   |

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**32. Deferred tax**

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

|  | <b>Group</b>      |                   |                 | <b>Bank</b>       |                   |                 |
|--|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
|  | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> |
|  | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>   |
| Property, plant and equipment  | (4,804)           | 2,886             | 1,264           | (4,699)           | 3,250             | 1,264           |
| Collective impairment provisions<br>for bad and doubtful debts and financing | 6,005             | 5,185             | 105,517         | 2,841             | 2,841             | 98,987          |
| Other temporary differences  | 40,313            | 43,798            | 11,960          | 37,919            | 42,219            | 11,274          |
| Actuarial gains or losses  | (1,168)           | (1,106)           | (1,106)         | (1,168)           | (1,106)           | (1,106)         |
| Reserves   |                   |                   |                 |                   |                   |                 |
| - Available-for-sale   | (527)             | (2,153)           | 181             | (551)             | (2,136)           | 197             |
| - Cash flow hedge  | (797)             | (2,242)           | 2,867           | (797)             | (2,242)           | 2,867           |
|  | <u>39,022</u>     | <u>46,368</u>     | <u>120,683</u>  | <u>33,545</u>     | <u>42,826</u>     | <u>113,483</u>  |

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**32. Deferred tax (continued)**

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

|   | At<br>1 January<br>2011<br>RM'000 | Recognised in<br>statements of<br>comprehensive<br>income<br>RM'000 | Recognised in<br>equity<br>RM'000 | At<br>31 December<br>2011<br>RM'000 | Recognised in<br>statements of<br>comprehensive<br>income<br>RM'000 | Recognised in<br>equity<br>RM'000 | At<br>31 December<br>2012<br>RM'000 |
|---|-----------------------------------|---|-----------------------------------|-------------------------------------|---|-----------------------------------|-------------------------------------|
| <b>Group</b>  |                                   |   |                                   |                                     |   |                                   |                                     |
| Property, plant and equipment   | 1,264                             | 1,622   | -                                 | 2,886                               | (7,690)   | -                                 | (4,804)                             |
| Collective impairment provisions<br>for bad and doubtful debts<br>and financing | 105,517                           | (100,332)   | -                                 | 5,185                               | 820   | -                                 | 6,005                               |
| Other temporary differences   | 11,960                            | 31,838  | -                                 | 43,798                              | (3,485)   | -                                 | 40,313                              |
| Actuarial gains or losses   | (1,106)                           | -   | -                                 | (1,106)                             | -   | (62)                              | (1,168)                             |
| Reserves  |                                   |   |                                   |                                     |   |                                   |                                     |
| - Available-for-sale  | 181                               | -   | (2,334)                           | (2,153)                             | -   | 1,626                             | (527)                               |
| - Cash flow hedge   | 2,867                             | -   | (5,109)                           | (2,242)                             | -   | 1,445                             | (797)                               |
|   | <u>120,683</u>                    | <u>(66,872)</u>   | <u>(7,443)</u>                    | <u>46,368</u>                       | <u>(10,355)</u>   | <u>3,009</u>                      | <u>39,022</u>                       |
|   |                                   | Note 31   | Note 31                           |                                     | Note 31   | Note 31                           |                                     |

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**32. Deferred tax (continued)**

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

|   | At<br>1 January<br>2011<br>RM'000 | Recognised in<br>statements of<br>comprehensive<br>income<br>RM'000 | Recognised in<br>equity<br>RM'000 | At<br>31 December<br>2011<br>RM'000 | Recognised in<br>statements of<br>comprehensive<br>income<br>RM'000 | Recognised in<br>equity<br>RM'000 | At<br>31 December<br>2012<br>RM'000 |
|---|-----------------------------------|---|-----------------------------------|-------------------------------------|---|-----------------------------------|-------------------------------------|
| <b>Bank</b>   |                                   |   |                                   |                                     |   |                                   |                                     |
| Property, plant and equipment   | 1,264                             | 1,986   | -                                 | 3,250                               | (7,949)   | -                                 | (4,699)                             |
| Collective impairment provisions<br>for bad and doubtful debts<br>and financing | 98,987                            | (96,146)  | -                                 | 2,841                               | -   | -                                 | 2,841                               |
| Other temporary differences   | 11,274                            | 30,945  | -                                 | 42,219                              | (4,300)   | -                                 | 37,919                              |
| Actuarial gains or losses   | (1,106)                           | -   | -                                 | (1,106)                             | -   | (62)                              | (1,168)                             |
| Reserves  |                                   |   |                                   |                                     |   |                                   |                                     |
| - Available-for-sale  | 197                               | -   | (2,333)                           | (2,136)                             | -   | 1,585                             | (551)                               |
| - Cash flow hedge   | 2,867                             | -   | (5,109)                           | (2,242)                             | -   | 1,445                             | (797)                               |
|   | <u>113,483</u>                    | <u>(63,215)</u>   | <u>(7,442)</u>                    | <u>42,826</u>                       | <u>(12,249)</u>   | <u>2,968</u>                      | <u>33,545</u>                       |
|   |                                   | Note 31   | Note 31                           |                                     | Note 31   | Note 31                           |                                     |



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**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.

**Unfunded scheme**

In the previous years, the Bank contributed additional 5% employer EPF for employees in executive level and above. The contributions were provided in the financial statements and remitted to EPF upon employee reaching 37th month with the Bank. During the financial year, the Bank has changed its policy and additional contribution of 5% employer EPF are made to employees from the point of confirmation of employment. The Bank remitted contributions provided in the previous years to EPF during the financial year.

**SCB Retirement Benefit Scheme**

|   | <b>Group and Bank</b> |               |
|---|-----------------------|---------------|
|   | <b>2012</b>           | <b>2011</b>   |
|   | <b>RM'000</b>         | <b>RM'000</b> |
| <b>Amounts of net liabilities recognised in the statement of financial position</b> |                       |               |
| Present value of defined benefit obligations  |                       |               |
| - funded  | 1,589                 | 2,763         |
| - unfunded  | -                     | 1,347         |
|   | 1,589                 | 4,110         |
| Fair value of plan assets   | (1,151)               | (2,425)       |
| Recognised liability for defined benefit obligations (Note 16)                      | 438                   | 1,685         |
| <b>Movement in present value of defined benefit obligations</b>                     |                       |               |
| Benefit obligation at 1 January   | 4,110                 | 4,314         |
| Current service cost  | 93                    | 887           |
| Interest cost   | 78                    | 130           |
| Actuarial gain recognised in equity   | (208)                 | -             |
| Benefits paid   | (2,484)               | (1,221)       |
| Benefit obligation at 31 December   | 1,589                 | 4,110         |
| <b>Movement in present value of plan assets</b>                                     |                       |               |
| Fair value at 1 January   | 2,425                 | 2,257         |
| Expected return on plan assets  | 37                    | 118           |
| Actuarial gain recognised in equity   | 39                    | -             |
| Employer contributions  | -                     | 72            |
| Benefits paid   | (1,350)               | (22)          |
| Fair value at 31 December   | 1,151                 | 2,425         |

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**33. Staff retirement and service benefits (continued)**

|   | <b>Group and Bank</b> |                       |
|---|-----------------------|-----------------------|
|   | <b>2012</b>           | <b>2011</b>           |
|   | <b>RM'000</b>         | <b>RM'000</b>         |
| <b>Components of pension cost</b>   |                       |                       |
| Amount recognised in statements of comprehensive income                         |                       |                       |
| Current service cost  | 93                    | 887                   |
| Interest cost   | 78                    | 130                   |
| Expected return on plan assets  | (37)                  | (118)                 |
| Total pension cost recognised in statements of comprehensive income (Note 26)   | 134                   | 899                   |
| <b>Actual return on assets</b>  |                       |                       |
| Actual return on plan assets  | 76                    | 118                   |
|   | <b>2012</b>           | <b>2011</b>           |
|   | <b>RM'000</b>         | <b>RM'000</b>         |
| <b>Actuarial gains recognised directly in equity</b>                            |                       |                       |
| Cumulative amount at 1 January  | 4,424                 | 4,424                 |
| Recognised during the year  | 247                   | -                     |
| Cumulative amount at 31 December  | 4,671                 | 4,424                 |
| The principal actuarial assumptions used are (expressed as weighted averages):- |                       |                       |
|   | <b>2012</b>           | <b>2011</b>           |
|   | <b>Rate per annum</b> | <b>Rate per annum</b> |
| Discount rate   | 3.6%                  | 3.8%                  |
| Expected long-term rate of return on plan assets                                | -                     | 4.5%                  |
| Expected rate of future salary increases  | 3.3%                  | 3.3%                  |
| EPF dividend rate   | -                     | 5.3%                  |
| Inflation   | 3.0%                  | -                     |
|   | <b>Funded Scheme</b>  |                       |
|   | <b>2012</b>           | <b>2011</b>           |
|   | <b>RM'000</b>         | <b>RM'000</b>         |
| <b>Plan assets comprise:-</b>   |                       |                       |
| Government Islamic bonds  | -                     | 794                   |
| Short term money market instruments and cash                                    | 1,151                 | 1,631                 |
| Total fair value of assets  | 1,151                 | 2,425                 |

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**33. Staff retirement and service benefits (continued)****Historical information**

|   | <b>2012</b>   | <b>2011</b>   | <b>2010</b>   | <b>2009</b>   | <b>2008</b>   |
|---|---------------|---------------|---------------|---------------|---------------|
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b> |
| Present value of defined benefit obligations              | 1,589         | 4,110         | 4,314         | 5,083         | 5,448         |
| Fair value of plan assets                                 | (1,151)       | (2,425)       | (2,257)       | (2,112)       | (2,076)       |
| Deficit in the plan recognised as liabilities of the Bank | <u>438</u>    | <u>1,685</u>  | <u>2,057</u>  | <u>2,971</u>  | <u>3,372</u>  |
| Experience adjustments arising on plan liabilities        | (208)         | -             | (3,126)       | -             | (398)         |
| Experience adjustments arising on plan assets             | 39            | -             | 63            | -             | (75)          |

The Group expects to pay RM 637,915 (2012: RM 1,241,000) in contributions to defined benefit plans in 2013.

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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**

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 two 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:-

|                                | <b>2012</b> | <b>2011</b>      |
|--------------------------------|-------------|------------------|
| Grant date                     | 11 October  | 11 October       |
| Share price at grant date      | £13.95      | £14.11           |
| Exercise price                 | £11.40      | £10.65           |
| Shares granted ('000)          | 47          | 60               |
| Vesting period (years)         | 3           | 3/5              |
| Expected volatility (%)        | 30          | 54/46            |
| Expected option life (years)   | 3.33        | 3.33/5.33        |
| Risk free rate (%)             | 0.4         | 0.9/1.4          |
| Expected dividends (yield) (%) | 3.1         | 3.9/3.5          |
| Fair value (£)                 | <u>3.28</u> | <u>5.46/5.39</u> |

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**34. Equity Compensation Benefits (continued)****i) International Sharesave Scheme (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:-

|                                    | <b>2012</b>          | Weighted<br>average<br>exercise price | <b>2011</b>          | Weighted<br>average<br>exercise price |
|------------------------------------|----------------------|---------------------------------------|----------------------|---------------------------------------|
|                                    | <u>Number ('000)</u> |                                       | <u>Number ('000)</u> |                                       |
| At 1 January                       | 320                  | £11.38                                | 350                  | £11.80                                |
| Granted during the year            | 47                   | £11.40                                | 60                   | £10.65                                |
| Additional shares for rights issue | -                    | -                                     | -                    | -                                     |
| Exercised during the year          | (59)                 | £10.52                                | (49)                 | £10.12                                |
| Lapsed during the year             | (144)                | £11.25                                | (41)                 | £11.05                                |
| At 31 December                     | <u>164</u>           | £11.81                                | <u>320</u>           | £11.38                                |
| Exercisable at 31 December         | <u>22</u>            | £10.90                                | <u>30</u>            | £9.69                                 |

|  | <b>2012</b>                           |                                      |                                 |                      | <b>2011</b>                           |                                      |                                 |                      |
|--|---------------------------------------|--------------------------------------|---------------------------------|----------------------|---------------------------------------|--------------------------------------|---------------------------------|----------------------|
|  | Weighted<br>average<br>exercise price | No. of shares<br>( <sup>'000</sup> ) | Weighted average remaining life |                      | Weighted<br>average<br>exercise price | No. of shares<br>( <sup>'000</sup> ) | Weighted average remaining life |                      |
| Range of exercise price for options<br>outstanding | Expected years                        | Contractual<br>years                 | Expected years                  | Contractual<br>years | Expected years                        | Contractual<br>years                 | Expected years                  | Contractual<br>years |
| £10.48 / £11.04                                    | £11.81                                | 164                                  | 3.33                            | 2.2                  | £11.38                                | 320                                  | 3.33/5.33                       | 1.84                 |

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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 will be granted under the 2006 RSS and 2007 SRSS.

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 the Group.

|                                | <b>2012</b> | <b>2011</b> |
|--------------------------------|-------------|-------------|
| Grant date                     | -           | 10 March    |
| Share price at grant date      | -           | £16.82      |
| Shares granted ('000)          | -           | 48          |
| Vesting period (years)         | -           | 1/2/3       |
| Expected option life (years)   | -           | -           |
| Expected dividends (yield) (%) | -           | 4.1         |
| Fair value (£)                 | -           | 16.8/15.2   |

The expected dividend yield is based on historical dividend yield over the last three years or three years prior to grant date.

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**34. Equity Compensation Benefits (continued)****ii) 2006 Restricted Share Scheme ("RSS") / 2007 Supplementary Restricted Share Scheme ("SRSS") (continued)**

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

|                            | <b>2012</b>          | Weighted<br>average<br>exercise price | <b>2011</b>          | Weighted<br>average<br>exercise price |
|----------------------------|----------------------|---------------------------------------|----------------------|---------------------------------------|
|                            | <u>Number ('000)</u> |                                       | <u>Number ('000)</u> |                                       |
| At 1 January               | 227                  | -                                     | 276                  | -                                     |
| Granted during the year    | -                    | -                                     | 48                   | -                                     |
| Notional dividend          | 2                    | -                                     | -                    | -                                     |
| Exercised during the year  | (90)                 | -                                     | (82)                 | -                                     |
| Lapsed during the year     | (30)                 | -                                     | (15)                 | -                                     |
| At 31 December             | <u>109</u>           | -                                     | <u>227</u>           | -                                     |
| Exercisable at 31 December | <u>62</u>            | -                                     | <u>111</u>           | -                                     |

  

| Range of exercise price for options<br>outstanding | <b>2012</b>                           |                                  |                |                      | <b>2011</b>                           |                                  |                |                      |
|--|---------------------------------------|----------------------------------|----------------|----------------------|---------------------------------------|----------------------------------|----------------|----------------------|
|  | Weighted<br>average<br>exercise price | No. of shares<br>( <u>'000</u> ) | Expected years | Contractual<br>years | Weighted<br>average<br>exercise price | No. of shares<br>( <u>'000</u> ) | Expected years | Contractual<br>years |
| N/A  | -                                     | 109                              | -              | 4.17                 | -                                     | 227                              | -              | 5.36                 |

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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:-

|                                    | <b>2012</b>          | Weighted<br>average<br>exercise price | <b>2011</b>          | Weighted<br>average<br>exercise price |
|------------------------------------|----------------------|---------------------------------------|----------------------|---------------------------------------|
|                                    | <u>Number ('000)</u> |                                       | <u>Number ('000)</u> |                                       |
| At 1 January                       | 105                  | £7.02                                 | 110                  | £7.05                                 |
| Additional shares for rights issue | -                    | -                                     | -                    | -                                     |
| Exercised during the year          | (6)                  | £7.89                                 | (5)                  | £7.89                                 |
| Lapsed during the year             | (93)                 | £6.91                                 | -                    | -                                     |
| At 31 December                     | <u>6</u>             | £7.89                                 | <u>105</u>           | £7.02                                 |
| Exercisable at 31 December         | <u>6</u>             | £7.89                                 | <u>50</u>            | £6.36                                 |

  

|   | <b>2012</b>                           |                                  |                |                      | <b>2011</b>                           |                                  |                |                      |
|---|---------------------------------------|----------------------------------|----------------|----------------------|---------------------------------------|----------------------------------|----------------|----------------------|
|   | Weighted<br>average<br>exercise price | No. of shares<br>( <u>'000</u> ) | Expected years | Contractual<br>years | Weighted<br>average<br>exercise price | No. of shares<br>( <u>'000</u> ) | Expected years | Contractual<br>years |
| Range of exercise price for options outstanding | £7.89                                 | 6                                | 5              | 1.17                 | £7.02                                 | 105                              | 5              | 0.41                 |



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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:-

|   | <b>2012</b>                     | Weighted<br>average<br>exercise price | <b>2011</b>                     | Weighted<br>average<br>exercise price |
|---|---------------------------------|---------------------------------------|---------------------------------|---------------------------------------|
|   | <u>Number ('000)</u>            |                                       | <u>Number ('000)</u>            |                                       |
| At 1 January                                    | 45                              | -                                     | 59                              | -                                     |
| Additional shares for rights issue              | -                               | -                                     | -                               | -                                     |
| Granted during the year                         | -                               | -                                     | -                               | -                                     |
| Exercised during the year                       | (11)                            | -                                     | (7)                             | -                                     |
| Lapsed during the year                          | (23)                            | -                                     | (7)                             | -                                     |
| At 31 December                                  | <u>11</u>                       | -                                     | <u>45</u>                       | -                                     |
| Exercisable at 31 December                      | <u>11</u>                       | -                                     | <u>24</u>                       | -                                     |
|   | <b>2012</b>                     |                                       | <b>2011</b>                     |                                       |
|   | Weighted average remaining life |                                       | Weighted average remaining life |                                       |
| Range of exercise price for options outstanding | Weighted average exercise price | No. of shares ('000)                  | Weighted average exercise price | No. of shares ('000)                  |
|   | Expected years                  | Contractual years                     | Expected years                  | Contractual years                     |
| N/A   | -                               | 11                                    | -                               | 45                                    |
|   | -                               | 5.38                                  | -                               | 5.75                                  |

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**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 nine 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.

| Grant date                     | 2012        |              |         |          | 2011        |              |         |        |
|--------------------------------|-------------|--------------|---------|----------|-------------|--------------|---------|--------|
|                                | 21 December | 19 September | 20 June | 13 March | 14 December | 20 September | 22 June | 6 May  |
| Share price at grant date      | £15.84      | £14.82       | £14.17  | £15.65   | £14.35      | £13.52       | £15.75  | £16.31 |
| Shares granted ('000)          | -           | -            | -       | -        | -           | -            | -       | 22     |
| Vesting period (years)         | 3           | 3            | 3       | 3        | 3           | 3            | 3       | 3      |
| Expected dividends (yield) (%) | 3.7         | 3.2          | 3.5     | 3.5      | 4.0         | 4.0          | 3.7     | 3.7    |
| Fair value (EPS) (£)           | 4.7         | 4.5          | 4.3     | 4.7      | 4.3         | 4.0          | 4.7     | 4.9    |
| Fair value (RoRWA) (£)         | 4.7         | 4.5          | 4.3     | 4.7      | 4.3         | 4.0          | 4.7     | 4.9    |
| Fair value (TSR) (£)           | 1.9         | 1.8          | 1.7     | 1.9      | 1.7         | 1.6          | 1.9     | 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:-

|  | <b>2012</b>                           | Weighted<br>average<br>exercise price | <b>2011</b>                           | Weighted<br>average<br>exercise price |                      |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|----------------------|
|  | <u>Number ('000)</u>                  |                                       | <u>Number ('000)</u>                  |                                       |                      |
| At 1 January                                       | 22                                    | -                                     | -                                     | -                                     |                      |
| Additional shares for rights issue                 | -                                     | -                                     | -                                     | -                                     |                      |
| Granted during the year                            | 12                                    | -                                     | 22                                    | -                                     |                      |
| Exercised during the year                          | -                                     | -                                     | -                                     | -                                     |                      |
| Lapsed during the year                             | (1)                                   | -                                     | -                                     | -                                     |                      |
| At 31 December                                     | <u>33</u>                             | -                                     | <u>22</u>                             | -                                     |                      |
| Exercisable at 31 December                         | <u>-</u>                              | -                                     | <u>-</u>                              | -                                     |                      |
|  | <b>2012</b>                           |                                       | <b>2011</b>                           |                                       |                      |
|  | Weighted average remaining life       |                                       | Weighted average remaining life       |                                       |                      |
| Range of exercise price for<br>options outstanding | Weighted<br>average<br>exercise price | No. of shares<br>( <u>'000</u> )      | Weighted<br>average<br>exercise price | No. of shares<br>( <u>'000</u> )      | Contractual<br>years |
| N/A  | -                                     | 33                                    | -                                     | 22                                    | 9.44                 |

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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.

|                                | <b>2012</b> |              |         |          | <b>2011</b> |              |         |       |
|--------------------------------|-------------|--------------|---------|----------|-------------|--------------|---------|-------|
| Grant date                     | 21 December | 19 September | 20 June | 13 March | 14 December | 20 September | 22 June | 6 May |
| Share price at grant date      | £15.84      | £14.82       | £14.17  | £15.65   | £14.35      | £13.52       | £15.75  | -     |
| Vesting period (years)         | 2/3 1/2/3/4 | 2/3          | 2/3     | 2/3      | 2/3         | 2/3          | 2/3     | -     |
| Expected dividends (yield) (%) | 3.7         | 3.0          | 3.8     | 3.80     | 2.9         | 2.9          | 4.1     | -     |
| Fair value (£)                 | 14.5        | 13.8         | 12.9    | 14.3     | 13.4        | 12.6         | 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:-

|   | <b>2012</b>                     | Weighted<br>average<br>exercise price | <b>2011</b>                     | Weighted<br>average<br>exercise price |
|---|---------------------------------|---------------------------------------|---------------------------------|---------------------------------------|
|   | <u>Number ('000)</u>            |                                       | <u>Number ('000)</u>            |                                       |
| At 1 January                                    | 2                               | -                                     | -                               | -                                     |
| Additional shares for rights issue              | -                               | -                                     | -                               | -                                     |
| Granted during the year                         | 70                              | -                                     | 2                               | -                                     |
| Exercised during the year                       | -                               | -                                     | -                               | -                                     |
| Lapsed during the year                          | (2)                             | -                                     | -                               | -                                     |
| At 31 December                                  | <u>70</u>                       | -                                     | <u>2</u>                        | -                                     |
| Exercisable at 31 December                      | <u>-</u>                        | -                                     | <u>-</u>                        | -                                     |
|   | <b>2012</b>                     |                                       | <b>2011</b>                     |                                       |
|   | Weighted average remaining life |                                       | Weighted average remaining life |                                       |
| Range of exercise price for options outstanding | Weighted average exercise price | No. of shares ('000)                  | Weighted average exercise price | No. of shares ('000)                  |
| N/A   | -                               | 70                                    | -                               | 2                                     |
|   |                                 | Expected years                        |                                 | Expected years                        |
|   |                                 | 6.19                                  |                                 | 6.73                                  |

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**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:-

|   | <b>Group</b>                  |                               | <b>Bank</b>                   |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | <b>2012<br/>RM'000</b>        | <b>2011<br/>RM'000</b>        | <b>2012<br/>RM'000</b>        | <b>2011<br/>RM'000</b>        |
| Net profit attributable to ordinary shareholder | <u>672,910</u>                | <u>620,394</u>                | <u>621,194</u>                | <u>581,224</u>                |
|   |                               |                               |                               |                               |
|   | <b>Group</b>                  |                               | <b>Bank</b>                   |                               |
|   | <b>2012<br/>Number ('000)</b> | <b>2011<br/>Number ('000)</b> | <b>2012<br/>Number ('000)</b> | <b>2011<br/>Number ('000)</b> |
| Number of ordinary shares outstanding           | <u>125,000</u>                | <u>125,000</u>                | <u>125,000</u>                | <u>125,000</u>                |
| Basic earnings per ordinary shares (sen)        | <u>538</u>                    | <u>496</u>                    | <u>497</u>                    | <u>465</u>                    |

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**36. Commitments and contingencies**

In ordinary 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:-

| Group   | 31 December 2012           |                                    |                                | 31 December 2011           |                                    |                                |
|---|----------------------------|------------------------------------|--------------------------------|----------------------------|------------------------------------|--------------------------------|
|   | Principal amount<br>RM'000 | Credit equivalent amount<br>RM'000 | Risk weighted amount<br>RM'000 | Principal amount<br>RM'000 | Credit equivalent amount<br>RM'000 | Risk weighted amount<br>RM'000 |
| Direct credit substitutes                               | 1,699,935                  | 1,698,521                          | 423,905                        | 1,572,066                  | 1,571,843                          | 368,874                        |
| Transaction-related contingent items                    | 3,759,364                  | 3,642,859                          | 966,914                        | 3,856,878                  | 3,767,555                          | 979,562                        |
| Short-term self liquidating trade-related contingencies | 521,072                    | 497,940                            | 109,762                        | 569,530                    | 533,569                            | 147,009                        |
| Other commitments to extend credit:-                    |                            |                                    |                                |                            |                                    |                                |
| - maturity not exceeding one year                       | 13,261,669                 | 4,594,421                          | 1,499,749                      | 12,707,121                 | 3,938,640                          | 1,300,898                      |
| - maturity exceeding one year                           | 6,974,639                  | 2,099,000                          | 1,256,883                      | 4,588,160                  | 1,685,064                          | 801,041                        |
| Foreign exchange related contracts:-                    |                            |                                    |                                |                            |                                    |                                |
| - less than one year                                    | 42,695,582                 | 734,554                            | 156,436                        | 36,482,252                 | 864,502                            | 282,170                        |
| - one year to less than five years                      | 18,888,316                 | 1,957,252                          | 477,765                        | 10,521,067                 | 967,150                            | 234,862                        |
| - five years and above                                  | 1,574,499                  | 286,676                            | 114,225                        | 4,524,575                  | 905,182                            | 186,124                        |
| Interest rate related contracts:-                       |                            |                                    |                                |                            |                                    |                                |
| - less than one year                                    | 21,996,302                 | 84,276                             | 9,742                          | 24,073,149                 | 97,368                             | 27,378                         |
| - one year to less than five years                      | 47,063,548                 | 1,384,302                          | 305,745                        | 44,178,303                 | 1,279,154                          | 318,725                        |
| - five years and above                                  | 5,073,393                  | 558,044                            | 167,964                        | 6,916,565                  | 714,688                            | 210,047                        |
| Miscellaneous commitments and contingencies             | 1,738,916                  | 136,104                            | 81,756                         | 2,502,661                  | 224,936                            | 115,038                        |
|   | <u>165,247,235</u>         | <u>17,673,949</u>                  | <u>5,570,846</u>               | <u>152,492,327</u>         | <u>16,549,651</u>                  | <u>4,971,728</u>               |

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**36. Commitments and contingencies (continued)**

| Group   | As at 1 January 2011          |  |                                      |
|---|-------------------------------|--|--------------------------------------|
|   | Principal<br>amount<br>RM'000 | Credit<br>equivalent<br>amount<br>RM'000 | Risk<br>weighted<br>amount<br>RM'000 |
| Direct credit substitutes                               | 1,277,004                     | 1,277,004                                | 362,744                              |
| Transaction-related contingent items                    | 3,202,905                     | 3,131,157                                | 801,467                              |
| Short-term self liquidating trade-related contingencies | 195,473                       | 163,000                                  | 65,924                               |
| Sell and buy back agreements                            | 70,797                        | 70,797                                   | 2,235                                |
| Other commitments to extend credit:-                    |                               |  |                                      |
| - maturity not exceeding one year                       | 11,769,362                    | 3,740,659                                | 1,218,389                            |
| - maturity exceeding one year                           | 4,346,479                     | 1,750,451                                | 774,013                              |
| Foreign exchange related contracts:-                    |                               |  |                                      |
| - less than one year                                    | 41,166,278                    | 1,131,926                                | 307,874                              |
| - one year to less than five years                      | 11,916,400                    | 1,177,274                                | 372,210                              |
| - five years and above                                  | 4,504,133                     | 826,478                                  | 185,849                              |
| Interest rate related contracts:-                       |                               |  |                                      |
| - less than one year                                    | 24,924,926                    | 103,836                                  | 21,433                               |
| - one year to less than five years                      | 44,561,020                    | 1,129,231                                | 305,227                              |
| - five years and above                                  | 7,360,722                     | 699,656                                  | 263,169                              |
| Miscellaneous commitments and contingencies             | 7,062,336                     | 636,357                                  | 448,121                              |
|   | <u>162,357,835</u>            | <u>15,837,826</u>                        | <u>5,128,655</u>                     |

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 2012              |  |                                      | 31 December 2011              |  |                                      |
|---|-------------------------------|--|--------------------------------------|-------------------------------|--|--------------------------------------|
|   | Principal<br>amount<br>RM'000 | Credit<br>equivalent<br>amount<br>RM'000 | Risk<br>weighted<br>amount<br>RM'000 | Principal<br>amount<br>RM'000 | Credit<br>equivalent<br>amount<br>RM'000 | Risk<br>weighted<br>amount<br>RM'000 |
| <b>Bank</b>   |                               |  |                                      |                               |  |                                      |
| Direct credit substitutes                               | 1,696,370                     | 1,696,300                                | 423,294                              | 1,565,668                     | 1,565,598                                | 365,123                              |
| Transaction-related contingent items                    | 3,704,863                     | 3,597,280                                | 949,608                              | 3,809,788                     | 3,723,453                                | 967,735                              |
| Short-term self liquidating trade-related contingencies | 361,387                       | 339,687                                  | 64,846                               | 318,657                       | 283,929                                  | 71,343                               |
| Other commitments to extend credit:-                    |                               |  |                                      |                               |  |                                      |
| - maturity not exceeding one year                       | 12,434,304                    | 4,294,769                                | 1,398,489                            | 11,830,286                    | 3,861,917                                | 1,259,280                            |
| - maturity exceeding one year                           | 6,221,888                     | 1,942,688                                | 1,143,625                            | 4,290,377                     | 1,657,865                                | 773,473                              |
| Foreign exchange related contracts:-                    |                               |  |                                      |                               |  |                                      |
| - less than one year                                    | 42,695,582                    | 734,554                                  | 155,309                              | 36,488,734                    | 864,639                                  | 279,770                              |
| - one year to less than five years                      | 18,888,316                    | 1,957,252                                | 477,765                              | 10,521,067                    | 967,150                                  | 234,862                              |
| - five years and above                                  | 1,574,499                     | 286,676                                  | 114,225                              | 4,524,575                     | 905,182                                  | 186,124                              |
| Interest rate related contracts:-                       |                               |  |                                      |                               |  |                                      |
| - less than one year                                    | 22,196,302                    | 84,476                                   | 9,681                                | 24,073,149                    | 97,368                                   | 27,378                               |
| - one year to less than five years                      | 47,063,662                    | 1,378,785                                | 288,963                              | 44,378,303                    | 1,281,154                                | 289,795                              |
| - five years and above                                  | 5,010,779                     | 554,286                                  | 158,343                              | 6,916,565                     | 704,989                                  | 209,939                              |
| Miscellaneous commitments and contingencies             | 1,738,916                     | 136,104                                  | 81,756                               | 2,502,661                     | 224,936                                  | 115,038                              |
|   | <u>163,586,868</u>            | <u>17,002,857</u>                        | <u>5,265,904</u>                     | <u>151,219,830</u>            | <u>16,138,180</u>                        | <u>4,779,860</u>                     |

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**36. Commitments and contingencies (continued)**

|   | As at 1 January 2011          |  |                                      |
|---|-------------------------------|--|--------------------------------------|
|   | Principal<br>amount<br>RM'000 | Credit<br>equivalent<br>amount<br>RM'000 | Risk<br>weighted<br>amount<br>RM'000 |
| <b>Bank</b>   |                               |  |                                      |
| Direct credit substitutes                               | 1,243,177                     | 1,243,177                                | 348,639                              |
| Transaction-related contingent items                    | 3,178,218                     | 3,106,471                                | 794,194                              |
| Short-term self liquidating trade-related contingencies | 184,877                       | 152,404                                  | 62,612                               |
| Sell and buy back agreements                            | 39,972                        | 39,972                                   | 793                                  |
| Other commitments to extend credit:-                    |                               |  |                                      |
| - maturity not exceeding one year                       | 10,802,817                    | 3,649,549                                | 1,156,489                            |
| - maturity exceeding one year                           | 3,975,398                     | 1,729,671                                | 757,052                              |
| Foreign exchange related contracts:-                    |                               |  |                                      |
| - less than one year                                    | 41,166,278                    | 1,131,953                                | 307,861                              |
| - one year to less than five years                      | 11,860,301                    | 1,172,483                                | 369,197                              |
| - five years and above                                  | 4,504,133                     | 826,478                                  | 185,849                              |
| Interest rate related contracts:-                       |                               |  |                                      |
| - less than one year                                    | 24,924,926                    | 103,836                                  | 21,433                               |
| - one year to less than five years                      | 44,761,020                    | 1,166,559                                | 313,438                              |
| - five years and above                                  | 7,360,722                     | 687,425                                  | 216,821                              |
| Miscellaneous commitments and contingencies             | 7,062,336                     | 636,357                                  | 448,121                              |
|   | <u>161,064,175</u>            | <u>15,646,335</u>                        | <u>4,982,499</u>                     |

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

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**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.

**Objective**

Operational risk exposures arise as a result of business activities. It is the Bank'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, optimize 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 is 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 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. Risk mitigation plans are overseen by the appropriate local and Standard Chartered PLC Group's governance committee.

**Assurance**

The Group Internal Audit ("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.

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**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 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 PLC Group. Standard Chartered PLC Group-wide credit policies and standards are considered and approved by its Group 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 judgment 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, 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 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 risk committees, containing information on key environmental, political and economic trends, portfolio delinquency and loan impairment performance, as well as IRB portfolio metrics including credit grade migration.

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**37. Risk management policies (continued)**

**(b) Credit risk (continued)**

**Credit monitoring (continued)**

Clients or portfolios are placed on Early Alert when they display signs of weakness or financial deterioration. For example, a decline in the customer's position within the industry, a breach of covenants, non-performance of an obligation, or issues relating to ownership or management. Such accounts and portfolios are subjected to a dedicated process overseen by the 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.

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

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

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**37. Risk management policies (continued)**

**(b) Credit risk (continued)**

**(i) Credit risk mitigation (continued)**

The credit risk mitigation policy also takes into consideration of the following:-

- exposure to any particular counterparties;
- correlation of risk mitigant with the underlying assets;
- currency mismatch; and
- enforceability of legal documentation.

In addition, stress tests are performed on changes in collateral values for key portfolios to assist senior management in managing the risks.

**(ii) Problem credit management**

Consumer Banking

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.

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 individual impairment provision ("IIP") is raised. This provision is the difference between the loan carrying amount and the present value of estimated future cash flows.

The individual circumstances of each customer are taken into account when GSAM estimates future cash flow. In any decision relating to the raising of provisions, the Group and the Bank 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.

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

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

The Bank 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 mark-to-market ("MTM") on all trades captured under the CSA. Additional collaterals 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 and the Bank recognises market risk as the risk of loss resulting from changes in market prices and rates. The Group and the Bank is exposed to market risk arising principally from customer-driven transactions. The objective of the Group and the Bank's market risk policies and processes is to obtain the best balance of risk and return while meeting customers' requirements.

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

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

**Market risk governance**

The Board approves the Group and the Bank'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 2012.

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 Bank. Limits by portfolios are proposed by the businesses within the terms of agreed policy.

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**37. Risk management policies (continued)**

**(c) Market risk (continued)**

**Market risk governance (continued)**

All permanent limits are approved by the Board prior to implementation. Exceptions are escalated to the Board or to the 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 Bank 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.

Two VaR methodologies used by the Group and the Bank in measuring its market risk are historical simulation and Monte Carlo simulation. VaR models are back tested against actual results.

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

**Stress testing**

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.

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. 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.



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**37. Risk management policies (continued)**

**(c) Market risk (continued)**

**Stress testing (continued)**

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 Standard Chartered PLC Group's Internal Audit on an ongoing basis. It is the Bank'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 and the Bank'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 non-trading book exposures in the same way as for the trading book, including listed 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 and 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 and the Bank's VaR.

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**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)**

|                       | ← 31.12.2012 →    |                |               | Actual as at<br>31 December 2012 |
|-----------------------|-------------------|----------------|---------------|----------------------------------|
|                       | Average<br>RM'000 | High<br>RM'000 | Low<br>RM'000 |                                  |
| <u>Trading</u>        |                   |                |               |                                  |
| Interest rate risk    | 4,989             | 8,023          | 2,146         | 4,081                            |
| Foreign exchange risk | 1,254             | 3,340          | 304           | 1,347                            |
| <br>                  |                   |                |               |                                  |
|                       | ← 31.12.2011 →    |                |               | Actual as at<br>31 December 2011 |
|                       | Average<br>RM'000 | High<br>RM'000 | Low<br>RM'000 |                                  |
| <u>Trading</u>        |                   |                |               |                                  |
| Interest rate risk    | 3,784             | 5,558          | 2,001         | 3,157                            |
| Foreign exchange risk | 1,315             | 8,673          | 125           | 627                              |

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.

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**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.

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**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")
  - Held-for-hedging ("HFH")
- (c) Held-for-hedging ("HFH")
- (d) Available-for-sale financial assets ("AFS")
- (e) Other liabilities ("OL")

| <b>Group</b>  | <b>Carrying<br/>amount</b> | <b>L&amp;R /<br/>OL</b> | <b>FVTPL<br/>HFT</b> | <b>HFH</b>    | <b>AFS</b>       |
|---|----------------------------|-------------------------|----------------------|---------------|------------------|
| <b>31.12.2012</b>   | <b>RM'000</b>              | <b>RM'000</b>           | <b>RM'000</b>        | <b>RM'000</b> | <b>RM'000</b>    |
| <u>Financial assets</u>   |                            |                         |                      |               |                  |
| Cash and short term funds   | 5,306,549                  | 5,306,549               | -                    | -             | -                |
| Deposits and placements<br>with banks and other<br>financial institutions | 188,206                    | 188,206                 | -                    | -             | -                |
| Securities repurchased under<br>resale agreements                         | 148,141                    | 148,141                 | -                    | -             | -                |
| Financial assets held for<br>trading                                      | 3,391,192                  | -                       | 3,391,192            | -             | -                |
| Investment securities<br>available-for-sale                               | 6,114,799                  | -                       | -                    | -             | 6,114,799        |
| Loans, advances and<br>financing  | 32,868,952                 | 32,868,952              | -                    | -             | -                |
| Derivative financial assets   | 1,589,143                  | -                       | 1,495,264            | 93,879        | -                |
| Other assets  | 838,945                    | 838,945                 | -                    | -             | -                |
| Statutory deposits with<br>Bank Negara Malaysia                           | 1,103,592                  | 1,103,592               | -                    | -             | -                |
| <b>Total financial assets</b>   | <b>51,549,519</b>          | <b>40,454,385</b>       | <b>4,886,456</b>     | <b>93,879</b> | <b>6,114,799</b> |
| <u>Financial liabilities</u>  |                            |                         |                      |               |                  |
| Deposits from customers   | 35,564,486                 | 35,564,486              | -                    | -             | -                |
| Deposits and placements of<br>banks and other financial<br>institutions   | 8,314,656                  | 8,314,656               | -                    | -             | -                |
| 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                 | -                    | -             | -                |
| <b>Total financial liabilities</b>  | <b>47,792,140</b>          | <b>46,406,244</b>       | <b>1,381,939</b>     | <b>3,957</b>  | <b>-</b>         |

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**38. Financial instruments (continued)****Categories of financial instruments (continued)**

| <b>Group</b><br><b>31.12.2011</b>   | <b>Carrying<br/>amount<br/>RM'000</b> | <b>L&amp;R /<br/>OL<br/>RM'000</b> | <b>FVTPL<br/>HFT<br/>RM'000</b> | <b>HFH<br/>RM'000</b> | <b>AFS<br/>RM'000</b> |
|---|---------------------------------------|------------------------------------|---------------------------------|-----------------------|-----------------------|
| <u>Financial assets</u>   |                                       |                                    |                                 |                       |                       |
| Cash and short term funds   | 6,251,969                             | 6,251,969                          | -                               | -                     | -                     |
| Deposits and placements<br>with banks and other<br>financial institutions | 100,000                               | 100,000                            | -                               | -                     | -                     |
| Securities repurchased under<br>resale agreements                         | 117,966                               | 117,966                            | -                               | -                     | -                     |
| Financial assets held for<br>trading                                      | 3,608,720                             | -                                  | 3,608,720                       | -                     | -                     |
| Investment securities<br>available-for-sale                               | 4,904,227                             | -                                  | -                               | -                     | 4,904,227             |
| Loans, advances and<br>financing  | 30,809,351                            | 30,809,351                         | -                               | -                     | -                     |
| Derivative financial assets   | 1,907,653                             | -                                  | 1,805,724                       | 101,929               | -                     |
| Other assets  | 843,060                               | 843,060                            | -                               | -                     | -                     |
| Statutory deposits with<br>Bank Negara Malaysia                           | 950,971                               | 950,971                            | -                               | -                     | -                     |
| <b>Total financial assets</b>   | <b>49,493,917</b>                     | <b>39,073,317</b>                  | <b>5,414,444</b>                | <b>101,929</b>        | <b>4,904,227</b>      |
| <u>Financial liabilities</u>  |                                       |                                    |                                 |                       |                       |
| Deposits from customers   | 38,323,994                            | 38,323,994                         | -                               | -                     | -                     |
| Deposits and placements of<br>banks and other financial<br>institutions   | 2,964,816                             | 2,964,816                          | -                               | -                     | -                     |
| Derivative financial liabilities  | 1,784,196                             | -                                  | 1,781,705                       | 2,491                 | -                     |
| Other liabilities   | 2,447,892                             | 2,447,892                          | -                               | -                     | -                     |
| Subordinated debts  | 503,762                               | -                                  | -                               | 503,762               | -                     |
| <b>Total financial liabilities</b>  | <b>46,024,660</b>                     | <b>43,736,702</b>                  | <b>1,781,705</b>                | <b>506,253</b>        | <b>-</b>              |

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**38. Financial instruments (continued)****Categories of financial instruments (continued)**

| <b>Group</b>  | <b>Carrying<br/>amount</b> | <b>L&amp;R /<br/>OL</b> | <b>FVTPL<br/>HFT</b> | <b>HFH</b>     | <b>AFS</b>       |
|---|----------------------------|-------------------------|----------------------|----------------|------------------|
| <b>1.1.2011</b>   | <b>RM'000</b>              | <b>RM'000</b>           | <b>RM'000</b>        | <b>RM'000</b>  | <b>RM'000</b>    |
| <u>Financial assets</u>   |                            |                         |                      |                |                  |
| Cash and short term funds   | 4,522,666                  | 4,522,666               | -                    | -              | -                |
| Deposits and placements<br>with banks and other<br>financial institutions | 358,182                    | 358,182                 | -                    | -              | -                |
| Securities repurchased under<br>resale agreements                         | 89,854                     | 89,854                  | -                    | -              | -                |
| Financial assets held for<br>trading                                      | 3,211,890                  | -                       | 3,211,890            | -              | -                |
| Investment securities<br>available-for-sale                               | 6,760,673                  | -                       | -                    | -              | 6,760,673        |
| Loans, advances and<br>financing  | 28,387,691                 | 28,387,691              | -                    | -              | -                |
| Derivative financial assets   | 2,326,601                  | -                       | 2,235,468            | 91,133         | -                |
| Other assets  | 207,364                    | 207,364                 | -                    | -              | -                |
| Statutory deposits with<br>Bank Negara Malaysia                           | 36,760                     | 36,760                  | -                    | -              | -                |
| <b>Total financial assets</b>   | <b>45,901,681</b>          | <b>33,602,517</b>       | <b>5,447,358</b>     | <b>91,133</b>  | <b>6,760,673</b> |
| <u>Financial liabilities</u>  |                            |                         |                      |                |                  |
| Deposits from customers   | 34,256,728                 | 34,256,728              | -                    | -              | -                |
| Deposits and placements of<br>banks and other financial<br>institutions   | 3,620,636                  | 3,620,636               | -                    | -              | -                |
| Bills and acceptances payable   | 6,792                      | 6,792                   | -                    | -              | -                |
| Recourse obligations on<br>loans sold to Cagamas<br>Berhad                | 72,919                     | 72,919                  | -                    | -              | -                |
| Derivative financial liabilities  | 1,885,782                  | -                       | 1,875,155            | 10,627         | -                |
| Other liabilities   | 2,446,824                  | 2,446,824               | -                    | -              | -                |
| Subordinated debts  | 885,652                    | 380,000                 | -                    | 505,652        | -                |
| <b>Total financial liabilities</b>  | <b>43,175,333</b>          | <b>40,783,899</b>       | <b>1,875,155</b>     | <b>516,279</b> | <b>-</b>         |

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**38. Financial instruments (continued)****Categories of financial instruments (continued)**

| <b>Bank</b><br><b>31.12.2012</b>  | <b>Carrying<br/>amount<br/>RM'000</b> | <b>L&amp;R /<br/>OL<br/>RM'000</b> | <b>FVTPL<br/>HFT<br/>RM'000</b> | <b>HFH<br/>RM'000</b> | <b>AFS<br/>RM'000</b> |
|---|---------------------------------------|------------------------------------|---------------------------------|-----------------------|-----------------------|
| <u>Financial assets</u>   |                                       |                                    |                                 |                       |                       |
| Cash and short term funds   | 4,139,071                             | 4,139,071                          | -                               | -                     | -                     |
| Deposits and placements<br>with banks and other<br>financial institutions | 2,053,652                             | 2,053,652                          | -                               | -                     | -                     |
| Securities repurchased under<br>resale agreements                         | 148,141                               | 148,141                            | -                               | -                     | -                     |
| Financial assets held for<br>trading                                      | 3,391,192                             | -                                  | 3,391,192                       | -                     | -                     |
| Investment securities<br>available-for-sale                               | 4,973,165                             | -                                  | -                               | -                     | 4,973,165             |
| Loans, advances and<br>financing  | 28,932,240                            | 28,932,240                         | -                               | -                     | -                     |
| Derivative financial assets   | 1,589,144                             | -                                  | 1,495,265                       | 93,879                | -                     |
| Other assets  | 1,223,117                             | 1,223,117                          | -                               | -                     | -                     |
| Statutory deposits with<br>Bank Negara Malaysia                           | 964,907                               | 964,907                            | -                               | -                     | -                     |
| <b>Total financial assets</b>   | <b>47,414,629</b>                     | <b>37,461,128</b>                  | <b>4,886,457</b>                | <b>93,879</b>         | <b>4,973,165</b>      |
| <u>Financial liabilities</u>  |                                       |                                    |                                 |                       |                       |
| Deposits from customers   | 31,664,183                            | 31,664,183                         | -                               | -                     | -                     |
| Deposits and placements of<br>banks and other financial<br>institutions   | 8,212,243                             | 8,212,243                          | -                               | -                     | -                     |
| 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                            | -                               | -                     | -                     |
| <b>Total financial liabilities</b>  | <b>44,201,290</b>                     | <b>42,815,219</b>                  | <b>1,382,114</b>                | <b>3,957</b>          | <b>-</b>              |

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**38. Financial instruments (continued)****Categories of financial instruments (continued)**

| <b>Bank</b>   | <b>Carrying</b>   | <b>L&amp;R /</b>  | <b>FVTPL</b>     | <b>HFH</b>     | <b>AFS</b>       |
|---|-------------------|-------------------|------------------|----------------|------------------|
| <b>31.12.2011</b>   | <b>amount</b>     | <b>OL</b>         | <b>HFT</b>       | <b>RM'000</b>  | <b>RM'000</b>    |
|   | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>    | <b>RM'000</b>  | <b>RM'000</b>    |
| <u>Financial assets</u>   |                   |                   |                  |                |                  |
| Cash and short term funds   | 4,881,279         | 4,881,279         | -                | -              | -                |
| Deposits and placements<br>with banks and other<br>financial institutions | 839,014           | 839,014           | -                | -              | -                |
| Securities repurchased under<br>resale agreements                         | 117,966           | 117,966           | -                | -              | -                |
| Financial assets held for<br>trading                                      | 3,608,720         | -                 | 3,608,720        | -              | -                |
| Investment securities<br>available-for-sale                               | 4,729,706         | -                 | -                | -              | 4,729,706        |
| Loans, advances and<br>financing  | 27,953,197        | 27,953,197        | -                | -              | -                |
| Derivative financial assets   | 1,907,744         | -                 | 1,805,815        | 101,929        | -                |
| Other assets  | 949,694           | 949,694           | -                | -              | -                |
| Statutory deposits with<br>Bank Negara Malaysia                           | 858,419           | 858,419           | -                | -              | -                |
| <b>Total financial assets</b>   | <b>45,845,739</b> | <b>35,599,569</b> | <b>5,414,535</b> | <b>101,929</b> | <b>4,729,706</b> |
| <u>Financial liabilities</u>  |                   |                   |                  |                |                  |
| Deposits from customers   | 35,378,935        | 35,378,935        | -                | -              | -                |
| Deposits and placements of<br>banks and other financial<br>institutions   | 2,833,685         | 2,833,685         | -                | -              | -                |
| Bills and acceptances payable   | -                 | -                 | -                | -              | -                |
| Recourse obligations on<br>loans sold to Cagamas<br>Berhad                | -                 | -                 | -                | -              | -                |
| Derivative financial liabilities  | 1,784,968         | -                 | 1,782,477        | 2,491          | -                |
| Other liabilities   | 2,332,241         | 2,332,241         | -                | -              | -                |
| Subordinated debts  | 503,762           | -                 | -                | 503,762        | -                |
| <b>Total financial liabilities</b>  | <b>42,833,591</b> | <b>40,544,861</b> | <b>1,782,477</b> | <b>506,253</b> | <b>-</b>         |



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**38. Financial instruments (continued)****Categories of financial instruments (continued)**

| <b>Bank</b>   | <b>Carrying<br/>amount</b> | <b>L&amp;R /<br/>OL</b> | <b>FVTPL<br/>HFT</b> | <b>HFH</b>     | <b>AFS</b>       |
|---|----------------------------|-------------------------|----------------------|----------------|------------------|
| <b>1.1.2011</b>   | <b>RM'000</b>              | <b>RM'000</b>           | <b>RM'000</b>        | <b>RM'000</b>  | <b>RM'000</b>    |
| <u>Financial assets</u>   |                            |                         |                      |                |                  |
| Cash and short term funds   | 3,667,843                  | 3,667,843               | -                    | -              | -                |
| Deposits and placements<br>with banks and other<br>financial institutions | 2,263,730                  | 2,263,730               | -                    | -              | -                |
| Securities repurchased under<br>resale agreements                         | 89,854                     | 89,854                  | -                    | -              | -                |
| Financial assets held for<br>trading                                      | 3,211,890                  | -                       | 3,211,890            | -              | -                |
| Investment securities<br>available-for-sale                               | 6,137,347                  | -                       | -                    | -              | 6,137,347        |
| Loans, advances and<br>financing  | 26,062,181                 | 26,062,181              | -                    | -              | -                |
| Derivative financial assets   | 2,324,679                  | -                       | 2,233,546            | 91,133         | -                |
| Other assets  | 284,936                    | 284,936                 | -                    | -              | -                |
| Statutory deposits with<br>Bank Negara Malaysia                           | 12,000                     | 12,000                  | -                    | -              | -                |
| <b>Total financial assets</b>   | <b>44,054,460</b>          | <b>32,380,544</b>       | <b>5,445,436</b>     | <b>91,133</b>  | <b>6,137,347</b> |
| <u>Financial liabilities</u>  |                            |                         |                      |                |                  |
| Deposits from customers   | 32,935,268                 | 32,935,268              | -                    | -              | -                |
| Deposits and placements of<br>banks and other financial<br>institutions   | 3,519,265                  | 3,519,265               | -                    | -              | -                |
| Bills and acceptances payable   | 6,792                      | 6,792                   | -                    | -              | -                |
| Recourse obligations on<br>loans sold to Cagamas<br>Berhad                | 72,919                     | 72,919                  | -                    | -              | -                |
| Derivative financial liabilities  | 1,884,778                  | -                       | 1,874,151            | 10,627         | -                |
| Other liabilities   | 2,442,268                  | 2,442,268               | -                    | -              | -                |
| Subordinated debts  | 885,652                    | 380,000                 | -                    | 505,652        | -                |
| <b>Total financial liabilities</b>  | <b>41,746,942</b>          | <b>39,356,512</b>       | <b>1,874,151</b>     | <b>516,279</b> | <b>-</b>         |

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**38. Financial instruments (continued)****Net gains and losses arising from financial instruments**

|   | Group            |                  | Bank             |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2012<br>RM'000   | 2011<br>RM'000   | 2012<br>RM'000   | 2011<br>RM'000   |
| Net gains/(losses) arising on:-                   |                  |                  |                  |                  |
| Fair value through profit or loss:                | 477,710          | 465,169          | 477,710          | 465,169          |
| - Held for trading                                | 485,889          | 481,313          | 485,889          | 481,313          |
| - Held for hedging                                | (8,179)          | (16,144)         | (8,179)          | (16,144)         |
| Available-for-sale financial assets:              | 175,750          | 165,110          | 156,386          | 180,390          |
| - Recognised in other comprehensive income        | (4,888)          | 7,004            | (4,758)          | 7,000            |
| - Reclassified from equity to profit or loss      | 145,029          | 123,420          | 125,535          | 138,704          |
| - Dividend income                                 | 35,609           | 34,686           | 35,609           | 34,686           |
| Loans and receivables                             | 2,178,109        | 1,941,112        | 1,880,831        | 1,693,290        |
| Financial liabilities measured at amortised costs | (852,659)        | (772,361)        | (769,616)        | (729,682)        |
|   | <u>1,978,910</u> | <u>1,799,030</u> | <u>1,745,311</u> | <u>1,609,167</u> |

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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 |
|   |   | 31.12.2012<br>RM'000  |   | 31.12.2011<br>RM'000  |   | 31.12.2012<br>RM'000  |   | 31.12.2011<br>RM'000  |
|   | <b>On-balance sheet assets</b>                |   |   |   |   |   |   |   |
| Money at call and deposits placements maturing within one month     | 5,158,050                                     | -   | 6,134,746                                     | -   | 4,007,218                                     | -   | 4,776,427                                     | -   |
| Deposits and placements with banks and other financial institutions | 188,206                                       | -   | 100,000                                       | -   | 2,053,652                                     | -   | 839,014                                       | -   |
| Securities purchased under resale agreements                        | 148,141                                       | 148,141   | 117,966                                       | 117,966   | 148,141                                       | 148,141   | 117,966                                       | 117,966   |
| Financial assets held for trading                                   | 3,391,192                                     | -   | 3,608,720                                     | -   | 3,391,192                                     | -   | 3,608,720                                     | -   |
| Investment securities available-for-sale (excludes equity shares)   | 6,105,133                                     | -   | 4,894,567                                     | -   | 4,963,499                                     | -   | 4,720,046                                     | -   |
| Loans, advances and financing                                       | 32,868,952                                    | 14,452,971  | 30,809,351                                    | 14,254,970  | 28,932,240                                    | 13,792,255  | 27,953,197                                    | 13,861,730  |
| Derivative financial assets   | 1,589,143                                     | -   | 1,907,653                                     | -   | 1,589,144                                     | -   | 1,907,744                                     | -   |
| Interest/Income receivables   | 50,176  | -   | 55,875  | -   | 56,989  | -   | 58,377  | -   |
| Statutory deposits with Bank Negara Malaysia                        | 1,103,592                                     | -   | 950,971                                       | -   | 964,907                                       | -   | 858,419                                       | -   |
|   | <u>50,602,585</u>                             | <u>14,601,112</u>   | <u>48,579,849</u>                             | <u>14,372,936</u>   | <u>46,106,982</u>                             | <u>13,940,396</u>   | <u>44,839,910</u>                             | <u>13,979,696</u>   |

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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 |
|  |   | 31.12.2012  |   | 31.12.2011  |   | 31.12.2012  |   | 31.12.2011  |
|  | RM'000  | RM'000  | RM'000  | RM'000  | RM'000  | RM'000  | RM'000  | RM'000  |
| <b>Off-balance sheet items</b>   |   |   |   |   |   |   |   |   |
| Contingent commitments   | 5,980,371                                     | 706,042   | 5,998,474                                     | 437,440   | 5,762,620                                     | 704,483   | 5,694,113                                     | 435,581   |
| Undrawn irrevocable standby facilities, credit lines and other commitments to lend | 20,236,308                                    | 474,960   | 17,295,281                                    | 435,367   | 18,656,192                                    | 313,180   | 16,120,663                                    | 423,303   |
|  | <u>26,216,679</u>                             | <u>1,181,002</u>  | <u>23,293,755</u>                             | <u>872,807</u>  | <u>24,418,812</u>                             | <u>1,017,663</u>  | <u>21,814,776</u>                             | <u>858,884</u>  |

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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 |
|  | RM'000  | RM'000  | RM'000  | RM'000  |
|  |   |   | 1.1.2011                                      |   |
| <b>On-balance sheet assets</b>   |   |   |   |   |
| Money at call and deposits placements maturing within one month                    | 4,419,483                                     | -   | 3,571,457                                     | -   |
| Deposits and placements with banks and other financial institutions                | 358,182                                       | -   | 2,263,730                                     | -   |
| Securities purchased under resale agreements                                       | 89,854  | 89,854  | 89,854  | 89,854  |
| Financial assets held for trading  | 3,211,890                                     | -   | 3,211,890                                     | -   |
| Investment securities available-for-sale (excludes equity shares)                  | 6,751,026                                     | -   | 6,127,700                                     | -   |
| Loans, advances and financing  | 28,387,691                                    | 13,276,014  | 26,062,181                                    | 12,823,157  |
| Derivative financial assets  | 2,326,601                                     | -   | 2,324,679                                     | -   |
| Interest/Income receivables  | 39,383  | -   | 40,897  | -   |
| Statutory deposits with Bank Negara Malaysia                                       | 36,760  | -   | 12,000  | -   |
| <b>Off-balance sheet items</b>   |   |   |   |   |
| Contingent commitments   | 4,675,382                                     | 232,170   | 4,606,272                                     | 214,066   |
| Undrawn irrevocable standby facilities, credit lines and other commitments to lend | 16,115,841                                    | 568,267   | 14,778,215                                    | 553,173   |
|  | <u>66,412,093</u>                             | <u>14,166,305</u>   | <u>63,088,875</u>                             | <u>13,680,250</u>   |

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**39. Credit risk (continued)****(ii) Summary analysis of loans, advances and financing**

| <b>Group</b><br><b>31.12.2012</b>               | <b>Consumer</b><br><b>Banking</b><br><b>RM'000</b> | <b>Wholesale</b><br><b>Banking</b><br><b>RM'000</b> | <b>Total</b><br><b>RM'000</b> |
|---|--|---|-------------------------------|
| 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                | (189,816)  | (29,380)  | (219,196)                     |
|   | <u>24,013,747</u>                                  | <u>8,855,205</u>                                    | <u>32,868,952</u>             |

| <b>Group</b><br><b>31.12.2011</b>               | <b>Consumer</b><br><b>Banking</b><br><b>RM'000</b> | <b>Wholesale</b><br><b>Banking</b><br><b>RM'000</b> | <b>Total</b><br><b>RM'000</b> |
|---|--|---|-------------------------------|
| Individually impaired loans *                   | 132,356  | 4,840   | 137,196                       |
| Impairment provision on off-balance sheet items | -  | (12,145)  | (12,145)                      |
| Past due but not impaired loans                 | 1,918,414  | 333   | 1,918,747                     |
| Neither past due nor impaired loans             | 21,159,366   | 7,835,376   | 28,994,742                    |
| Total loans, advances and financing             | 23,210,136   | 7,828,404   | 31,038,540                    |
| Collective impairment provisions                | (201,942)  | (27,247)  | (229,189)                     |
|   | <u>23,008,194</u>                                  | <u>7,801,157</u>                                    | <u>30,809,351</u>             |

| <b>Group</b><br><b>1.1.2011</b>                 | <b>Consumer</b><br><b>Banking</b><br><b>RM'000</b> | <b>Wholesale</b><br><b>Banking</b><br><b>RM'000</b> | <b>Total</b><br><b>RM'000</b> |
|---|--|---|-------------------------------|
| Individually impaired loans *                   | 177,096  | 8,219   | 185,315                       |
| Impairment provision on off-balance sheet items | -  | (12,145)  | (12,145)                      |
| Past due but not impaired loans                 | 1,819,443  | 417   | 1,819,860                     |
| Neither past due nor impaired loans             | 19,322,047   | 7,262,626   | 26,584,673                    |
| Total loans, advances and financing             | 21,318,586   | 7,259,117   | 28,577,703                    |
| Collective impairment provisions                | (159,446)  | (30,566)  | (190,012)                     |
|   | <u>21,159,140</u>                                  | <u>7,228,551</u>                                    | <u>28,387,691</u>             |

\* Included in the balance is RM 96,870,000 for Consumer Banking (2011: RM 80,699,000), 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.

| <b>Bank</b><br><b>31.12.2012</b>                | <b>Consumer</b><br><b>Banking</b><br><b>RM'000</b> | <b>Wholesale</b><br><b>Banking</b><br><b>RM'000</b> | <b>Total</b><br><b>RM'000</b> |
|---|--|---|-------------------------------|
| 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                | (112,234)  | (28,565)  | (140,799)                     |
|   | <u>21,484,974</u>                                  | <u>7,447,266</u>                                    | <u>28,932,240</u>             |

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**39. Credit risk (continued)****(ii) Summary analysis of loans, advances and financing (continued)**

| <b>Bank</b>                                     | <b>Consumer</b>   | <b>Wholesale</b> | <b>Total</b>      |
|---|-------------------|------------------|-------------------|
| <b>31.12.2011</b>                               | <b>Banking</b>    | <b>Banking</b>   | <b>RM'000</b>     |
|   | <b>RM'000</b>     | <b>RM'000</b>    | <b>RM'000</b>     |
| Individually impaired loans *                   | 116,355           | 4,840            | 121,195           |
| Impairment provision on off-balance sheet items | -                 | (12,145)         | (12,145)          |
| Past due but not impaired loans                 | 1,651,792         | 333              | 1,652,125         |
| Neither past due nor impaired loans             | 19,512,079        | 6,834,017        | 26,346,096        |
| Total loans, advances and financing             | 21,280,226        | 6,827,045        | 28,107,271        |
| Collective impairment provisions                | (130,182)         | (23,892)         | (154,074)         |
|   | <u>21,150,044</u> | <u>6,803,153</u> | <u>27,953,197</u> |

  

| <b>Bank</b>                                     | <b>Consumer</b>   | <b>Wholesale</b> | <b>Total</b>      |
|---|-------------------|------------------|-------------------|
| <b>1.1.2011</b>                                 | <b>Banking</b>    | <b>Banking</b>   | <b>RM'000</b>     |
|   | <b>RM'000</b>     | <b>RM'000</b>    | <b>RM'000</b>     |
| Individually impaired loans *                   | 156,371           | 8,219            | 164,590           |
| Impairment provision on off-balance sheet items | -                 | (12,145)         | (12,145)          |
| Past due but not impaired loans                 | 1,635,027         | 417              | 1,635,444         |
| Neither past due nor impaired loans             | 18,113,215        | 6,292,504        | 24,405,719        |
| Total loans, advances and financing             | 19,904,613        | 6,288,995        | 26,193,608        |
| Collective impairment provisions                | (104,963)         | (26,464)         | (131,427)         |
|   | <u>19,799,650</u> | <u>6,262,531</u> | <u>26,062,181</u> |

\* Included in the balance is RM 72,841,000 for Consumer Banking (2011: RM 68,007,000), 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)****(ii) 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:-

|  | <b>Group</b>      |                   |                   | <b>Bank</b>       |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   |
|  | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Neither past due nor individually impaired |                   |                   |                   |                   |                   |                   |
| - Grades 1-5                               | 10,582,237        | 10,085,388        | 8,808,228         | 9,970,645         | 9,740,019         | 8,548,487         |
| - Grades 6-7                               | 10,172,643        | 9,625,656         | 9,274,686         | 9,188,605         | 9,091,628         | 8,839,075         |
| - Grades 8-9                               | 6,408,479         | 5,678,409         | 5,324,967         | 5,237,364         | 4,673,678         | 4,535,429         |
| - Grades 10-12                             | 3,670,033         | 3,605,289         | 3,176,792         | 2,844,794         | 2,840,771         | 2,482,728         |
|  | <u>30,833,392</u> | <u>28,994,742</u> | <u>26,584,673</u> | <u>27,241,408</u> | <u>26,346,096</u> | <u>24,405,719</u> |

**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.

| <b>Group</b>                  | <b>Consumer</b>  | <b>Wholesale</b> | <b>Total</b>     |
|-------------------------------|------------------|------------------|------------------|
| <b>31.12.2012</b>             | <b>Banking</b>   | <b>Banking</b>   | <b>RM'000</b>    |
|                               | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    |
| 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          |
|                               | <u>2,046,025</u> | <u>2,375</u>     | <u>2,048,400</u> |



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**39. Credit risk (continued)****(ii) Summary analysis of loans, advances and financing (continued)****Loans, advances and financing past due but not individually impaired (continued)**

| <b>Group</b>                  | <b>Consumer</b>  | <b>Wholesale</b> | <b>Total</b>     |
|-------------------------------|------------------|------------------|------------------|
| <b>31.12.2011</b>             | <b>Banking</b>   | <b>Banking</b>   | <b>RM'000</b>    |
|                               | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    |
| Up to 30 days past due        | 1,469,812        | -                | 1,469,812        |
| Between 31 - 60 days past due | 332,318          | 333              | 332,651          |
| Between 61 - 90 days past due | 116,284          | -                | 116,284          |
|                               | <u>1,918,414</u> | <u>333</u>       | <u>1,918,747</u> |
|                               | <b>Consumer</b>  | <b>Wholesale</b> | <b>Total</b>     |
|                               | <b>Banking</b>   | <b>Banking</b>   | <b>RM'000</b>    |
|                               | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    |
| Up to 30 days past due        | 1,397,627        | 417              | 1,398,044        |
| Between 31 - 60 days past due | 311,663          | -                | 311,663          |
| Between 61 - 90 days past due | 110,153          | -                | 110,153          |
|                               | <u>1,819,443</u> | <u>417</u>       | <u>1,819,860</u> |
|                               | <b>Consumer</b>  | <b>Wholesale</b> | <b>Total</b>     |
|                               | <b>Banking</b>   | <b>Banking</b>   | <b>RM'000</b>    |
|                               | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    |
| 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           |
|                               | <u>1,653,415</u> | <u>2,375</u>     | <u>1,655,790</u> |

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**39. Credit risk (continued)****(ii) Summary analysis of loans, advances and financing (continued)****Loans, advances and financing past due but not individually impaired (continued)**

| <b>Bank</b>                   | <b>Consumer</b>  | <b>Wholesale</b> | <b>Total</b>     |
|-------------------------------|------------------|------------------|------------------|
| <b>31.12.2011</b>             | <b>Banking</b>   | <b>Banking</b>   | <b>RM'000</b>    |
|                               | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    |
| Up to 30 days past due        | 1,257,319        | -                | 1,257,319        |
| Between 31 - 60 days past due | 293,260          | 333              | 293,593          |
| Between 61 - 90 days past due | 101,213          | -                | 101,213          |
|                               | <u>1,651,792</u> | <u>333</u>       | <u>1,652,125</u> |
| <b>Bank</b>                   | <b>Banking</b>   | <b>Banking</b>   | <b>Total</b>     |
| <b>1.1.2011</b>               | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>    |
| Up to 30 days past due        | 1,248,260        | 417              | 1,248,677        |
| Between 31 - 60 days past due | 289,557          | -                | 289,557          |
| Between 61 - 90 days past due | 97,210           | -                | 97,210           |
|                               | <u>1,635,027</u> | <u>417</u>       | <u>1,635,444</u> |

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**39. Credit risk (continued)****(ii) 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.

| <b>Group</b>                                 | <b>Within<br/>Malaysia<br/>RM'000</b> | <b>Outside<br/>Malaysia<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|---------------------------------------|--|-------------------------|
| <b>31.12.2012</b>                            |                                       |  |                         |
| Gross impaired loans, advances and financing | 424,774                               | 166                                    | 424,940                 |
| Individual impairment provisions             | 218,418                               | 166                                    | 218,584                 |
| Collective impairment provisions             | 216,704                               | 2,492                                  | 219,196                 |
| <b>31.12.2011</b>                            |                                       |  |                         |
| Gross impaired loans, advances and financing | 374,337                               | 376                                    | 374,713                 |
| Individual impairment provisions             | 249,286                               | 376                                    | 249,662                 |
| Collective impairment provisions             | 227,846                               | 1,343                                  | 229,189                 |
| <b>1.1.2011</b>                              |                                       |  |                         |
| Gross impaired loans, advances and financing | 441,098                               | 617                                    | 441,715                 |
| Individual impairment provisions             | 267,928                               | 617                                    | 268,545                 |
| Collective impairment provisions             | 188,387                               | 1,625                                  | 190,012                 |
| <b>Bank</b>                                  |                                       |  |                         |
|  | <b>Within<br/>Malaysia<br/>RM'000</b> | <b>Outside<br/>Malaysia<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
| <b>31.12.2012</b>                            |                                       |  |                         |
| Gross impaired loans, advances and financing | 390,885                               | 166                                    | 391,051                 |
| Individual impairment provisions             | 215,044                               | 166                                    | 215,210                 |
| Collective impairment provisions             | 138,307                               | 2,492                                  | 140,799                 |
| <b>31.12.2011</b>                            |                                       |  |                         |
| Gross impaired loans, advances and financing | 355,827                               | 376                                    | 356,203                 |
| Individual impairment provisions             | 246,777                               | 376                                    | 247,153                 |
| Collective impairment provisions             | 152,731                               | 1,343                                  | 154,074                 |
| <b>1.1.2011</b>                              |                                       |  |                         |
| Gross impaired loans, advances and financing | 418,668                               | 617                                    | 419,285                 |
| Individual impairment provisions             | 266,223                               | 617                                    | 266,840                 |
| Collective impairment provisions             | 129,802                               | 1,625                                  | 131,427                 |

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**39. Credit risk (continued)****(iii) 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**

|            | 31.12.2012                 |                |                  | 31.12.2011                 |                |                 |
|------------|----------------------------|----------------|------------------|----------------------------|----------------|-----------------|
|            | Standard & Poors<br>RM'000 | RAM<br>RM'000  | Total<br>RM'000  | Standard & Poors<br>RM'000 | RAM<br>RM'000  | Total<br>RM'000 |
| AAA        | -                          | 600,000        | 600,000          | -                          | 100,000        | 100,000         |
| AA- to AA+ | -                          | -              | -                | -                          | 100,000        | 100,000         |
| A- to A+   | 940,273                    | -              | 940,273          | -                          | -              | -               |
|            | <u>940,273</u>             | <u>600,000</u> | <u>1,540,273</u> | <u>-</u>                   | <u>200,000</u> | <u>200,000</u>  |

|            | 1.1.2011                   |                  |                  |
|------------|----------------------------|------------------|------------------|
|            | Standard & Poors<br>RM'000 | RAM<br>RM'000    | Total<br>RM'000  |
| AAA        | -                          | 2,041,113        | 2,041,113        |
| AA- to AA+ | 81,596                     | -                | 81,596           |
| A- to A+   | 1,750,902                  | -                | 1,750,902        |
|            | <u>1,832,498</u>           | <u>2,041,113</u> | <u>3,873,611</u> |

**Bank**

|            | 31.12.2012                 |                  |                  | 31.12.2011                 |                  |                  |
|------------|----------------------------|------------------|------------------|----------------------------|------------------|------------------|
|            | Standard & Poors<br>RM'000 | RAM<br>RM'000    | Total<br>RM'000  | Standard & Poors<br>RM'000 | RAM<br>RM'000    | Total<br>RM'000  |
| AAA        | -                          | 2,841,593        | 2,841,593        | -                          | 2,251,722        | 2,251,722        |
| AA- to AA+ | -                          | -                | -                | -                          | 100,000          | 100,000          |
| A- to A+   | 940,273                    | -                | 940,273          | -                          | -                | -                |
|            | <u>940,273</u>             | <u>2,841,593</u> | <u>3,781,866</u> | <u>-</u>                   | <u>2,351,722</u> | <u>2,351,722</u> |

|            | 1.1.2011                   |                  |                  |
|------------|----------------------------|------------------|------------------|
|            | Standard & Poors<br>RM'000 | RAM<br>RM'000    | Total<br>RM'000  |
| AAA        | -                          | 2,041,113        | 2,041,113        |
| AA- to AA+ | 81,596                     | -                | 81,596           |
| A- to A+   | 1,750,902                  | -                | 1,750,902        |
|            | <u>1,832,498</u>           | <u>2,041,113</u> | <u>3,873,611</u> |

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**39. Credit risk (continued)****(iv) 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:-

|                            | <b>Group</b>                 |                              |                            | <b>Bank</b>                  |                              |                            |
|----------------------------|------------------------------|------------------------------|----------------------------|------------------------------|------------------------------|----------------------------|
|                            | <b>31.12.2012<br/>RM'000</b> | <b>31.12.2011<br/>RM'000</b> | <b>1.1.2011<br/>RM'000</b> | <b>31.12.2012<br/>RM'000</b> | <b>31.12.2011<br/>RM'000</b> | <b>1.1.2011<br/>RM'000</b> |
| Government securities      | 8,078,193                    | 5,229,879                    | 6,670,028                  | 6,981,560                    | 5,130,445                    | 6,121,923                  |
| Debt securities            | 1,566,273                    | 3,391,374                    | 3,382,742                  | 1,521,272                    | 3,316,287                    | 3,307,521                  |
| AAA                        | 566,466                      | 1,881,891                    | 2,570,806                  | 526,473                      | 1,816,862                    | 2,510,729                  |
| AA- to AA+                 | 932,888                      | 1,422,989                    | 770,028                    | 927,880                      | 1,412,931                    | 754,884                    |
| A- to A+                   | 34,729                       | 34,794                       | 14,790                     | 34,729                       | 34,794                       | 14,790                     |
| Lower than A-              | 12,243                       | 35,280                       | 12,138                     | 12,243                       | 35,280                       | 12,138                     |
| Unrated                    | 19,947                       | 16,420                       | 14,980                     | 19,947                       | 16,420                       | 14,980                     |
| Total securities portfolio | <u>9,644,466</u>             | <u>8,621,253</u>             | <u>10,052,770</u>          | <u>8,502,832</u>             | <u>8,446,732</u>             | <u>9,429,444</u>           |

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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.

| <b>Group<br/>As at 31 December 2012</b>                                | <b>3 months<br/>or less<br/>RM'000</b> | <b>&gt; 3 - 12<br/>months<br/>RM'000</b> | <b>&gt; 1 - 5<br/>years<br/>RM'000</b> | <b>Over 5<br/>years<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|--|--|--|------------------------------------|-------------------------|
| <b>Financial assets</b>  |  |  |  |                                    |                         |
| Cash and short term funds  | 5,317,467                              | -  | -                                      | -                                  | 5,317,467               |
| Deposits and placements with banks<br>and other financial institutions | 177,426                                | -  | 13,028                                 | -                                  | 190,454                 |
| Securities purchased under resale<br>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   | 7,264,257                              | 6,046,122                                | 5,710,114                              | 26,009,708                         | 45,030,201              |
| - Impaired   | -                                      | -  | -                                      | 206,356                            | 206,356                 |
| Derivative financial assets  | 148,227                                | 196,659                                  | 934,980                                | 309,277                            | 1,589,143               |
| Other balances   | 1,942,536                              | -  | -                                      | -                                  | 1,942,536               |
|  | <b>17,794,664</b>                      | <b>9,467,435</b>                         | <b>9,725,374</b>                       | <b>27,440,213</b>                  | <b>64,427,686</b>       |
| <b>Financial liabilities</b>   |  |  |  |                                    |                         |
| Deposits from customers  | 28,126,526                             | 6,939,767                                | 387,363                                | 482,162                            | 35,935,818              |
| Deposits and placements of banks and<br>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   | 1,602,100                              | 425,003                                  | -                                      | -                                  | 2,027,103               |
| Subordinated debts   | -                                      | -  | -                                      | 635,300                            | 635,300                 |
|  | <b>37,610,092</b>                      | <b>7,585,230</b>                         | <b>1,468,675</b>                       | <b>1,755,504</b>                   | <b>48,419,501</b>       |
| <b>Net liquidity gap</b>   | <b>(19,815,428)</b>                    | <b>1,882,205</b>                         | <b>8,256,699</b>                       | <b>25,684,709</b>                  | <b>16,008,185</b>       |
| <b>Gross loans/financing<br/>commitments</b>                           | <b>1,653,444</b>                       | <b>12,683,671</b>                        | <b>9,213,323</b>                       | <b>2,666,241</b>                   | <b>26,216,679</b>       |

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**40. Liquidity risk (continued)**

| Group<br>As at 31 December 2011  | 3 months<br>or less<br>RM'000 | > 3 - 12<br>months<br>RM'000 | > 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Total<br>RM'000   |
|--|-------------------------------|------------------------------|----------------------------|---------------------------|-------------------|
| <b>Financial assets</b>  |                               |                              |                            |                           |                   |
| Cash and short term funds  | 6,267,563                     | -                            | -                          | -                         | 6,267,563         |
| Deposits and placements with banks<br>and other financial institutions | 100,533                       | -                            | -                          | -                         | 100,533           |
| Securities purchased under resale<br>agreements                        | 118,224                       | -                            | -                          | -                         | 118,224           |
| Financial assets held for trading                                      | 772,445                       | 1,477,054                    | 1,195,234                  | 376,618                   | 3,821,351         |
| Investment securities available-for-sale                               | 2,797,234                     | 715,469                      | 1,054,395                  | 782,259                   | 5,349,357         |
| Loans, advances and financing  |                               |                              |                            |                           |                   |
| - Performing   | 6,148,918                     | 5,027,864                    | 6,040,954                  | 25,455,174                | 42,672,910        |
| - Impaired   | -                             | -                            | -                          | 125,051                   | 125,051           |
| Derivative financial assets  | 196,796                       | 275,172                      | 678,161                    | 757,524                   | 1,907,653         |
| Other balances   | 1,794,031                     | -                            | -                          | -                         | 1,794,031         |
|  | <b>18,195,744</b>             | <b>7,495,559</b>             | <b>8,968,744</b>           | <b>27,496,626</b>         | <b>62,156,673</b> |
| <b>Financial liabilities</b>   |                               |                              |                            |                           |                   |
| Deposits from customers  | 32,928,094                    | 4,595,832                    | 596,928                    | 453,911                   | 38,574,765        |
| Deposits and placements of banks and<br>other financial institutions   | 2,141,554                     | 659,821                      | 50,260                     | 172,743                   | 3,024,378         |
| Bills and acceptances payable  | -                             | -                            | -                          | -                         | -                 |
| Recourse obligations on loans sold to<br>Cagamas Berhad                | -                             | -                            | -                          | -                         | -                 |
| Derivative financial liabilities                                       | 251,724                       | 236,169                      | 649,270                    | 647,033                   | 1,784,196         |
| Other balances   | 2,003,773                     | 444,120                      | -                          | -                         | 2,447,893         |
| Subordinated debts   | -                             | -                            | 568,445                    | -                         | 568,445           |
|  | <b>37,325,145</b>             | <b>5,935,942</b>             | <b>1,864,903</b>           | <b>1,273,687</b>          | <b>46,399,677</b> |
| <b>Net liquidity gap</b>   | <b>(19,129,401)</b>           | <b>1,559,617</b>             | <b>7,103,841</b>           | <b>26,222,939</b>         | <b>15,756,996</b> |
| <b>Gross loans/financing<br/>commitments</b>                           | <b>3,658,079</b>              | <b>7,952,911</b>             | <b>9,395,966</b>           | <b>2,286,799</b>          | <b>23,293,755</b> |

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**40. Liquidity risk (continued)**

| <b>Group</b><br><b>1 January 2011</b>                                  | <b>3 months<br/>or less<br/>RM'000</b> | <b>&gt; 3 - 12<br/>months<br/>RM'000</b> | <b>&gt; 1 - 5<br/>years<br/>RM'000</b> | <b>Over 5<br/>years<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|--|--|--|------------------------------------|-------------------------|
| <b>Financial assets</b>  |  |  |  |                                    |                         |
| Cash and short term funds  | 4,523,479                              | -  | -                                      | -                                  | 4,523,479               |
| Deposits and placements with banks<br>and other financial institutions | 293,838                                | 66,072                                   | -                                      | -                                  | 359,910                 |
| Securities purchased under resale<br>agreements                        | 90,026                                 | -  | -                                      | -                                  | 90,026                  |
| Financial assets held for trading                                      | 1,016,068                              | 1,426,173                                | 709,644                                | 202,263                            | 3,354,148               |
| Investment securities available-for-sale                               | 4,553,068                              | 1,160,929                                | 1,096,020                              | 100,350                            | 6,910,367               |
| Loans, advances and financing  |  |  |  |                                    |                         |
| - Performing   | 6,576,149                              | 3,799,334                                | 3,719,500                              | 25,509,435                         | 39,604,418              |
| - Impaired   | -                                      | -  | -                                      | 173,170                            | 173,170                 |
| Derivative financial assets  | 415,524                                | 511,643                                  | 836,426                                | 563,008                            | 2,326,601               |
| Other balances   | 244,123                                | -  | -                                      | -                                  | 244,123                 |
|  | <b>17,712,275</b>                      | <b>6,964,151</b>                         | <b>6,361,590</b>                       | <b>26,548,226</b>                  | <b>57,586,242</b>       |
| <b>Financial liabilities</b>   |  |  |  |                                    |                         |
| Deposits from customers  | 29,155,885                             | 4,153,720                                | 712,758                                | 406,378                            | 34,428,741              |
| Deposits and placements of banks and<br>other financial institutions   | 2,975,107                              | 648,467                                  | 7,916                                  | 4,140                              | 3,635,630               |
| Bills and acceptances payable  | 6,811                                  | -  | -                                      | -                                  | 6,811                   |
| Recourse obligations on loans sold to<br>Cagamas Berhad                | 73,621                                 | -  | -                                      | -                                  | 73,621                  |
| Derivative financial liabilities                                       | 292,478                                | 244,072                                  | 898,425                                | 450,807                            | 1,885,782               |
| Other balances   | 1,944,221                              | 502,603                                  | -                                      | -                                  | 2,446,824               |
| Subordinated debts   | -                                      | 400,710                                  | 588,326                                | -                                  | 989,036                 |
|  | <b>34,448,123</b>                      | <b>5,949,572</b>                         | <b>2,207,425</b>                       | <b>861,325</b>                     | <b>43,466,445</b>       |
| <b>Net liquidity gap</b>   | <b>(16,735,848)</b>                    | <b>1,014,579</b>                         | <b>4,154,165</b>                       | <b>25,686,901</b>                  | <b>14,119,797</b>       |
| <b>Gross loans/financing<br/>commitments</b>                           | <b>6,571,092</b>                       | <b>7,548,794</b>                         | <b>239,858</b>                         | <b>1,796,070</b>                   | <b>16,155,814</b>       |



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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.

| <b>Bank</b>  | <b>3 months</b>     | <b>&gt; 3 - 12</b> | <b>&gt; 1 - 5</b> | <b>Over 5</b>     | <b>Total</b>      |
|--|---------------------|--------------------|-------------------|-------------------|-------------------|
| <b>As at 31 December 2012</b>  | <b>or less</b>      | <b>months</b>      | <b>years</b>      | <b>years</b>      | <b>Total</b>      |
|  | <b>RM'000</b>       | <b>RM'000</b>      | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| <b>Financial assets</b>  |                     |                    |                   |                   |                   |
| Cash and short term funds  | 4,146,926           | -                  | -                 | -                 | 4,146,926         |
| Deposits and placements with banks<br>and other financial institutions | 950,716             | 1,092,625          | 13,586            | 30,301            | 2,087,228         |
| Securities purchased under resale<br>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   | 6,603,686           | 5,649,053          | 3,640,187         | 23,745,308        | 39,638,234        |
| - 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         |
|  | <b>16,174,720</b>   | <b>9,795,841</b>   | <b>7,473,468</b>  | <b>25,151,841</b> | <b>58,595,870</b> |
| <b>Financial liabilities</b>   |                     |                    |                   |                   |                   |
| Deposits from customers  | 25,786,971          | 5,547,203          | 265,857           | 369,897           | 31,969,928        |
| Deposits and placements of banks and<br>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           |
|  | <b>35,595,754</b>   | <b>6,180,614</b>   | <b>1,348,027</b>  | <b>1,640,828</b>  | <b>44,765,223</b> |
| <b>Net liquidity gap</b>   | <b>(19,421,034)</b> | <b>3,615,227</b>   | <b>6,125,441</b>  | <b>23,511,013</b> | <b>13,830,647</b> |
| <b>Gross loans/financing<br/>commitments</b>                           | <b>1,397,712</b>    | <b>11,554,874</b>  | <b>9,188,078</b>  | <b>2,278,148</b>  | <b>24,418,812</b> |

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**40. Liquidity risk (continued)**

| <b>Bank<br/>As at 31 December 2011</b>                                 | <b>3 months<br/>or less<br/>RM'000</b> | <b>&gt; 3 - 12<br/>months<br/>RM'000</b> | <b>&gt; 1 - 5<br/>years<br/>RM'000</b> | <b>Over 5<br/>years<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|--|--|--|--|------------------------------------|-------------------------|
| <b>Financial assets</b>  |  |  |  |                                    |                         |
| Cash and short term funds  | 4,893,527                              | -  | -                                      | -                                  | 4,893,527               |
| Deposits and placements with banks<br>and other financial institutions | 149,707                                | 538,978                                  | -                                      | 196,142                            | 884,827                 |
| Securities purchased under resale<br>agreements                        | 118,224                                | -  | -                                      | -                                  | 118,224                 |
| Financial assets held for trading                                      | 772,445                                | 1,477,054                                | 1,195,234                              | 376,618                            | 3,821,351               |
| Investment securities available-for-sale                               | 2,641,306                              | 681,252                                  | 935,133                                | 667,619                            | 4,925,310               |
| Loans, advances and financing  |  |  |  |                                    |                         |
| - Performing   | 5,673,278                              | 4,681,089                                | 4,458,262                              | 23,761,930                         | 38,574,559              |
| - Impaired   | -                                      | -  | -                                      | 109,050                            | 109,050                 |
| Derivative financial assets  | 196,886                                | 275,172                                  | 678,161                                | 757,525                            | 1,907,744               |
| Other balances   | 1,808,113                              | -  | -                                      | -                                  | 1,808,113               |
|  | <b>16,253,486</b>                      | <b>7,653,545</b>                         | <b>7,266,790</b>                       | <b>25,868,884</b>                  | <b>57,042,705</b>       |
| <b>Financial liabilities</b>   |  |  |  |                                    |                         |
| Deposits from customers  | 30,820,019                             | 3,856,118                                | 570,406                                | 345,588                            | 35,592,131              |
| Deposits and placements of banks and<br>other financial institutions   | 2,018,356                              | 652,700                                  | 50,901                                 | 175,389                            | 2,897,346               |
| Bills and acceptances payable  | -                                      | -  | -                                      | -                                  | -                       |
| Recourse obligations on loans sold to<br>Cagamas Berhad                | -                                      | -  | -                                      | -                                  | -                       |
| Derivative financial liabilities                                       | 251,822                                | 236,169                                  | 649,943                                | 647,034                            | 1,784,968               |
| Other balances   | 1,895,596                              | 436,623                                  | -                                      | 22                                 | 2,332,241               |
| Subordinated debts   | -                                      | -  | 568,445                                | -                                  | 568,445                 |
|  | <b>34,985,793</b>                      | <b>5,181,610</b>                         | <b>1,839,695</b>                       | <b>1,168,033</b>                   | <b>43,175,131</b>       |
| <b>Net liquidity gap</b>   | <b>(18,732,307)</b>                    | <b>2,471,935</b>                         | <b>5,427,095</b>                       | <b>24,700,851</b>                  | <b>13,867,574</b>       |
| <b>Gross loans/financing<br/>commitments</b>                           | <b>3,346,345</b>                       | <b>7,022,697</b>                         | <b>9,192,147</b>                       | <b>2,243,587</b>                   | <b>21,814,776</b>       |

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**40. Liquidity risk (continued)**

| <b>Bank</b>  | <b>3 months</b>     | <b>&gt; 3 - 12</b> | <b>&gt; 1 - 5</b> | <b>Over 5</b>     | <b>Total</b>      |
|--|---------------------|--------------------|-------------------|-------------------|-------------------|
| <b>1 January 2011</b>  | <b>or less</b>      | <b>months</b>      | <b>years</b>      | <b>years</b>      | <b>RM'000</b>     |
|  | <b>RM'000</b>       | <b>RM'000</b>      | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| <b>Financial assets</b>  |                     |                    |                   |                   |                   |
| Cash and short term funds  | 3,668,433           | -                  | -                 | -                 | 3,668,433         |
| Deposits and placements with banks<br>and other financial institutions | 1,087,649           | 1,017,055          | -                 | 218,054           | 2,322,758         |
| Securities purchased under resale<br>agreements                        | 89,895              | -                  | -                 | -                 | 89,895            |
| Financial assets held for trading                                      | 1,016,068           | 1,426,173          | 709,644           | 202,263           | 3,354,148         |
| Investment securities available-for-sale                               | 4,193,054           | 901,961            | 1,058,355         | 100,303           | 6,253,673         |
| Loans, advances and financing  |                     |                    |                   |                   |                   |
| - Performing   | 6,041,533           | 3,366,436          | 2,464,161         | 24,609,991        | 36,482,121        |
| - Impaired   | -                   | -                  | -                 | 152,445           | 152,445           |
| Derivative financial assets  | 415,524             | 511,643            | 834,504           | 563,008           | 2,324,679         |
| Other balances   | 296,936             | -                  | -                 | -                 | 296,936           |
|  | <b>16,809,092</b>   | <b>7,223,268</b>   | <b>5,066,664</b>  | <b>25,846,064</b> | <b>54,945,088</b> |
| <b>Financial liabilities</b>   |                     |                    |                   |                   |                   |
| Deposits from customers  | 28,249,185          | 3,843,521          | 684,102           | 306,044           | 33,082,852        |
| Deposits and placements of banks and<br>other financial institutions   | 2,884,889           | 648,686            | -                 | -                 | 3,533,575         |
| Bills and acceptances payable  | 6,811               | -                  | -                 | -                 | 6,811             |
| Recourse obligations on loans sold to<br>Cagamas Berhad                | 73,621              | -                  | -                 | -                 | 73,621            |
| Derivative financial liabilities                                       | 292,478             | 244,072            | 897,422           | 450,806           | 1,884,778         |
| Other balances   | 1,943,155           | 499,091            | -                 | 22                | 2,442,268         |
| Subordinated debts   | -                   | 400,710            | 588,326           | -                 | 989,036           |
|  | <b>33,450,139</b>   | <b>5,636,080</b>   | <b>2,169,850</b>  | <b>756,872</b>    | <b>42,012,941</b> |
| <b>Net liquidity gap</b>   | <b>(16,641,047)</b> | <b>1,587,188</b>   | <b>2,896,814</b>  | <b>25,089,192</b> | <b>12,932,147</b> |
| <b>Gross loans/financing<br/>commitments</b>                           | <b>6,559,006</b>    | <b>6,248,746</b>   | <b>233,346</b>    | <b>1,777,089</b>  | <b>14,818,187</b> |

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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**

| Group   | ← Non-trading books → |                    |                  |                |                        | Trading books    | Total             | Effective interest rate (%) |
|---|-----------------------|--------------------|------------------|----------------|------------------------|------------------|-------------------|-----------------------------|
|   | 3 months or less      | > 3 - 12 months    | > 1 - 5 years    | Over 5 years   | Non-interest sensitive |                  |                   |                             |
| As at 31 December 2012  | RM'000                | RM'000             | RM'000           | RM'000         | RM'000                 | RM'000           | RM'000            |                             |
| <b>Financial assets</b>   |                       |                    |                  |                |                        |                  |                   |                             |
| 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  | 25,044,955            | 4,396,793          | 2,577,359        | 643,489        | -                      | -                | 32,662,596        | 5.73                        |
| - Impaired  | -                     | -                  | -                | -              | 206,356                | -                | 206,356           |                             |
| Derivative financial assets   | -                     | -                  | -                | -              | -                      | 1,589,143        | 1,589,143         |                             |
| Other balances  | -                     | -                  | -                | -              | 1,942,537              | -                | 1,942,537         |                             |
|   | <b>31,998,435</b>     | <b>6,514,877</b>   | <b>4,219,462</b> | <b>775,605</b> | <b>3,060,805</b>       | <b>4,980,335</b> | <b>51,549,519</b> |                             |
| <b>Financial liabilities</b>  |                       |                    |                  |                |                        |                  |                   |                             |
| 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                        |
|   | <b>26,505,257</b>     | <b>7,288,254</b>   | <b>543,936</b>   | <b>751,567</b> | <b>11,317,230</b>      | <b>1,385,896</b> | <b>47,792,140</b> |                             |
| On-balance sheet interest sensitivity gap                           | 5,493,178             | (773,377)          | 3,675,526        | 24,038         | (8,256,425)            | 3,594,439        |                   |                             |
| Off-balance sheet interest sensitivity gap                          | (992,507)             | (476,699)          | (1,638,623)      | 479,120        | -                      | -                |                   |                             |
| <b>Total interest sensitivity gap</b>                               | <b>4,500,671</b>      | <b>(1,250,076)</b> | <b>2,036,903</b> | <b>503,158</b> | <b>(8,256,425)</b>     | <b>3,594,439</b> |                   |                             |

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**41. Market risk (continued)****Interest rate risk (continued)**

| Group<br>As at 31 December 2011                                     | Non-trading books             |                              |                            |                           |                                     | Trading<br>books<br>RM'000 | Total<br>RM'000   | Effective<br>interest<br>rate (%) |
|---|-------------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|----------------------------|-------------------|-----------------------------------|
|   | 3 months<br>or less<br>RM'000 | > 3 - 12<br>months<br>RM'000 | > 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Non-interest<br>sensitive<br>RM'000 |                            |                   |                                   |
| <b>Financial assets</b>   |                               |                              |                            |                           |                                     |                            |                   |                                   |
| Cash and short term funds   | 5,245,079                     | -                            | -                          | -                         | 1,006,890                           | -                          | 6,251,969         | 2.99                              |
| Deposits and placements with banks and other financial institutions | 100,000                       | -                            | -                          | -                         | -                                   | -                          | 100,000           | 3.20                              |
| Securities purchased under resale agreements                        | 117,966                       | -                            | -                          | -                         | -                                   | -                          | 117,966           | 2.62                              |
| Financial assets held for trading                                   | -                             | -                            | -                          | -                         | -                                   | 3,608,720                  | 3,608,720         | 3.39                              |
| Investment securities available-for-sale                            | 2,756,779                     | 739,855                      | 811,667                    | 570,090                   | 25,836                              | -                          | 4,904,227         | 2.89                              |
| Loans, advances and financing                                       |                               |                              |                            |                           |                                     |                            |                   |                                   |
| - Performing  | 22,640,816                    | 4,376,890                    | 2,460,502                  | 1,203,769                 | 2,323                               | -                          | 30,684,300        | 5.62                              |
| - Impaired  | -                             | -                            | -                          | -                         | 125,051                             | -                          | 125,051           |                                   |
| Derivative financial assets   | -                             | -                            | -                          | -                         | -                                   | 1,907,653                  | 1,907,653         |                                   |
| Other balances  | -                             | -                            | -                          | -                         | 1,794,031                           | -                          | 1,794,031         |                                   |
|   | <b>30,860,640</b>             | <b>5,116,745</b>             | <b>3,272,169</b>           | <b>1,773,859</b>          | <b>2,954,131</b>                    | <b>5,516,373</b>           | <b>49,493,917</b> |                                   |
| <b>Financial liabilities</b>  |                               |                              |                            |                           |                                     |                            |                   |                                   |
| Deposits from customers   | 25,770,298                    | 4,537,711                    | 535,563                    | 396,163                   | 7,084,259                           | -                          | 38,323,994        | 2.29                              |
| Deposits and placements of banks and other financial institutions   | 2,135,145                     | 647,486                      | 42,185                     | 140,000                   | -                                   | -                          | 2,964,816         | 3.56                              |
| Bills and acceptances payable                                       | -                             | -                            | -                          | -                         | -                                   | -                          | -                 |                                   |
| Recourse obligations on loans sold to Cagamas Berhad                | -                             | -                            | -                          | -                         | -                                   | -                          | -                 |                                   |
| Derivative financial liabilities                                    | -                             | -                            | -                          | -                         | -                                   | 1,784,196                  | 1,784,196         |                                   |
| Other balances  | -                             | -                            | -                          | -                         | 2,447,892                           | -                          | 2,447,892         |                                   |
| Subordinated debts  | -                             | 503,762                      | -                          | -                         | -                                   | -                          | 503,762           | 4.28                              |
|   | <b>27,905,443</b>             | <b>5,688,959</b>             | <b>577,748</b>             | <b>536,163</b>            | <b>9,532,151</b>                    | <b>1,784,196</b>           | <b>46,024,660</b> |                                   |
| On-balance sheet interest sensitivity gap                           | 2,955,197                     | (572,214)                    | 2,694,421                  | 1,237,696                 | (6,578,020)                         | 3,732,177                  |                   |                                   |
| Off-balance sheet interest sensitivity gap                          | (3,374,052)                   | 1,650,164                    | (1,356,978)                | (741,031)                 | -                                   | -                          |                   |                                   |
| <b>Total interest sensitivity gap</b>                               | <b>(418,855)</b>              | <b>1,077,950</b>             | <b>1,337,443</b>           | <b>496,665</b>            | <b>(6,578,020)</b>                  | <b>3,732,177</b>           |                   |                                   |

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**41. Market risk (continued)****Interest rate risk (continued)**

| Group<br>As at 1 January 2011                                       | ← Non-trading books →         |                              |                            |                           |                                     | Trading<br>books<br>RM'000 | Total<br>RM'000   | Effective<br>interest<br>rate (%) |
|---|-------------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|----------------------------|-------------------|-----------------------------------|
|   | 3 months<br>or less<br>RM'000 | > 3 - 12<br>months<br>RM'000 | > 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Non-interest<br>sensitive<br>RM'000 |                            |                   |                                   |
| <b>Financial assets</b>   |                               |                              |                            |                           |                                     |                            |                   |                                   |
| Cash and short term funds   | 3,776,116                     | -                            | -                          | -                         | 746,550                             | -                          | 4,522,666         | 1.82                              |
| Deposits and placements with banks and other financial institutions | 293,259                       | 64,923                       | -                          | -                         | -                                   | -                          | 358,182           | 2.11                              |
| Securities purchased under resale agreements                        | 89,854                        | -                            | -                          | -                         | -                                   | -                          | 89,854            | 2.30                              |
| Financial assets held for trading                                   | -                             | -                            | -                          | -                         | -                                   | 3,211,890                  | 3,211,890         | 3.29                              |
| Investment securities available-for-sale                            | 4,496,450                     | 1,142,140                    | 1,020,479                  | 77,220                    | 24,384                              | -                          | 6,760,673         | 2.91                              |
| Loans, advances and financing                                       |                               |                              |                            |                           |                                     |                            |                   |                                   |
| - Performing  | 22,277,063                    | 3,466,537                    | 1,606,374                  | 863,308                   | 1,239                               | -                          | 28,214,521        | 5.22                              |
| - Impaired  | -                             | -                            | -                          | -                         | 173,170                             | -                          | 173,170           |                                   |
| Derivative financial assets   | -                             | -                            | -                          | -                         | -                                   | 2,326,601                  | 2,326,601         |                                   |
| Other balances  | -                             | -                            | -                          | -                         | 244,124                             | -                          | 244,124           |                                   |
|   | <b>30,932,742</b>             | <b>4,673,600</b>             | <b>2,626,853</b>           | <b>940,528</b>            | <b>1,189,467</b>                    | <b>5,538,491</b>           | <b>45,901,681</b> |                                   |
| <b>Financial liabilities</b>  |                               |                              |                            |                           |                                     |                            |                   |                                   |
| Deposits from customers   | 22,496,373                    | 4,102,200                    | 656,206                    | 384,007                   | 6,617,942                           | -                          | 34,256,728        | 1.93                              |
| Deposits and placements of banks and other financial institutions   | 2,968,853                     | 640,617                      | 7,551                      | 3,615                     | -                                   | -                          | 3,620,636         | 2.42                              |
| Bills and acceptances payable                                       | 6,792                         | -                            | -                          | -                         | -                                   | -                          | 6,792             | 3.37                              |
| Recourse obligations on loans sold to Cagamas Berhad                | 72,919                        | -                            | -                          | -                         | -                                   | -                          | 72,919            | 4.60                              |
| Derivative financial liabilities                                    | -                             | -                            | -                          | -                         | -                                   | 1,885,782                  | 1,885,782         |                                   |
| Other balances  | -                             | -                            | -                          | -                         | 2,446,824                           | -                          | 2,446,824         |                                   |
| Subordinated debts  | -                             | 380,000                      | 505,652                    | -                         | -                                   | -                          | 885,652           | 5.45                              |
|   | <b>25,544,937</b>             | <b>5,122,817</b>             | <b>1,169,409</b>           | <b>387,622</b>            | <b>9,064,766</b>                    | <b>1,885,782</b>           | <b>43,175,333</b> |                                   |
| On-balance sheet interest sensitivity gap                           | 5,387,805                     | (449,217)                    | 1,457,444                  | 552,906                   | (7,875,299)                         | 3,652,709                  |                   |                                   |
| Off-balance sheet interest sensitivity gap                          | (7,033,571)                   | 3,418,721                    | (402,670)                  | (871,933)                 | -                                   | -                          |                   |                                   |
| <b>Total interest sensitivity gap</b>                               | <b>(1,645,766)</b>            | <b>2,969,504</b>             | <b>1,054,774</b>           | <b>(319,027)</b>          | <b>(7,875,299)</b>                  | <b>3,652,709</b>           |                   |                                   |

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**41. Market risk (continued)****Interest rate risk (continued)**

| Bank<br>As at 31 December 2012                                      | ← Non-trading books →         |                              |                            |                           |                                     | Trading<br>books<br>RM'000 | Total<br>RM'000   | Effective<br>interest<br>rate (%) |
|---|-------------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|----------------------------|-------------------|-----------------------------------|
|   | 3 months<br>or less<br>RM'000 | > 3 - 12<br>months<br>RM'000 | > 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Non-interest<br>sensitive<br>RM'000 |                            |                   |                                   |
| <b>Financial assets</b>   |                               |                              |                            |                           |                                     |                            |                   |                                   |
| 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  | 23,809,262                    | 4,267,231                    | 538,595                    | 141,311                   | -                                   | -                          | 28,756,399        | 5.29                              |
| - Impaired  | -                             | -                            | -                          | -                         | 175,841                             | -                          | 175,841           |                                   |
| Derivative financial assets   | -                             | -                            | -                          | -                         | -                                   | 1,589,144                  | 1,589,144         |                                   |
| Other balances  | -                             | -                            | -                          | -                         | 2,188,024                           | -                          | 2,188,024         |                                   |
|   | <b>29,575,451</b>             | <b>7,119,581</b>             | <b>2,180,699</b>           | <b>298,931</b>            | <b>3,259,631</b>                    | <b>4,980,336</b>           | <b>47,414,629</b> |                                   |
| <b>Financial liabilities</b>  |                               |                              |                            |                           |                                     |                            |                   |                                   |
| 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                              |
|   | <b>24,074,546</b>             | <b>5,842,581</b>             | <b>515,645</b>             | <b>653,526</b>            | <b>11,728,921</b>                   | <b>1,386,071</b>           | <b>44,201,290</b> |                                   |
| On-balance sheet interest sensitivity gap                           | 5,500,905                     | 1,277,000                    | 1,665,054                  | (354,595)                 | (8,469,290)                         | 3,594,265                  |                   |                                   |
| Off-balance sheet interest sensitivity gap                          | (992,507)                     | (476,699)                    | (1,638,623)                | 479,120                   | -                                   | -                          |                   |                                   |
| <b>Total interest sensitivity gap</b>                               | <b>4,508,398</b>              | <b>800,301</b>               | <b>26,431</b>              | <b>124,525</b>            | <b>(8,469,290)</b>                  | <b>3,594,265</b>           |                   |                                   |

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**41. Market risk (continued)****41. Market risk (continued)****Interest rate risk (continued)**

| Bank<br>As at 31 December 2011                                      | ← Non-trading books →         |                              |                            |                           | Non-interest<br>sensitive<br>RM'000 | Trading<br>books<br>RM'000 | Total<br>RM'000   | Effective<br>interest<br>rate (%) |
|---|-------------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|----------------------------|-------------------|-----------------------------------|
|   | 3 months<br>or less<br>RM'000 | > 3 - 12<br>months<br>RM'000 | > 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                                     |                            |                   |                                   |
| <b>Financial assets</b>   |                               |                              |                            |                           |                                     |                            |                   |                                   |
| Cash and short term funds   | 4,006,107                     | -                            | -                          | -                         | 875,172                             | -                          | 4,881,279         | 3.01                              |
| Deposits and placements with banks and other financial institutions | 148,750                       | 526,685                      | -                          | 163,579                   | -                                   | -                          | 839,014           | 3.32                              |
| Securities purchased under resale agreements                        | 117,966                       | -                            | -                          | -                         | -                                   | -                          | 117,966           | 2.62                              |
| Financial assets held for trading                                   | -                             | -                            | -                          | -                         | -                                   | 3,608,720                  | 3,608,720         | 3.39                              |
| Investment securities available-for-sale                            | 2,612,337                     | 714,826                      | 806,617                    | 570,090                   | 25,836                              | -                          | 4,729,706         | 2.88                              |
| Loans, advances and financing                                       |                               |                              |                            |                           |                                     |                            |                   |                                   |
| - Performing  | 22,038,878                    | 4,262,477                    | 1,073,807                  | 468,985                   | -                                   | -                          | 27,844,147        | 5.14                              |
| - Impaired  | -                             | -                            | -                          | -                         | 109,050                             | -                          | 109,050           |                                   |
| Derivative financial assets   | -                             | -                            | -                          | -                         | -                                   | 1,907,744                  | 1,907,744         |                                   |
| Other balances  | -                             | -                            | -                          | -                         | 1,808,113                           | -                          | 1,808,113         |                                   |
|   | <b>28,924,038</b>             | <b>5,503,988</b>             | <b>1,880,424</b>           | <b>1,202,654</b>          | <b>2,818,171</b>                    | <b>5,516,464</b>           | <b>45,845,739</b> |                                   |
| <b>Financial liabilities</b>  |                               |                              |                            |                           |                                     |                            |                   |                                   |
| Deposits from customers   | 23,669,582                    | 3,811,041                    | 511,429                    | 302,624                   | 7,084,259                           | -                          | 35,378,935        | 2.24                              |
| Deposits and placements of banks and other financial institutions   | 2,011,867                     | 639,633                      | 42,185                     | 140,000                   | -                                   | -                          | 2,833,685         | 3.83                              |
| Bills and acceptances payable                                       | -                             | -                            | -                          | -                         | -                                   | -                          | -                 |                                   |
| Recourse obligations on loans sold to Cagamas Berhad                | -                             | -                            | -                          | -                         | -                                   | -                          | -                 |                                   |
| Derivative financial liabilities                                    | -                             | -                            | -                          | -                         | -                                   | 1,784,968                  | 1,784,968         |                                   |
| Other balances  | -                             | -                            | -                          | -                         | 2,332,241                           | -                          | 2,332,241         |                                   |
| Subordinated debts  | -                             | 503,762                      | -                          | -                         | -                                   | -                          | 503,762           | 4.28                              |
|   | <b>25,681,449</b>             | <b>4,954,436</b>             | <b>553,614</b>             | <b>442,624</b>            | <b>9,416,500</b>                    | <b>1,784,968</b>           | <b>42,833,591</b> |                                   |
| On-balance sheet interest sensitivity gap                           | 3,242,589                     | 549,552                      | 1,326,810                  | 760,030                   | (6,598,329)                         | 3,731,496                  |                   |                                   |
| Off-balance sheet interest sensitivity gap                          | (3,374,052)                   | 1,650,164                    | (1,356,978)                | (741,031)                 | -                                   | -                          |                   |                                   |
| <b>Total interest sensitivity gap</b>                               | <b>(131,463)</b>              | <b>2,199,716</b>             | <b>(30,168)</b>            | <b>18,999</b>             | <b>(6,598,329)</b>                  | <b>3,731,496</b>           |                   |                                   |



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**41. Market risk (continued)****41. Market risk (continued)****Interest rate risk (continued)**

| Bank<br>As at 1 January 2011  | ← Non-trading books →         |                              |                            |                           | Non-interest<br>sensitive<br>RM'000 | Trading<br>books<br>RM'000 | Total<br>RM'000   | Effective<br>interest<br>rate (%) |
|---|-------------------------------|------------------------------|----------------------------|---------------------------|-------------------------------------|----------------------------|-------------------|-----------------------------------|
|   | 3 months<br>or less<br>RM'000 | > 3 - 12<br>months<br>RM'000 | > 1 - 5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 |                                     |                            |                   |                                   |
| <b>Financial assets</b>   |                               |                              |                            |                           |                                     |                            |                   |                                   |
| Cash and short term funds   | 3,141,681                     | -                            | -                          | -                         | 526,162                             | -                          | 3,667,843         | 1.63                              |
| Deposits and placements with banks and other financial institutions | 1,085,133                     | 1,001,597                    | -                          | 177,000                   | -                                   | -                          | 2,263,730         | 2.64                              |
| Securities purchased under resale agreements                        | 89,854                        | -                            | -                          | -                         | -                                   | -                          | 89,854            | 2.30                              |
| Financial assets held for trading                                   | -                             | -                            | -                          | -                         | -                                   | 3,211,890                  | 3,211,890         | 3.29                              |
| Investment securities available-for-sale                            | 4,162,817                     | 887,662                      | 985,264                    | 77,220                    | 24,384                              | -                          | 6,137,347         | 2.97                              |
| Loans, advances and financing                                       |                               |                              |                            |                           |                                     |                            |                   |                                   |
| - Performing  | 21,494,471                    | 3,363,071                    | 691,488                    | 360,706                   | -                                   | -                          | 25,909,736        | 4.94                              |
| - Impaired  | -                             | -                            | -                          | -                         | 152,445                             | -                          | 152,445           |                                   |
| Derivative financial assets   | -                             | -                            | -                          | -                         | -                                   | 2,324,679                  | 2,324,679         |                                   |
| Other balances  | -                             | -                            | -                          | -                         | 296,936                             | -                          | 296,936           |                                   |
|   | <b>29,973,956</b>             | <b>5,252,330</b>             | <b>1,676,752</b>           | <b>614,926</b>            | <b>999,927</b>                      | <b>5,536,569</b>           | <b>44,054,460</b> |                                   |
| <b>Financial liabilities</b>  |                               |                              |                            |                           |                                     |                            |                   |                                   |
| Deposits from customers   | 21,592,625                    | 3,796,746                    | 629,792                    | 298,163                   | 6,617,942                           | -                          | 32,935,268        | 1.90                              |
| Deposits and placements of banks and other financial institutions   | 2,878,648                     | 640,617                      | -                          | -                         | -                                   | -                          | 3,519,265         | 2.49                              |
| Bills and acceptances payable                                       | 6,792                         | -                            | -                          | -                         | -                                   | -                          | 6,792             | 3.37                              |
| Recourse obligations on loans sold to Cagamas Berhad                | 72,919                        | -                            | -                          | -                         | -                                   | -                          | 72,919            | 4.60                              |
| Derivative financial liabilities                                    | -                             | -                            | -                          | -                         | -                                   | 1,884,778                  | 1,884,778         |                                   |
| Other balances  | -                             | -                            | -                          | -                         | 2,442,268                           | -                          | 2,442,268         |                                   |
| Subordinated debts  | -                             | 380,000                      | 505,652                    | -                         | -                                   | -                          | 885,652           | 5.45                              |
|   | <b>24,550,984</b>             | <b>4,817,363</b>             | <b>1,135,444</b>           | <b>298,163</b>            | <b>9,060,210</b>                    | <b>1,884,778</b>           | <b>41,746,942</b> |                                   |
| On-balance sheet interest sensitivity gap                           | 5,422,972                     | 434,967                      | 541,308                    | 316,763                   | (8,060,283)                         | 3,651,791                  |                   |                                   |
| Off-balance sheet interest sensitivity gap                          | (7,033,571)                   | 3,418,721                    | (402,670)                  | (871,933)                 | -                                   | -                          |                   |                                   |
| <b>Total interest sensitivity gap</b>                               | <b>(1,610,599)</b>            | <b>3,853,688</b>             | <b>138,638</b>             | <b>(555,170)</b>          | <b>(8,060,283)</b>                  | <b>3,651,791</b>           |                   |                                   |

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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 various currencies where relevant:-

**Group**

| Type of Currency | Impact on Positions as at Reporting Period<br>(200 basis points) Parallel Shift |                    | Impact on Positions as at Reporting Period<br>(200 basis points) Parallel Shift |                    |
|------------------|---|--------------------|---|--------------------|
|                  | Increase/(Decline)  | Increase/(Decline) | Increase/(Decline)  | Increase/(Decline) |
|                  | in profit before taxation   | in equity          | in profit before taxation   | in equity          |
|                  | 31.12.2012  | 31.12.2012         | 31.12.2011  | 31.12.2011         |
|                  | RM'000  | RM'000             | RM'000  | RM'000             |
| MYR              | 32,479  | 24,359             | 146,742   | 110,056            |
| USD              | (3,328)   | (2,496)            | (47,335)  | (35,502)           |
| EUR              | 682   | 511                | 1,648   | 1,236              |
| GBP              | 248   | 186                | (749)   | (561)              |
| JPY              | 769   | 577                | 1,262   | 946                |

**Bank**

| Type of Currency | Impact on Positions as at Reporting Period<br>(200 basis points) Parallel Shift |                    | Impact on Positions as at Reporting Period<br>(200 basis points) Parallel Shift |                    |
|------------------|---|--------------------|---|--------------------|
|                  | Increase/(Decline)  | Increase/(Decline) | Increase/(Decline)  | Increase/(Decline) |
|                  | in profit before taxation   | in equity          | in profit before taxation   | in equity          |
|                  | 31.12.2012  | 31.12.2012         | 31.12.2011  | 31.12.2011         |
|                  | RM'000  | RM'000             | RM'000  | RM'000             |
| MYR              | 64,182  | 48,136             | 160,058   | 120,044            |
| USD              | 1,257   | 943                | (49,651)  | (37,238)           |
| EUR              | 682   | 511                | 2,047   | 1,535              |
| GBP              | 248   | 186                | (1,233)   | (925)              |
| JPY              | 769   | 577                | 1,389   | 1,042              |

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**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 and Japanese Yen.

| <b>Group<br/>As at 31 December 2012</b>                                   | <b>MYR<br/>RM'000</b> | <b>USD<br/>RM'000</b> | <b>GBP<br/>RM'000</b> | <b>SGD<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------|-------------------------|
| <b>Financial assets</b>   |                       |                       |                       |                       |                          |                         |
| Cash and short term funds   | 3,825,561             | 1,033,041             | 23,154                | 84,277                | 340,516                  | 5,306,549               |
| Deposits and placements<br>with banks and other<br>financial institutions | 100,000               | 88,206                | -                     | -                     | -                        | 188,206                 |
| Securities purchased under<br>resale agreements                           | 148,141               | -                     | -                     | -                     | -                        | 148,141                 |
| Financial assets held for<br>trading                                      | 3,391,192             | -                     | -                     | -                     | -                        | 3,391,192               |
| Investment securities<br>available-for-sale                               | 5,769,135             | 345,096               | 568                   | -                     | -                        | 6,114,799               |
| Loans, advances and financing   | 29,346,106            | 2,844,307             | 609,726               | 9,065                 | 59,748                   | 32,868,952              |
| 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               |
|   | <b>45,222,569</b>     | <b>4,860,421</b>      | <b>659,550</b>        | <b>94,202</b>         | <b>712,777</b>           | <b>51,549,519</b>       |
| <b>Financial liabilities</b>  |                       |                       |                       |                       |                          |                         |
| Deposits from customers   | 32,198,841            | 2,219,096             | 163,821               | 108,700               | 874,028                  | 35,564,486              |
| Deposits and placements<br>of banks and other<br>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                 |
|   | <b>42,234,023</b>     | <b>3,729,502</b>      | <b>747,721</b>        | <b>138,944</b>        | <b>941,950</b>           | <b>47,792,140</b>       |
| <b>Total foreign currency<br/>sensitivity gap</b>                         | <b>2,988,546</b>      | <b>1,130,919</b>      | <b>(88,171)</b>       | <b>(44,742)</b>       | <b>(229,173)</b>         |                         |

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**41. Market risk (continued)****Foreign currency risk (continued)**

| <b>Group<br/>As at 31 December 2011</b>                                   | <b>MYR<br/>RM'000</b> | <b>USD<br/>RM'000</b> | <b>GBP<br/>RM'000</b> | <b>SGD<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------|-------------------------|
| <b>Financial assets</b>   |                       |                       |                       |                       |                          |                         |
| Cash and short term funds   | 5,478,621             | 176,113               | 23,868                | 140,896               | 432,471                  | 6,251,969               |
| Deposits and placements<br>with banks and other<br>financial institutions | 100,000               | -                     | -                     | -                     | -                        | 100,000                 |
| Securities purchased under<br>resale agreements                           | 117,966               | -                     | -                     | -                     | -                        | 117,966                 |
| Financial assets held for<br>trading                                      | 3,608,720             | -                     | -                     | -                     | -                        | 3,608,720               |
| Investment securities<br>available-for-sale                               | 4,529,879             | 373,786               | 562                   | -                     | -                        | 4,904,227               |
| Loans, advances and financing   | 27,835,677            | 2,379,607             | 579,887               | 710                   | 13,470                   | 30,809,351              |
| Derivative financial assets   | 799,598               | 898,616               | 282                   | 314                   | 208,843                  | 1,907,653               |
| Other balances  | 1,747,548             | 11,520                | 17,126                | 123                   | 17,714                   | 1,794,031               |
|   | <b>44,218,009</b>     | <b>3,839,642</b>      | <b>621,725</b>        | <b>142,043</b>        | <b>672,498</b>           | <b>49,493,917</b>       |
| <b>Financial liabilities</b>  |                       |                       |                       |                       |                          |                         |
| Deposits from customers   | 33,986,479            | 3,279,713             | 183,228               | 83,263                | 791,311                  | 38,323,994              |
| Deposits and placements<br>of banks and other<br>financial institutions   | 1,906,920             | 353,690               | 583,149               | 37,277                | 83,780                   | 2,964,816               |
| Bills and acceptances payable   | -                     | -                     | -                     | -                     | -                        | -                       |
| Recourse obligations on loans<br>sold to Cagamas Berhad                   | -                     | -                     | -                     | -                     | -                        | -                       |
| Derivative financial liabilities  | 895,849               | 799,566               | 2,446                 | 1,610                 | 84,725                   | 1,784,196               |
| Other balances  | 1,867,446             | 491,386               | 17,654                | 57,032                | 14,374                   | 2,447,892               |
| Subordinated debts  | 503,762               | -                     | -                     | -                     | -                        | 503,762                 |
|   | <b>39,160,456</b>     | <b>4,924,355</b>      | <b>786,477</b>        | <b>179,182</b>        | <b>974,190</b>           | <b>46,024,660</b>       |
| <b>Total foreign currency<br/>sensitivity gap</b>                         | <b>5,057,553</b>      | <b>(1,084,713)</b>    | <b>(164,752)</b>      | <b>(37,139)</b>       | <b>(301,692)</b>         |                         |

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**41. Market risk (continued)****Foreign currency risk (continued)**

| <b>Group<br/>As at 1 January 2011</b>                                     | <b>MYR<br/>RM'000</b> | <b>USD<br/>RM'000</b> | <b>GBP<br/>RM'000</b> | <b>SGD<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------|-------------------------|
| <b>Financial assets</b>   |                       |                       |                       |                       |                          |                         |
| Cash and short term funds   | 2,431,225             | 1,541,743             | 17,563                | 157,050               | 375,085                  | 4,522,666               |
| Deposits and placements<br>with banks and other<br>financial institutions | 50,000                | 154,124               | 12,900                | -                     | 141,158                  | 358,182                 |
| Securities purchased under<br>resale agreements                           | 89,854                | -                     | -                     | -                     | -                        | 89,854                  |
| Financial assets held for<br>trading                                      | 3,211,890             | -                     | -                     | -                     | -                        | 3,211,890               |
| Investment securities<br>available-for-sale                               | 6,760,124             | -                     | 549                   | -                     | -                        | 6,760,673               |
| Loans, advances and financing   | 26,321,086            | 1,482,271             | 561,076               | -                     | 23,258                   | 28,387,691              |
| Derivative financial assets   | 1,281,373             | 757,614               | 927                   | 8,238                 | 278,449                  | 2,326,601               |
| Other balances  | 222,003               | 844                   | 16,822                | 61                    | 4,394                    | 244,124                 |
|   | <b>40,367,555</b>     | <b>3,936,596</b>      | <b>609,837</b>        | <b>165,349</b>        | <b>822,344</b>           | <b>45,901,681</b>       |
| <b>Financial liabilities</b>  |                       |                       |                       |                       |                          |                         |
| Deposits from customers   | 30,889,282            | 2,264,030             | 276,460               | 117,190               | 709,766                  | 34,256,728              |
| Deposits and placements<br>of banks and other<br>financial institutions   | 1,870,473             | 1,125,908             | 559,599               | 23,807                | 40,849                   | 3,620,636               |
| Bills and acceptances payable   | -                     | 2,254                 | 2,201                 | 1,228                 | 1,109                    | 6,792                   |
| Recourse obligations on loans<br>sold to Cagamas Berhad                   | 72,919                | -                     | -                     | -                     | -                        | 72,919                  |
| Derivative financial liabilities  | 760,566               | 1,053,892             | 3,485                 | 2,584                 | 65,255                   | 1,885,782               |
| Other balances  | 1,758,486             | 518,881               | 24,641                | 58,198                | 86,618                   | 2,446,824               |
| Subordinated debts  | 885,652               | -                     | -                     | -                     | -                        | 885,652                 |
|   | <b>36,237,378</b>     | <b>4,964,965</b>      | <b>866,386</b>        | <b>203,007</b>        | <b>903,597</b>           | <b>43,175,333</b>       |
| <b>Total foreign currency<br/>sensitivity gap</b>                         | <b>4,130,177</b>      | <b>(1,028,369)</b>    | <b>(256,549)</b>      | <b>(37,658)</b>       | <b>(81,253)</b>          |                         |

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**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.

| <b>Bank<br/>As at 31 December 2012</b>                                    | <b>MYR<br/>RM'000</b> | <b>USD<br/>RM'000</b> | <b>GBP<br/>RM'000</b> | <b>SGD<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------|-------------------------|
| <b>Financial assets</b>   |                       |                       |                       |                       |                          |                         |
| Cash and short term funds   | 2,613,989             | 1,077,135             | 23,154                | 84,277                | 340,516                  | 4,139,071               |
| Deposits and placements<br>with banks and other<br>financial institutions | 1,880,230             | 173,422               | -                     | -                     | -                        | 2,053,652               |
| Securities purchased under<br>resale agreements                           | 148,141               | -                     | -                     | -                     | -                        | 148,141                 |
| Financial assets held for<br>trading                                      | 3,391,192             | -                     | -                     | -                     | -                        | 3,391,192               |
| Investment securities<br>available-for-sale                               | 4,627,501             | 345,096               | 568                   | -                     | -                        | 4,973,165               |
| Loans, advances and financing   | 25,531,767            | 2,721,934             | 609,726               | 9,065                 | 59,748                   | 28,932,240              |
| 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               |
|   | <b>41,082,164</b>     | <b>4,861,297</b>      | <b>659,550</b>        | <b>94,202</b>         | <b>717,416</b>           | <b>47,414,629</b>       |
| <b>Financial liabilities</b>  |                       |                       |                       |                       |                          |                         |
| Deposits from customers   | 28,397,334            | 2,219,096             | 163,821               | 108,700               | 775,232                  | 31,664,183              |
| Deposits and placements<br>of banks and other<br>financial institutions   | 7,236,196             | 356,054               | 583,297               | 20,140                | 16,556                   | 8,212,243               |
| Bills and acceptances payable   | -                     | -                     | -                     | -                     | -                        | -                       |
| Recourse obligations on loans<br>sold to Cagamas Berhad                   | -                     | -                     | -                     | -                     | -                        | -                       |
| 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                 |
|   | <b>38,212,051</b>     | <b>4,011,285</b>      | <b>1,032,823</b>      | <b>47,314</b>         | <b>897,817</b>           | <b>44,201,290</b>       |
| <b>Total foreign currency<br/>sensitivity gap</b>                         | <b>2,870,113</b>      | <b>850,012</b>        | <b>(373,273)</b>      | <b>46,888</b>         | <b>(180,401)</b>         |                         |

\* 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.

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**41. Market risk (continued)****Foreign currency risk (continued)**

| <b>Bank<br/>As at 31 December 2011</b>                                    | <b>MYR<br/>RM'000</b> | <b>USD<br/>RM'000</b> | <b>GBP<br/>RM'000</b> | <b>SGD<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------|-------------------------|
| <b>Financial assets</b>   |                       |                       |                       |                       |                          |                         |
| Cash and short term funds   | 4,131,644             | 188,276               | 21                    | 140,896               | 420,442                  | 4,881,279               |
| Deposits and placements<br>with banks and other<br>financial institutions | 826,329               | 12,685                | -                     | -                     | -                        | 839,014                 |
| Securities purchased under<br>resale agreements                           | 117,966               | -                     | -                     | -                     | -                        | 117,966                 |
| Financial assets held for<br>trading                                      | 3,608,720             | -                     | -                     | -                     | -                        | 3,608,720               |
| Investment securities<br>available-for-sale                               | 4,355,358             | 373,786               | 562                   | -                     | -                        | 4,729,706               |
| Loans, advances and financing   | 25,135,831            | 2,223,905             | 579,281               | 710                   | 13,470                   | 27,953,197              |
| Derivative financial assets   | 799,599               | 898,706               | 282                   | 314                   | 208,843                  | 1,907,744               |
| Other balances  | 1,761,630             | 11,520                | 17,126                | 123                   | 17,714                   | 1,808,113               |
|   | <b>40,737,077</b>     | <b>3,708,878</b>      | <b>597,272</b>        | <b>142,043</b>        | <b>660,469</b>           | <b>45,845,739</b>       |
| <b>Financial liabilities</b>  |                       |                       |                       |                       |                          |                         |
| Deposits from customers   | 31,041,420            | 3,279,713             | 183,228               | 83,263                | 791,311                  | 35,378,935              |
| Deposits and placements<br>of banks and other<br>financial institutions   | 1,890,002             | 353,690               | 583,149               | -                     | 6,844                    | 2,833,685               |
| Bills and acceptances payable   | -                     | -                     | -                     | -                     | -                        | -                       |
| Recourse obligations on loans<br>sold to Cagamas Berhad                   | -                     | -                     | -                     | -                     | -                        | -                       |
| Derivative financial liabilities  | 898,391               | 797,796               | 2,446                 | 1,610                 | 84,725                   | 1,784,968               |
| Other balances  | 1,802,983             | 490,036               | 17,644                | 7,261                 | 14,317                   | 2,332,241               |
| Subordinated debts  | 503,762               | -                     | -                     | -                     | -                        | 503,762                 |
|   | <b>36,136,558</b>     | <b>4,921,235</b>      | <b>786,467</b>        | <b>92,134</b>         | <b>897,197</b>           | <b>42,833,591</b>       |
| <b>Total foreign currency<br/>sensitivity gap</b>                         | <b>4,600,519</b>      | <b>(1,212,357)</b>    | <b>(189,195)</b>      | <b>49,909</b>         | <b>(236,728)</b>         |                         |

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**41. Market risk (continued)****Foreign currency risk (continued)**

| <b>Bank<br/>As at 1 January 2011</b>                                      | <b>MYR<br/>RM'000</b> | <b>USD<br/>RM'000</b> | <b>GBP<br/>RM'000</b> | <b>SGD<br/>RM'000</b> | <b>Others<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------|-------------------------|
| <b>Financial assets</b>   |                       |                       |                       |                       |                          |                         |
| Cash and short term funds   | 1,783,828             | 1,357,832             | 4,788                 | 157,050               | 364,345                  | 3,667,843               |
| Deposits and placements<br>with banks and other<br>financial institutions | 1,829,714             | 279,958               | 12,900                | -                     | 141,158                  | 2,263,730               |
| Securities purchased under<br>resale agreements                           | 89,854                | -                     | -                     | -                     | -                        | 89,854                  |
| Financial assets held for<br>trading                                      | 3,211,890             | -                     | -                     | -                     | -                        | 3,211,890               |
| Investment securities<br>available-for-sale                               | 6,136,798             | -                     | 549                   | -                     | -                        | 6,137,347               |
| Loans, advances and financing   | 24,127,152            | 1,350,257             | 561,076               | 710                   | 22,986                   | 26,062,181              |
| Derivative financial assets   | 1,281,437             | 755,627               | 927                   | 8,238                 | 278,450                  | 2,324,679               |
| Other balances  | 274,531               | 1,114                 | 16,831                | 66                    | 4,394                    | 296,936                 |
|   | <b>38,735,204</b>     | <b>3,744,788</b>      | <b>597,071</b>        | <b>166,064</b>        | <b>811,333</b>           | <b>44,054,460</b>       |
| <b>Financial liabilities</b>  |                       |                       |                       |                       |                          |                         |
| Deposits from customers   | 29,567,822            | 2,264,030             | 276,460               | 117,190               | 709,766                  | 32,935,268              |
| Deposits and placements<br>of banks and other<br>financial institutions   | 1,828,358             | 1,122,294             | 559,599               | -                     | 9,014                    | 3,519,265               |
| Bills and acceptances payable   | -                     | 2,254                 | 2,201                 | 1,228                 | 1,109                    | 6,792                   |
| Recourse obligations on loans<br>sold to Cagamas Berhad                   | 72,919                | -                     | -                     | -                     | -                        | 72,919                  |
| Derivative financial liabilities  | 750,353               | 1,065,088             | 3,485                 | 597                   | 65,255                   | 1,884,778               |
| Other balances  | 1,806,239             | 514,914               | 24,650                | 9,767                 | 86,698                   | 2,442,268               |
| Subordinated debts  | 885,652               | -                     | -                     | -                     | -                        | 885,652                 |
|   | <b>34,911,343</b>     | <b>4,968,580</b>      | <b>866,395</b>        | <b>128,782</b>        | <b>871,842</b>           | <b>41,746,942</b>       |
| <b>Total foreign currency<br/>sensitivity gap</b>                         | <b>3,823,861</b>      | <b>(1,223,792)</b>    | <b>(269,324)</b>      | <b>37,282</b>         | <b>(60,509)</b>          |                         |

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 2011: 25%; 1 January 2011: 25%) 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 12 million in profit before tax and RM 9 million in equity (31 December 2011: RM 63 million in profit before tax and RM 47 million in equity; 1 January 2011: RM 7 million in profit before tax and RM 5 million in equity).



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**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                |  |                    | Group                |                                    |                    |
|---|----------------------|--|--------------------|----------------------|------------------------------------|--------------------|
|   | 31.12.2012<br>RM'000 | Carrying value<br>31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 | 31.12.2012<br>RM'000 | Fair value<br>31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 |
| <b>Financial assets</b>   |                      |  |                    |                      |                                    |                    |
| Cash and short term funds   | 5,306,549            | 6,251,969                              | 4,522,666          | 5,306,549            | 6,251,969                          | 4,522,666          |
| Deposits and placements with banks and other financial institutions | 188,206              | 100,000                                | 358,182            | 187,833              | 100,000                            | 358,182            |
| Securities purchased under resale agreement                         | 148,141              | 117,966                                | 89,854             | 148,141              | 117,966                            | 89,854             |
| Financial assets held for trading                                   | 3,391,192            | 3,608,720                              | 3,211,890          | 3,391,192            | 3,608,720                          | 3,211,890          |
| Investment securities available-for-sale                            | 6,114,799            | 4,904,227                              | 6,760,673          | 6,114,799            | 4,904,227                          | 6,760,673          |
| Loans, advances and financing *                                     | 33,088,148           | 31,038,540                             | 28,577,703         | 32,818,467           | 30,709,700                         | 28,371,779         |
| Derivative financial assets   | 1,589,143            | 1,907,653                              | 2,326,601          | 1,589,143            | 1,907,653                          | 2,326,601          |
| <b>Financial liabilities</b>  |                      |  |                    |                      |                                    |                    |
| Deposits from customers   | 35,564,486           | 38,323,994                             | 34,256,728         | 35,609,586           | 38,377,638                         | 34,274,240         |
| Deposits and placements of banks and other financial institutions   | 8,314,656            | 2,964,816                              | 3,620,636          | 8,314,523            | 2,964,848                          | 3,620,728          |
| Bills and acceptances payable                                       | -                    | -                                      | 6,792              | -                    | -                                  | 6,792              |
| Recourse obligations on loans sold to Cagamas                       | -                    | -                                      | 72,919             | -                    | -                                  | 73,044             |
| Subordinated debts  | 500,000              | 503,762                                | 885,652            | 500,000              | 503,762                            | 885,652            |
| Derivative financial liabilities                                    | 1,385,896            | 1,784,196                              | 1,885,782          | 1,385,896            | 1,784,196                          | 1,885,782          |

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 RM 219,196,000 (31 December 2011: RM 229,189,000; 1 January 2011: RM190,012,000) is not included in the carrying amount.

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

|   | Carrying value       |                      |                    | Bank                 |                      | Fair value         |  |
|---|----------------------|----------------------|--------------------|----------------------|----------------------|--------------------|--|
|   | 31.12.2012<br>RM'000 | 31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 | 31.12.2012<br>RM'000 | 31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 |  |
| <b>Financial assets</b>   |                      |                      |                    |                      |                      |                    |  |
| Cash and short term funds   | 4,139,071            | 4,881,279            | 3,667,843          | 4,139,071            | 4,881,279            | 3,667,843          |  |
| Deposits and placements with banks and other financial institutions | 2,053,652            | 839,014              | 2,263,730          | 2,053,042            | 835,716              | 2,253,000          |  |
| Securities purchased under resale agreement                         | 148,141              | 117,966              | 89,854             | 148,141              | 117,966              | 89,854             |  |
| Financial assets held for trading                                   | 3,391,192            | 3,608,720            | 3,211,890          | 3,391,192            | 3,608,720            | 3,211,890          |  |
| Investment securities available-for-sale                            | 4,973,165            | 4,729,706            | 6,137,347          | 4,972,922            | 4,729,706            | 6,137,347          |  |
| Loans, advances and financing *                                     | 29,073,039           | 28,107,271           | 26,193,608         | 28,935,416           | 27,948,184           | 26,022,463         |  |
| Derivative financial assets   | 1,589,144            | 1,907,744            | 2,324,679          | 1,589,144            | 1,907,744            | 2,324,679          |  |
| <b>Financial liabilities</b>  |                      |                      |                    |                      |                      |                    |  |
| Deposits from customers   | 31,664,183           | 35,378,935           | 32,935,268         | 31,694,081           | 35,416,083           | 32,938,638         |  |
| Deposits and placements of banks and other financial institutions   | 8,212,243            | 2,833,685            | 3,519,265          | 8,212,243            | 2,833,685            | 3,519,265          |  |
| Bills and acceptances payable                                       | -                    | -                    | 6,792              | -                    | -                    | 6,792              |  |
| Recourse obligations on loans sold to Cagamas                       | -                    | -                    | 72,919             | -                    | -                    | 73,044             |  |
| Subordinated debts  | 500,000              | 503,762              | 885,652            | 500,000              | 503,762              | 885,652            |  |
| Derivative financial liabilities                                    | 1,386,071            | 1,784,968            | 1,884,778          | 1,386,071            | 1,784,968            | 1,884,778          |  |

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 140,799,000 (31 December 2011: RM 154,074,000; 1 January 2011: RM 131,427,000) is not included in the carrying amount.

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**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 any 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.

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

**Methods and Assumptions (continued)**

**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) Recourse obligations on loans sold to Cagamas

The fair value of recourse obligations on loans sold to Cagamas is determined based on discounted cash flows of future instalments payments at prevailing Cagamas rates as at the end of reporting date.

- (iii) 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.

- (iv) 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.

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**42. Fair values of financial assets and liabilities (continued)****Methods and Assumptions (continued)****Fair value hierarchy**

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 determined 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<br><br>Over-the-counter ("OTC") derivatives | Private debt equity investments<br><br>Corporate bonds in illiquid markets |
| Type of financial liabilities | -   | OTC derivatives  | -  |

| <b>Group</b>                                    | <b>Level 1</b>   | <b>Level 2</b>   | <b>Level 3</b> | <b>Total</b>      |
|---|------------------|------------------|----------------|-------------------|
| <b>31.12.2012</b>                               | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>  | <b>RM'000</b>     |
| <b>Assets</b>                                   |                  |                  |                |                   |
| <b>Financial assets held for trading</b>        |                  |                  |                |                   |
| Malaysian Government / Bank Negara Bills        | 1,396,302        | -                | -              | 1,396,302         |
| Debt securities                                 | 1,811,644        | 183,246          | -              | 1,994,890         |
| Derivative financial instruments                | 739              | 1,584,756        | 3,648          | 1,589,143         |
| <b>Investment securities available-for-sale</b> |                  |                  |                |                   |
| Malaysian Government / Bank Negara Bills        | 2,984,992        | -                | -              | 2,984,992         |
| Debt securities                                 | 1,790,325        | 1,329,816        | -              | 3,120,141         |
| At 31 December 2012                             | <u>7,984,002</u> | <u>3,097,818</u> | <u>3,648</u>   | <u>11,085,468</u> |
| <b>Liabilities</b>                              |                  |                  |                |                   |
| Derivative financial instruments                | 2,600            | 1,379,935        | 3,361          | 1,385,896         |
| At 31 December 2012                             | <u>2,600</u>     | <u>1,379,935</u> | <u>3,361</u>   | <u>1,385,896</u>  |
| <b>Bank</b>                                     |                  |                  |                |                   |
| <b>31.12.2012</b>                               | <b>Level 1</b>   | <b>Level 2</b>   | <b>Level 3</b> | <b>Total</b>      |
| <b>Assets</b>                                   | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>  | <b>RM'000</b>     |
| <b>Financial assets held for trading</b>        |                  |                  |                |                   |
| Malaysian Government / Bank Negara Bills        | 1,396,302        | -                | -              | 1,396,302         |
| Debt securities                                 | 1,811,644        | 183,246          | -              | 1,994,890         |
| Derivative financial instruments                | 739              | 1,584,757        | 3,648          | 1,589,144         |
| <b>Investment securities available-for-sale</b> |                  |                  |                |                   |
| Malaysian Government / Bank Negara Bills        | 1,888,359        | -                | -              | 1,888,359         |
| Debt securities                                 | 1,790,325        | 1,284,815        | -              | 3,075,140         |
| At 31 December 2012                             | <u>6,887,369</u> | <u>3,052,818</u> | <u>3,648</u>   | <u>9,943,835</u>  |
| <b>Liabilities</b>                              |                  |                  |                |                   |
| Derivative financial instruments                | 2,600            | 1,380,110        | 3,361          | 1,386,071         |
| At 31 December 2012                             | <u>2,600</u>     | <u>1,380,110</u> | <u>3,361</u>   | <u>1,386,071</u>  |

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**42. Fair values of financial assets and liabilities (continued)****Methods and Assumptions (continued)****Fair value hierarchy (continued)**

| <b>Group</b>                                    | <b>Level 1</b>   | <b>Level 2</b>   | <b>Level 3</b> | <b>Total</b>      |
|---|------------------|------------------|----------------|-------------------|
| <b>31.12.2011</b>                               |                  |                  |                |                   |
| <b>Assets</b>                                   | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>  | <b>RM'000</b>     |
| <b>Financial assets held for trading</b>        |                  |                  |                |                   |
| Malaysian Government / Bank Negara Bills        | 1,920,875        | -                | -              | 1,920,875         |
| Debt securities                                 | 1,425,556        | 262,289          | -              | 1,687,845         |
| Derivative financial instruments                | 1,018            | 1,906,635        | -              | 1,907,653         |
| <b>Investment securities available-for-sale</b> |                  |                  |                |                   |
| Malaysian Government / Bank Negara Bills        | 219,168          | -                | -              | 219,168           |
| Debt securities                                 | 1,601,926        | 3,073,473        | -              | 4,675,399         |
| At 31 December 2011                             | <u>5,168,543</u> | <u>5,242,397</u> | <u>-</u>       | <u>10,410,940</u> |
| <b>Liabilities</b>                              |                  |                  |                |                   |
| Derivative financial instruments                | 1,666            | 1,782,530        | -              | 1,784,196         |
| At 31 December 2011                             | <u>1,666</u>     | <u>1,782,530</u> | <u>-</u>       | <u>1,784,196</u>  |
| <b>Bank</b>                                     | <b>Level 1</b>   | <b>Level 2</b>   | <b>Level 3</b> | <b>Total</b>      |
| <b>31.12.2011</b>                               |                  |                  |                |                   |
| <b>Assets</b>                                   | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>  | <b>RM'000</b>     |
| <b>Financial assets held for trading</b>        |                  |                  |                |                   |
| Malaysian Government / Bank Negara Bills        | 1,920,875        | -                | -              | 1,920,875         |
| Debt securities                                 | 1,425,556        | 262,289          | -              | 1,687,845         |
| Derivative financial instruments                | 1,018            | 1,906,726        | -              | 1,907,744         |
| <b>Investment securities available-for-sale</b> |                  |                  |                |                   |
| Malaysian Government / Bank Negara Bills        | 119,734          | -                | -              | 119,734           |
| Debt securities                                 | 1,601,926        | 2,998,386        | -              | 4,600,312         |
| At 31 December 2011                             | <u>5,069,109</u> | <u>5,167,401</u> | <u>-</u>       | <u>10,236,510</u> |
| <b>Liabilities</b>                              |                  |                  |                |                   |
| Derivative financial instruments                | 1,666            | 1,783,302        | -              | 1,784,968         |
| At 31 December 2011                             | <u>1,666</u>     | <u>1,783,302</u> | <u>-</u>       | <u>1,784,968</u>  |
| <b>Group</b>                                    | <b>Level 1</b>   | <b>Level 2</b>   | <b>Level 3</b> | <b>Total</b>      |
| <b>1.1.2011</b>                                 |                  |                  |                |                   |
| <b>Assets</b>                                   | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>  | <b>RM'000</b>     |
| <b>Financial assets held for trading</b>        |                  |                  |                |                   |
| Malaysian Government / Bank Negara Bills        | 2,351,329        | -                | -              | 2,351,329         |
| Debt securities                                 | 657,661          | 202,900          | -              | 860,561           |
| Derivative financial instruments                | 1,403            | 2,325,198        | -              | 2,326,601         |
| <b>Investment securities available-for-sale</b> |                  |                  |                |                   |
| Malaysian Government / Bank Negara Bills        | 2,077,444        | -                | -              | 2,077,444         |
| Debt securities                                 | 1,493,740        | 3,179,842        | -              | 4,673,582         |
| At 1 January 2011                               | <u>6,581,577</u> | <u>5,707,940</u> | <u>-</u>       | <u>12,289,517</u> |
| <b>Liabilities</b>                              |                  |                  |                |                   |
| Derivative financial instruments                | 479              | 1,885,303        | -              | 1,885,782         |
| At 1 January 2011                               | <u>479</u>       | <u>1,885,303</u> | <u>-</u>       | <u>1,885,782</u>  |

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**42. Fair values of financial assets and liabilities (continued)****Methods and Assumptions (continued)****Fair value hierarchy (continued)**

| <b>Bank</b>                                     | <b>Level 1</b>   | <b>Level 2</b>   | <b>Level 3</b> | <b>Total</b>      |
|---|------------------|------------------|----------------|-------------------|
| <b>1.1.2011</b>                                 |                  |                  |                |                   |
| <b>Assets</b>                                   | <b>RM'000</b>    | <b>RM'000</b>    | <b>RM'000</b>  | <b>RM'000</b>     |
| <b>Financial assets held for trading</b>        |                  |                  |                |                   |
| Malaysian Government / Bank Negara Bills        | 2,351,329        | -                | -              | 2,351,329         |
| Debt securities                                 | 657,661          | 202,900          | -              | 860,561           |
| Derivative financial instruments                | 1,403            | 2,323,276        | -              | 2,324,679         |
| <b>Investment securities available-for-sale</b> |                  |                  |                |                   |
| Malaysian Government / Bank Negara Bills        | 1,529,339        | -                | -              | 1,529,339         |
| Debt securities                                 | 1,493,740        | 3,104,621        | -              | 4,598,361         |
| At 1 January 2011                               | <u>6,033,472</u> | <u>5,630,797</u> | <u>-</u>       | <u>11,664,269</u> |
| <b>Liabilities</b>                              |                  |                  |                |                   |
| Derivative financial instruments                | 479              | 1,884,299        | -              | 1,884,778         |
| At 1 January 2011                               | <u>479</u>       | <u>1,884,299</u> | <u>-</u>       | <u>1,884,778</u>  |

There were no transfers between Level 1 and Level 2 in 2012.

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**42. Fair values of financial assets and liabilities (continued)****Derivative financial instruments****Group****(i) Derivatives held for trading**

|   | 31 December 2012               |                                  |                                  | 31 December 2011               |                                  |                                  |
|---|--------------------------------|----------------------------------|----------------------------------|--------------------------------|----------------------------------|----------------------------------|
|   | Principal<br>amounts<br>RM'000 | Positive<br>fair value<br>RM'000 | Negative<br>fair value<br>RM'000 | Principal<br>amounts<br>RM'000 | Positive<br>fair value<br>RM'000 | Negative<br>fair value<br>RM'000 |
| Foreign exchange<br>derivative contracts:-    |                                |                                  |                                  |                                |                                  |                                  |
| - Forward foreign exchange                    | 35,521,779                     | 117,705                          | 127,461                          | 30,655,293                     | 250,991                          | 227,108                          |
| - Currency swaps                              | 23,618,312                     | 858,221                          | 457,983                          | 19,184,563                     | 819,457                          | 583,843                          |
| - Options purchased                           | 1,791,912                      | 40,543                           | 1,137                            | 1,109,116                      | 23,198                           | -                                |
| - Options sold                                | 2,226,394                      | -                                | 29,049                           | 578,922                        | -                                | 6,213                            |
| Interest rate derivative contracts:-          |                                |                                  |                                  |                                |                                  |                                  |
| - Swaps                                       | 62,552,316                     | 397,805                          | 723,481                          | 60,998,975                     | 606,123                          | 895,254                          |
| - Options purchased                           | 2,924,805                      | 34,012                           | 1,219                            | 2,571,770                      | 47,164                           | 51                               |
| - Options sold                                | 284,427                        | -                                | 181                              | 469,306                        | -                                | 1,932                            |
| - Exchange traded futures                     | 5,746,000                      | -                                | -                                | 7,974,000                      | -                                | -                                |
| Equity derivative contracts:-                 |                                |                                  |                                  |                                |                                  |                                  |
| - Equity swaps and forwards                   | 303,201                        | 7,831                            | 5,943                            | 491,479                        | 9,272                            | 9,272                            |
| Commodity derivative contracts:-              |                                |                                  |                                  |                                |                                  |                                  |
| - Forward rate agreements<br>and options      | 1,343,960                      | 35,485                           | 35,485                           | 1,768,948                      | 48,556                           | 48,556                           |
| Credit derivative contracts                   | 91,755                         | 3,662                            | -                                | 242,234                        | 963                              | 9,476                            |
| <b>Total derivatives held<br/>for trading</b> | <b>136,404,861</b>             | <b>1,495,264</b>                 | <b>1,381,939</b>                 | <b>126,044,606</b>             | <b>1,805,724</b>                 | <b>1,781,705</b>                 |

**(ii) Derivatives held-for-hedging**

|  | 31 December 2012               |                                  |                                  | 31 December 2011               |                                  |                                  |
|--|--------------------------------|----------------------------------|----------------------------------|--------------------------------|----------------------------------|----------------------------------|
|  | Principal<br>amounts<br>RM'000 | Positive<br>fair value<br>RM'000 | Negative<br>fair value<br>RM'000 | Principal<br>amounts<br>RM'000 | Positive<br>fair value<br>RM'000 | Negative<br>fair value<br>RM'000 |
| Derivatives designated<br>as fair value hedges:- |                                |                                  |                                  |                                |                                  |                                  |
| - Swaps  | 1,007,695                      | 88,498                           | 816                              | 1,283,966                      | 89,844                           | 2,190                            |
| Derivatives designated<br>as cash flow hedges:-  |                                |                                  |                                  |                                |                                  |                                  |
| - Swaps  | 1,618,000                      | 5,381                            | 3,141                            | 1,870,000                      | 12,085                           | 301                              |
| <b>Total derivatives<br/>held-for-hedging</b>    | <b>2,625,695</b>               | <b>93,879</b>                    | <b>3,957</b>                     | <b>3,153,966</b>               | <b>101,929</b>                   | <b>2,491</b>                     |
|  | <b>139,030,556</b>             | <b>1,589,143</b>                 | <b>1,385,896</b>                 | <b>129,198,572</b>             | <b>1,907,653</b>                 | <b>1,784,196</b>                 |



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**42. Fair values of financial assets and liabilities (continued)****Derivative financial instruments (continued)****Group (continued)****(i) Derivatives held for trading (continued)**

|  | 1 January 2011                 |                                  |                                  |
|--|--------------------------------|----------------------------------|----------------------------------|
|  | Principal<br>amounts<br>RM'000 | Positive<br>fair value<br>RM'000 | Negative<br>fair value<br>RM'000 |
| Foreign exchange<br>derivative contracts:- |                                |                                  |                                  |
| - Forward foreign exchange                 | 37,950,432                     | 458,744                          | 321,697                          |
| - Currency swaps                           | 18,939,278                     | 969,355                          | 663,458                          |
| - Options purchased                        | 498,376                        | 7,140                            | -                                |
| - Options sold                             | 198,725                        | -                                | 1,568                            |
| Interest rate derivative contracts:-       |                                |                                  |                                  |
| - Swaps                                    | 62,654,923                     | 496,548                          | 745,293                          |
| - Options purchased                        | 2,952,134                      | 40,115                           | 1,851                            |
| - Options sold                             | 677,412                        | -                                | 7,020                            |
| - Exchange traded futures                  | 7,443,000                      | -                                | -                                |
| Equity derivative contracts:-              |                                |                                  |                                  |
| - Equity swaps and forwards                | 266,159                        | 8,962                            | 8,999                            |
| Commodity derivative contracts:-           |                                |                                  |                                  |
| - Forward rate agreements<br>and options   | 6,582,655                      | 159,946                          | 124,654                          |
| Credit derivative contracts                | 213,522                        | 94,658                           | 615                              |
| <b>Total derivatives held for trading</b>  | <b>138,376,616</b>             | <b>2,235,468</b>                 | <b>1,875,155</b>                 |

**(ii) Derivatives held-for-hedging**

|  | 1 January 2011                 |                                  |                                  |
|--|--------------------------------|----------------------------------|----------------------------------|
|  | Principal<br>amounts<br>RM'000 | Positive<br>fair value<br>RM'000 | Negative<br>fair value<br>RM'000 |
| Derivatives designated<br>as fair value hedges:- |                                |                                  |                                  |
| - Swaps  | 1,649,199                      | 90,503                           | 7,039                            |
| Derivatives designated<br>as cash flow hedges:-  |                                |                                  |                                  |
| - Swaps  | 1,470,000                      | 630                              | 3,588                            |
| <b>Total derivatives held-for-hedging</b>        | <b>3,119,199</b>               | <b>91,133</b>                    | <b>10,627</b>                    |
|  | <b>141,495,815</b>             | <b>2,326,601</b>                 | <b>1,885,782</b>                 |

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**42. Fair values of financial assets and liabilities (continued)****Derivative financial instruments (continued)****Bank****(i) Derivatives held for trading**

|   | 31 December 2012            |                               |                               | 31 December 2011            |                               |                               |
|---|-----------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|-------------------------------|
|   | Principal amounts<br>RM'000 | Positive fair value<br>RM'000 | Negative fair value<br>RM'000 | Principal amounts<br>RM'000 | Positive fair value<br>RM'000 | Negative fair value<br>RM'000 |
| Foreign exchange derivative contracts:-   |                             |                               |                               |                             |                               |                               |
| - Forward foreign exchange                | 35,521,779                  | 117,705                       | 127,461                       | 30,661,775                  | 251,082                       | 227,207                       |
| - Currency swaps                          | 23,618,312                  | 858,221                       | 457,983                       | 19,184,563                  | 819,457                       | 583,843                       |
| - Options purchased                       | 1,791,912                   | 40,543                        | 1,137                         | 1,109,116                   | 23,198                        | -                             |
| - Options sold                            | 2,226,394                   | -                             | 29,049                        | 578,922                     | -                             | 6,213                         |
| Interest rate derivative contracts:-      |                             |                               |                               |                             |                               |                               |
| - Swaps                                   | 62,752,316                  | 392,454                       | 723,830                       | 61,198,975                  | 606,123                       | 895,927                       |
| - Options purchased                       | 2,862,305                   | 33,925                        | 1,219                         | 2,571,770                   | 47,164                        | 51                            |
| - Options sold                            | 284,427                     | 5,439                         | 7                             | 469,306                     | -                             | 1,932                         |
| - Exchange traded futures                 | 5,746,000                   | -                             | -                             | 7,974,000                   | -                             | -                             |
| Equity derivative contracts:-             |                             |                               |                               |                             |                               |                               |
| - Equity swaps and forwards               | 303,201                     | 7,831                         | 5,943                         | 491,479                     | 9,272                         | 9,272                         |
| Commodity derivative contracts:-          |                             |                               |                               |                             |                               |                               |
| - Forward rate agreements and options     | 1,343,960                   | 35,485                        | 35,485                        | 1,768,948                   | 48,556                        | 48,556                        |
| Credit derivative contracts               | 91,755                      | 3,662                         | -                             | 242,234                     | 963                           | 9,476                         |
| <b>Total derivatives held for trading</b> | <b>136,542,361</b>          | <b>1,495,265</b>              | <b>1,382,114</b>              | <b>126,251,088</b>          | <b>1,805,815</b>              | <b>1,782,477</b>              |

**(ii) Derivatives held-for-hedging**

|   | 31 December 2012            |                               |                               | 31 December 2011            |                               |                               |
|---|-----------------------------|-------------------------------|-------------------------------|-----------------------------|-------------------------------|-------------------------------|
|   | Principal amounts<br>RM'000 | Positive fair value<br>RM'000 | Negative fair value<br>RM'000 | Principal amounts<br>RM'000 | Positive fair value<br>RM'000 | Negative fair value<br>RM'000 |
| Derivatives designated as fair value hedges:- |                             |                               |                               |                             |                               |                               |
| - Swaps                                       | 1,007,695                   | 88,498                        | 816                           | 1,283,966                   | 89,844                        | 2,190                         |
| Derivatives designated as cash flow hedges:-  |                             |                               |                               |                             |                               |                               |
| - Swaps                                       | 1,618,000                   | 5,381                         | 3,141                         | 1,870,000                   | 12,085                        | 301                           |
| <b>Total derivatives held-for-hedging</b>     | <b>2,625,695</b>            | <b>93,879</b>                 | <b>3,957</b>                  | <b>3,153,966</b>            | <b>101,929</b>                | <b>2,491</b>                  |
|   | <b>139,168,056</b>          | <b>1,589,144</b>              | <b>1,386,071</b>              | <b>129,405,054</b>          | <b>1,907,744</b>              | <b>1,784,968</b>              |

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**42. Fair values of financial assets and liabilities (continued)****Derivative financial instruments (continued)****Bank****(i) Derivatives held for trading**

|  | 1 January 2011                 |                                  |                                  |
|--|--------------------------------|----------------------------------|----------------------------------|
|  | Principal<br>amounts<br>RM'000 | Positive<br>fair value<br>RM'000 | Negative<br>fair value<br>RM'000 |
| Foreign exchange<br>derivative contracts:- |                                |                                  |                                  |
| - Forward foreign exchange                 | 37,950,432                     | 458,744                          | 321,697                          |
| - Currency swaps                           | 18,883,179                     | 967,368                          | 661,471                          |
| - Options purchased                        | 498,376                        | 7,140                            | -                                |
| - Options sold                             | 198,725                        | -                                | 1,568                            |
| Interest rate derivative contracts:-       |                                |                                  |                                  |
| - Swaps                                    | 62,854,923                     | 494,162                          | 746,276                          |
| - Options purchased                        | 2,952,134                      | 42,566                           | 1,851                            |
| - Options sold                             | 677,412                        | -                                | 7,020                            |
| - Exchange traded futures                  | 7,443,000                      | -                                | -                                |
| Equity derivative contracts:-              |                                |                                  |                                  |
| - Equity swaps and forwards                | 266,159                        | 8,962                            | 8,999                            |
| Commodity derivative contracts:-           |                                |                                  |                                  |
| - Forward rate agreements<br>and options   | 6,582,655                      | 159,946                          | 124,654                          |
| Credit derivative contracts                | 213,522                        | 94,658                           | 615                              |
| <b>Total derivatives held for trading</b>  | <b>138,520,517</b>             | <b>2,233,546</b>                 | <b>1,874,151</b>                 |

**(ii) Derivatives held-for-hedging**

|  | 1 January 2011                 |                                  |                                  |
|--|--------------------------------|----------------------------------|----------------------------------|
|  | Principal<br>amounts<br>RM'000 | Positive<br>fair value<br>RM'000 | Negative<br>fair value<br>RM'000 |
| Derivatives designated<br>as fair value hedges:- |                                |                                  |                                  |
| - Swaps  | 1,649,199                      | 90,503                           | 7,039                            |
| Derivatives designated<br>as cash flow hedges:-  |                                |                                  |                                  |
| - Swaps  | 1,470,000                      | 630                              | 3,588                            |
| <b>Total derivatives held-for-hedging</b>        | <b>3,119,199</b>               | <b>91,133</b>                    | <b>10,627</b>                    |
|  | <b>141,639,716</b>             | <b>2,324,679</b>                 | <b>1,884,778</b>                 |

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**42. Fair values of financial assets and liabilities (continued)****Derivative financial instruments by sector**

| Group   | 31 December 2012               |                                  |                                  |
|---|--------------------------------|----------------------------------|----------------------------------|
|   | Principal<br>amounts<br>RM'000 | Positive<br>fair value<br>RM'000 | Negative<br>fair value<br>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                        |
| Household   | -                              | -                                | -                                |
| Others  | 615,366                        | 9,560                            | 948                              |
|   | <b>139,030,556</b>             | <b>1,589,143</b>                 | <b>1,385,896</b>                 |

| Group   | 31 December 2011               |                                  |                                  |
|---|--------------------------------|----------------------------------|----------------------------------|
|   | Principal<br>amounts<br>RM'000 | Positive<br>fair value<br>RM'000 | Negative<br>fair value<br>RM'000 |
| Agriculture                                       | 526,528                        | 2,291                            | 13,688                           |
| Mining and quarrying                              | 1,120,321                      | 8,045                            | 24,134                           |
| Manufacturing                                     | 6,181,476                      | 112,367                          | 27,850                           |
| Electricity, gas and water                        | 83,322                         | 11,084                           | -                                |
| Construction                                      | 992,685                        | 16,960                           | 11,735                           |
| Real estate                                       | 642,001                        | 3,465                            | 14,815                           |
| Wholesale & retail trade and restaurants & hotels | 1,718,024                      | 16,163                           | 7,213                            |
| Transportation, storage and communication         | 1,670,735                      | 49,183                           | 6,291                            |
| Finance, insurance and business services          | 113,913,663                    | 1,645,512                        | 1,670,912                        |
| Household   | 356,753                        | 324                              | 1,211                            |
| Others  | 1,993,064                      | 42,259                           | 6,347                            |
|   | <b>129,198,572</b>             | <b>1,907,653</b>                 | <b>1,784,196</b>                 |

| Group   | 1 January 2011                 |                                  |                                  |
|---|--------------------------------|----------------------------------|----------------------------------|
|   | Principal<br>amounts<br>RM'000 | Positive<br>fair value<br>RM'000 | Negative<br>fair value<br>RM'000 |
| Agriculture                                       | 577,087                        | 38,341                           | 7,756                            |
| Mining and quarrying                              | 463,707                        | 3,602                            | 9,965                            |
| Manufacturing                                     | 5,292,214                      | 84,444                           | 137,613                          |
| Electricity, gas and water                        | 91,755                         | 10,921                           | -                                |
| Construction                                      | 878,716                        | 14,278                           | 14,358                           |
| Real estate                                       | 242,300                        | 10,018                           | -                                |
| Wholesale & retail trade and restaurants & hotels | 2,597,946                      | 120,678                          | 14,795                           |
| Transportation, storage and communication         | 3,473,701                      | 71,072                           | 10,763                           |
| Finance, insurance and business services          | 117,111,084                    | 1,860,126                        | 1,633,288                        |
| Household   | 277,064                        | -                                | 1,641                            |
| Others  | 10,490,241                     | 113,121                          | 55,603                           |
|   | <b>141,495,815</b>             | <b>2,326,601</b>                 | <b>1,885,782</b>                 |

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**42. Fair values of financial assets and liabilities (continued)****Derivative financial instruments by sector (continued)**

| <b>Bank</b>                                       | <b>31 December 2012</b>                 |   |   |
|---|---|---|---|
|   | <b>Principal<br/>amounts<br/>RM'000</b> | <b>Positive<br/>fair value<br/>RM'000</b> | <b>Negative<br/>fair value<br/>RM'000</b> |
| 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                                 |
| Household   | -                                       | -   | -   |
| Others  | 615,366                                 | 9,560                                     | 948                                       |
|   | <b>139,168,056</b>                      | <b>1,589,144</b>                          | <b>1,386,071</b>                          |

| <b>Bank</b>                                       | <b>31 December 2011</b>                 |   |   |
|---|---|---|---|
|   | <b>Principal<br/>amounts<br/>RM'000</b> | <b>Positive<br/>fair value<br/>RM'000</b> | <b>Negative<br/>fair value<br/>RM'000</b> |
| Agriculture                                       | 526,528                                 | 2,291                                     | 13,688                                    |
| Mining and quarrying                              | 1,096,363                               | 7,132                                     | 24,134                                    |
| Manufacturing                                     | 6,181,476                               | 112,367                                   | 27,850                                    |
| Electricity, gas and water                        | 83,322                                  | 11,084                                    | -   |
| Construction                                      | 992,685                                 | 16,960                                    | 11,735                                    |
| Real estate                                       | 592,001                                 | 3,202                                     | 14,815                                    |
| Wholesale & retail trade and restaurants & hotels | 1,718,024                               | 16,163                                    | 7,213                                     |
| Transportation, storage and communication         | 1,393,624                               | 41,252                                    | 5,951                                     |
| Finance, insurance and business services          | 114,471,214                             | 1,654,710                                 | 1,672,024                                 |
| Household   | 356,753                                 | 324                                       | 1,211                                     |
| Others  | 1,993,064                               | 42,259                                    | 6,347                                     |
|   | <b>129,405,054</b>                      | <b>1,907,744</b>                          | <b>1,784,968</b>                          |

| <b>Bank</b>                                       | <b>1 January 2011</b>                   |   |   |
|---|---|---|---|
|   | <b>Principal<br/>amounts<br/>RM'000</b> | <b>Positive<br/>fair value<br/>RM'000</b> | <b>Negative<br/>fair value<br/>RM'000</b> |
| Agriculture                                       | 577,087                                 | 38,341                                    | 7,756                                     |
| Mining and quarrying                              | 463,707                                 | 3,602                                     | 9,965                                     |
| Manufacturing                                     | 5,292,214                               | 84,444                                    | 137,613                                   |
| Electricity, gas and water                        | 91,755                                  | 10,921                                    | -   |
| Construction                                      | 878,716                                 | 14,278                                    | 14,358                                    |
| Real estate                                       | 192,300                                 | 9,967                                     | -   |
| Wholesale & retail trade and restaurants & hotels | 2,597,946                               | 120,678                                   | 14,795                                    |
| Transportation, storage and communication         | 3,164,553                               | 60,966                                    | 9,799                                     |
| Finance, insurance and business services          | 117,614,133                             | 1,868,361                                 | 1,633,248                                 |
| Household   | 277,064                                 | -   | 1,641                                     |
| Others  | 10,490,241                              | 113,121                                   | 55,603                                    |
|   | <b>141,639,716</b>                      | <b>2,324,679</b>                          | <b>1,884,778</b>                          |

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**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           |                |
|----------------------------|----------------|----------------|----------------|----------------|
|                            | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Less than one year         | 25,556         | 23,917         | 23,853         | 22,347         |
| Between one and five years | 27,874         | 37,746         | 26,563         | 36,047         |
|                            | <u>53,430</u>  | <u>61,663</u>  | <u>50,416</u>  | <u>58,394</u>  |

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 April 2012.

**44. Capital commitments**

|                                     | Group          |                | Bank           |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2012<br>RM'000 | 2011<br>RM'000 | 2012<br>RM'000 | 2011<br>RM'000 |
| Capital expenditure:-               |                |                |                |                |
| - authorised and contracted for     | 812            | 729            | 710            | 729            |
| - authorised but not contracted for | 2,013          | 2,013          | 2,013          | 2,013          |
|                                     | <u>2,825</u>   | <u>2,742</u>   | <u>2,723</u>   | <u>2,742</u>   |

**45. Capital management****(i) Capital management approach**

The Bank'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 Bank to support its strategy.

The capital plan takes the following into account:-

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

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**45. Capital management (continued)**

**(i) Capital management approach (continued)**

The Bank uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae to determine the amount of capital required to support them.

The Bank operates processes and controls to monitor and manage capital adequacy across the organisation. It is overseen by 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 Bank's capital plan.

The Bank 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.

**(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 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, BNM issued the Guidelines on RWCAF and CAFIB Basel II: Risk Weighted Assets Computation on 19 April 2007, which came into effect on 1 January 2008. This framework sets out the requirements on the computation of the risk-weighted assets developed based on the Basel Committee on Banking Supervision (BCBS) and the Islamic Financial Services Board (IFSB) papers 'International Convergence of Capital Measurement and Capital Standards: A Revised Framework' issued in June 2006 and the 'Capital Adequacy Standard (CAS)' issued in December 2005, respectively. This framework forms part of the overall capital adequacy framework and hence should be read alongside the Risk-Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components).

BNM has formally approved the Bank's use of the AIRB approach for calculating and reporting regulatory capital in June 2010. As a result, since July 2010 regulatory capital submission, the Bank has been using AIRB approach for calculating and reporting the credit risk capital requirement.

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**46. Capital adequacy**

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

|   | <b>Group</b>            |                         |                         | <b>Bank</b>             |                         |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | <b>31.12.2012</b>       | <b>31.12.2011</b>       | <b>1.1.2011</b>         | <b>31.12.2012</b>       | <b>31.12.2011</b>       | <b>1.1.2011</b>         |
|   | <b>RM'000</b>           | <b>RM'000</b>           | <b>RM'000</b>           | <b>RM'000</b>           | <b>RM'000</b>           | <b>RM'000</b>           |
| <b>Tier 1 Capital</b>   |                         |                         |                         |                         |                         |                         |
| Paid-up ordinary share capital  | 125,000                 | 125,000                 | 125,000                 | 125,000                 | 125,000                 | 125,000                 |
| Musarakah Irredeemable<br>Non-Cumulative Preference Shares                | 38,000                  | 38,000                  | -                       | 38,000                  | 38,000                  | -                       |
| Share premium   | 717,000                 | 717,000                 | 375,000                 | 717,000                 | 717,000                 | 375,000                 |
| Other reserves  | 2,760,535               | 2,432,626               | 2,157,232               | 2,628,296               | 2,352,103               | 2,115,880               |
| Less: Deferred tax assets   | (41,513)                | (51,871)                | (118,743)               | (36,062)                | (48,311)                | (111,525)               |
| Deductions in excess of<br>Tier 2 capital                                 | -                       | -                       | -                       | -                       | -                       | -                       |
| Eligible Tier 1 capital   | <u>3,599,022</u>        | <u>3,260,755</u>        | <u>2,538,489</u>        | <u>3,472,234</u>        | <u>3,183,792</u>        | <u>2,504,355</u>        |
| <b>Tier 2 Capital</b>   |                         |                         |                         |                         |                         |                         |
| Islamic subordinated debt   | -                       | -                       | 380,000                 | -                       | -                       | 380,000                 |
| Subordinated bonds  | 500,000                 | 500,000                 | 500,000                 | 500,000                 | 500,000                 | 500,000                 |
| Collective impairment provisions<br>under standardised approach           | 52,270                  | 34,345                  | 28,840                  | 34,766                  | 27,697                  | 21,781                  |
| Regulatory reserves   | 150,000                 | 150,000                 | 150,000                 | 150,000                 | 150,000                 | 150,000                 |
|   | <u>702,270</u>          | <u>684,345</u>          | <u>1,058,840</u>        | <u>684,766</u>          | <u>677,697</u>          | <u>1,051,781</u>        |
| Less: Investment in subsidiaries  | -                       | -                       | -                       | (411,522)               | (386,022)               | (386,022)               |
| Excess of Expected Loss<br>over Expected Provisions<br>under IRB approach | (312,602)               | (217,517)               | (119,008)               | (214,819)               | (154,594)               | (86,131)                |
| Exclusion of collective impairment<br>provisions on impaired loans        | (47,394)                | (32,460)                | (30,875)                | (30,460)                | (22,536)                | (21,335)                |
| Eligible Tier 2 capital   | <u>342,274</u>          | <u>434,368</u>          | <u>908,957</u>          | <u>27,965</u>           | <u>114,545</u>          | <u>558,293</u>          |
| Total capital base  | <u><u>3,941,296</u></u> | <u><u>3,695,123</u></u> | <u><u>3,447,446</u></u> | <u><u>3,500,199</u></u> | <u><u>3,298,337</u></u> | <u><u>3,062,648</u></u> |



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**46. Capital adequacy (continued)**

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

|                                    | <b>Group</b>      |                   |                   | <b>Bank</b>       |                   |                   |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                    | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b>   |
|                                    | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     | <b>RM'000</b>     |
| Total risk-weighted assets:-       |                   |                   |                   |                   |                   |                   |
| Credit risk                        | 24,843,338        | 22,115,835        | 20,382,760        | 21,806,983        | 19,541,898        | 18,874,359        |
| Market risk                        | 1,423,771         | 1,799,498         | 1,685,392         | 1,423,771         | 1,799,498         | 1,685,392         |
| Operational risk                   | 3,189,623         | 2,829,364         | 2,802,491         | 2,918,198         | 2,540,849         | 2,610,212         |
| Large exposure for equity holdings | 568               | 621               | 621               | 568               | 621               | 621               |
|                                    | <u>29,457,300</u> | <u>26,745,318</u> | <u>24,871,264</u> | <u>26,149,520</u> | <u>23,882,866</u> | <u>23,170,584</u> |

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

|                             | <b>Group</b>      |                   |                 | <b>Bank</b>       |                   |                 |
|-----------------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
|                             | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> |
| Before proposed dividend:-  |                   |                   |                 |                   |                   |                 |
| Tier 1 capital ratio        | 12.22%            | 12.19%            | 10.21%          | 13.28%            | 13.33%            | 10.81%          |
| Risk-weighted capital ratio | 13.38%            | 13.82%            | 13.86%          | 13.39%            | 13.81%            | 13.22%          |
| After proposed dividend:-   |                   |                   |                 |                   |                   |                 |
| Tier 1 capital ratio        | 11.71%            | 11.46%            | 9.30%           | 12.70%            | 12.51%            | 9.84%           |
| Risk-weighted capital ratio | 12.87%            | 13.09%            | 12.96%          | 12.81%            | 12.99%            | 12.25%          |

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

|                             | <b>31.12.2012</b> | <b>31.12.2011</b> | <b>1.1.2011</b> |
|-----------------------------|-------------------|-------------------|-----------------|
| Tier 1 capital ratio        | 11.48%            | 12.42%            | 14.37%          |
| Risk-weighted capital ratio | 11.48%            | 12.42%            | 14.37%          |

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**47. Explanation of transition to MFRSs**

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Bank for the financial year ended 31 December 2012, and the comparative information presented in these financial statements.

In preparing the opening MFRS statements of financial position, the Group and the Bank have adjusted amounts reported previously in financial statements prepared in accordance with the previous FRSS. An explanation of how the transition from the previous FRSS to the new MFRSs has affected the Group's and the Bank's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany these tables.

**47.1 Reconciliation of financial position**

| Group  | 1 January 2011    |   |                   | 31 December 2011  |   |                   |
|--|-------------------|---|-------------------|-------------------|---|-------------------|
|  | FRSS<br>RM'000    | Effect of<br>transition<br>to MFRSS<br>RM'000 | MFRSS<br>RM'000   | FRSS<br>RM'000    | Effect of<br>transition<br>to MFRSS<br>RM'000 | MFRSS<br>RM'000   |
| <b>Assets</b>  |                   |   |                   |                   |   |                   |
| Cash and short term funds  | 4,522,666         | -   | 4,522,666         | 6,251,969         | -   | 6,251,969         |
| Deposits and placements with banks<br>and other financial institutions | 358,182           | -   | 358,182           | 100,000           | -   | 100,000           |
| Securities purchased under resale<br>agreements                        | 89,854            | -   | 89,854            | 117,966           | -   | 117,966           |
| Financial assets held for trading                                      | 3,349,777         | (137,887)                                     | 3,211,890         | 3,630,606         | (21,886)                                      | 3,608,720         |
| Investment securities available-for-<br>sale                           | 6,622,786         | 137,887                                       | 6,760,673         | 4,882,341         | 21,886  | 4,904,227         |
| Loans, advances and financing  | 28,107,906        | 279,785                                       | 28,387,691        | 30,528,879        | 280,472                                       | 30,809,351        |
| Derivatives financial assets   | 2,335,191         | (8,590)                                       | 2,326,601         | 1,922,705         | (15,052)                                      | 1,907,653         |
| Other assets   | 207,373           | (9)   | 207,364           | 843,060           | -   | 843,060           |
| Tax recoverable  | 3,271             | -   | 3,271             | 3,684             | -   | 3,684             |
| Statutory deposits with Bank Negara<br>Malaysia                        | 36,760            | -   | 36,760            | 950,971           | -   | 950,971           |
| Investment in subsidiaries   | -                 | -   | -                 | -                 | -   | -                 |
| Property, plant and equipment  | 55,530            | -   | 55,530            | 58,998            | -   | 58,998            |
| Deferred tax assets  | 120,032           | 651   | 120,683           | 50,343            | (3,975)                                       | 46,368            |
| <b>Total assets</b>  | <b>45,809,328</b> | <b>271,837</b>                                | <b>46,081,165</b> | <b>49,341,522</b> | <b>261,445</b>                                | <b>49,602,967</b> |

## 47. Explanation of transition to MFRSs (continued)

## 47.1 Reconciliation of financial position (continued)

| Group   | 1 January 2011     |   |                    | 31 December 2011   |   |                    |
|---|--------------------|---|--------------------|--------------------|---|--------------------|
|   | FRSs<br>RM'000     | Effect of<br>transition<br>to MFRSs<br>RM'000 | MFRSs<br>RM'000    | FRSs<br>RM'000     | Effect of<br>transition<br>to MFRSs<br>RM'000 | MFRSs<br>RM'000    |
| <b>Liabilities</b>  |                    |   |                    |                    |   |                    |
| Deposit from customers  | 34,256,728         | -   | 34,256,728         | 38,323,994         | -   | 38,323,994         |
| Deposit and placements of banks<br>and other financial institutions | 3,621,804          | (1,168)                                       | 3,620,636          | 2,969,643          | (4,827)                                       | 2,964,816          |
| Bills and acceptances payable                                       | 6,792              | -   | 6,792              | -                  | -   | -                  |
| Recourse obligations on loans sold<br>to Cagamas Berhad             | 72,919             | -   | 72,919             | -                  | -   | -                  |
| Derivative financial liabilities                                    | 1,886,049          | (267)   | 1,885,782          | 1,784,196          | -   | 1,784,196          |
| Other liabilities   | 2,448,903          | (2,079)                                       | 2,446,824          | 2,454,376          | (6,484)                                       | 2,447,892          |
| Tax payable   | 15,940             | 88,481  | 104,421            | 14,736             | 84,435  | 99,171             |
| Subordinated debts  | 885,652            | -   | 885,652            | 503,762            | -   | 503,762            |
| <b>Total liabilities</b>  | <b>43,194,787</b>  | <b>84,967</b>                                 | <b>43,279,754</b>  | <b>46,050,707</b>  | <b>73,124</b>                                 | <b>46,123,831</b>  |
| <b>Equity</b>   |                    |   |                    |                    |   |                    |
| Share capital   | 125,000            | -   | 125,000            | 163,000            | -   | 163,000            |
| Reserves  | 2,489,541          | 186,870                                       | 2,676,411          | 3,127,815          | 188,321                                       | 3,316,136          |
| <b>Total equity attributable to<br/>equity holder of the Bank</b>   | <b>2,614,541</b>   | <b>186,870</b>                                | <b>2,801,411</b>   | <b>3,290,815</b>   | <b>188,321</b>                                | <b>3,479,136</b>   |
| <b>Total liabilities and equity</b>                                 | <b>45,809,328</b>  | <b>271,837</b>                                | <b>46,081,165</b>  | <b>49,341,522</b>  | <b>261,445</b>                                | <b>49,602,967</b>  |
| <b>Commitments and contingencies</b>                                | <b>162,357,835</b> | <b>-</b>                                      | <b>162,357,835</b> | <b>152,492,327</b> | <b>-</b>                                      | <b>152,492,327</b> |

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**47. Explanation of transition to MFRSs (continued)****47.1 Reconciliation of financial position (continued)**

| Bank   | 1 January 2011    |   |                   | 31 December 2011  |   |                   |
|--|-------------------|---|-------------------|-------------------|---|-------------------|
|  | FRSs<br>RM'000    | Effect of<br>transition<br>to MFRSs<br>RM'000 | MFRSs<br>RM'000   | FRSs<br>RM'000    | Effect of<br>transition<br>to MFRSs<br>RM'000 | MFRSs<br>RM'000   |
| <b>Assets</b>  |                   |   |                   |                   |   |                   |
| Cash and short term funds  | 3,667,843         | -   | 3,667,843         | 4,881,279         | -   | 4,881,279         |
| Deposits and placements with banks<br>and other financial institutions | 2,263,730         | -   | 2,263,730         | 839,014           | -   | 839,014           |
| Securities purchased under resale<br>agreements                        | 89,854            | -   | 89,854            | 117,966           | -   | 117,966           |
| Financial assets held for trading                                      | 3,349,777         | (137,887)                                     | 3,211,890         | 3,630,606         | (21,886)                                      | 3,608,720         |
| Investment securities available-for-<br>sale                           | 5,999,460         | 137,887                                       | 6,137,347         | 4,707,820         | 21,886  | 4,729,706         |
| Loans, advances and financing  | 25,765,761        | 296,420                                       | 26,062,181        | 27,642,416        | 310,781                                       | 27,953,197        |
| Derivatives financial assets   | 2,333,269         | (8,590)                                       | 2,324,679         | 1,922,796         | (15,052)                                      | 1,907,744         |
| Other assets   | 284,945           | (9)   | 284,936           | 949,694           | -   | 949,694           |
| Tax recoverable  | -                 | -   | -                 | -                 | -   | -                 |
| Statutory deposits with Bank Negara<br>Malaysia                        | 12,000            | -   | 12,000            | 858,419           | -   | 858,419           |
| Investment in subsidiaries   | 386,022           | -   | 386,022           | 386,022           | -   | 386,022           |
| Property, plant and equipment  | 55,530            | -   | 55,530            | 53,336            | -   | 53,336            |
| Deferred tax assets  | 112,832           | 651   | 113,483           | 48,305            | (5,479)                                       | 42,826            |
| <b>Total assets</b>  | <b>44,321,023</b> | <b>288,472</b>                                | <b>44,609,495</b> | <b>46,037,673</b> | <b>290,250</b>                                | <b>46,327,923</b> |

## 47. Explanation of transition to MFRSs (continued)

## 47.1 Reconciliation of financial position (continued)

| Bank  | 1 January 2011     |   |                    | 31 December 2011   |   |                    |
|---|--------------------|---|--------------------|--------------------|---|--------------------|
|   | FRSs<br>RM'000     | Effect of<br>transition<br>to MFRSs<br>RM'000 | MFRSs<br>RM'000    | FRSs<br>RM'000     | Effect of<br>transition<br>to MFRSs<br>RM'000 | MFRSs<br>RM'000    |
| <b>Liabilities</b>  |                    |   |                    |                    |   |                    |
| Deposit from customers  | 32,935,268         | -   | 32,935,268         | 35,378,935         | -   | 35,378,935         |
| Deposit and placements of banks<br>and other financial institutions | 3,520,407          | (1,142)                                       | 3,519,265          | 2,838,512          | (4,827)                                       | 2,833,685          |
| Bills and acceptances payable                                       | 6,792              | -   | 6,792              | -                  | -   | -                  |
| Recourse obligations on loans sold<br>to Cagamas Berhad             | 72,919             | -   | 72,919             | -                  | -   | -                  |
| Derivative financial liabilities                                    | 1,885,045          | (267)   | 1,884,778          | 1,784,968          | -   | 1,784,968          |
| Other liabilities   | 2,444,303          | (2,035)                                       | 2,442,268          | 2,338,515          | (6,274)                                       | 2,332,241          |
| Tax payable   | 15,940             | 86,608  | 102,548            | 14,736             | 81,040  | 95,776             |
| Subordinated debts  | 885,652            | -   | 885,652            | 503,762            | -   | 503,762            |
| <b>Total liabilities</b>  | <b>41,766,326</b>  | <b>83,164</b>                                 | <b>41,849,490</b>  | <b>42,859,428</b>  | <b>69,939</b>                                 | <b>42,929,367</b>  |
| <b>Equity</b>   |                    |   |                    |                    |   |                    |
| Share capital   | 125,000            | -   | 125,000            | 163,000            | -   | 163,000            |
| Reserves  | 2,429,697          | 205,308                                       | 2,635,005          | 3,015,245          | 220,311                                       | 3,235,556          |
| <b>Total equity attributable to<br/>equity holder of the Bank</b>   | <b>2,554,697</b>   | <b>205,308</b>                                | <b>2,760,005</b>   | <b>3,178,245</b>   | <b>220,311</b>                                | <b>3,398,556</b>   |
| <b>Total liabilities and equity</b>                                 | <b>44,321,023</b>  | <b>288,472</b>                                | <b>44,609,495</b>  | <b>46,037,673</b>  | <b>290,250</b>                                | <b>46,327,923</b>  |
| <b>Commitments and contingencies</b>                                | <b>161,064,175</b> | <b>-</b>                                      | <b>161,064,175</b> | <b>151,219,830</b> | <b>-</b>                                      | <b>151,219,830</b> |

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**47. Explanation of transition to MFRSs (continued)****47.2 Reconciliation of statements of comprehensive income**

| Group   | Year ended 31 December 2011 |   |                 |
|---|-----------------------------|---|-----------------|
|   | FRSs<br>RM'000              | Effect of<br>transition<br>to MFRSs<br>RM'000 | MFRSs<br>RM'000 |
| Interest income   | 1,625,374                   | -   | 1,625,374       |
| Interest expense  | (761,405)                   | 2,028   | (759,377)       |
| <b>Net interest income</b>  | <b>863,969</b>              | <b>2,028</b>                                  | <b>865,997</b>  |
| Net income from Islamic Banking operations                              | 252,971                     | 32  | 253,003         |
|   | 1,116,940                   | 2,060   | 1,119,000       |
| Other operating income  | 690,261                     | (1,071)                                       | 689,190         |
| Total net income  | 1,807,201                   | 989   | 1,808,190       |
| Other operating expenses  | (833,950)                   | -   | (833,950)       |
| <b>Operating profit</b>   | <b>973,251</b>              | <b>989</b>                                    | <b>974,240</b>  |
| Provisions for loans, advances and financing                            | (138,218)                   | 687   | (137,531)       |
| <b>Profit before taxation</b>   | <b>835,033</b>              | <b>1,676</b>                                  | <b>836,709</b>  |
| Tax expense   | (215,822)                   | (493)   | (216,315)       |
| <b>Profit for the period</b>  | <b>619,211</b>              | <b>1,183</b>                                  | <b>620,394</b>  |
| <b>Other comprehensive income, net of income tax</b>                    |                             |   |                 |
| Fair value reserve<br>(investment securities available-for-sale):-      |                             |   |                 |
| Net changes in fair value   | 5,027                       | 9,345   | 14,372          |
| Net amount transferred<br>to profit or loss                             | 1,709                       | (9,077)                                       | (7,368)         |
| Cash flow hedges:-  |                             |   |                 |
| Effective portion of changes in fair value                              | 10,986                      | -   | 10,986          |
| Net amount transferred to profit or loss                                | 4,341                       | -   | 4,341           |
| <b>Other comprehensive income for the period,<br/>net of income tax</b> | <b>22,063</b>               | <b>268</b>                                    | <b>22,331</b>   |
| <b>Total comprehensive income for the period</b>                        | <b>641,274</b>              | <b>1,451</b>                                  | <b>642,725</b>  |

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**47. Explanation of transition to MFRSs (continued)****47.2 Reconciliation of statements of comprehensive income**

| <b>Bank</b>   | <b>Year ended 31 December 2011</b> |   |                         |
|---|------------------------------------|---|-------------------------|
|   | <b>FRSs<br/>RM'000</b>             | <b>Effect of<br/>transition<br/>to MFRSs<br/>RM'000</b> | <b>MFRSs<br/>RM'000</b> |
| Interest income   | 1,681,058                          | -   | 1,681,058               |
| Interest expense  | (761,405)                          | 2,028   | (759,377)               |
| <b>Net interest income</b>  | <b>919,653</b>                     | <b>2,028</b>  | <b>921,681</b>          |
| Net income from Islamic Banking operations                              | -                                  | -   | -                       |
|   | 919,653                            | 2,028   | 921,681                 |
| Other operating income  | 749,343                            | (1,071)   | 748,272                 |
| Total net income  | 1,668,996                          | 957   | 1,669,953               |
| Other operating expenses  | (804,281)                          | -   | (804,281)               |
| <b>Operating profit</b>   | <b>864,715</b>                     | <b>957</b>  | <b>865,672</b>          |
| Provisions for loans, advances and financing                            | (99,679)                           | 14,361  | (85,318)                |
| <b>Profit before taxation</b>   | <b>765,036</b>                     | <b>15,318</b>   | <b>780,354</b>          |
| Tax expense   | (198,547)                          | (583)   | (199,130)               |
| <b>Profit for the period</b>  | <b>566,489</b>                     | <b>14,735</b>   | <b>581,224</b>          |
| <b>Other comprehensive income, net of income tax</b>                    |                                    |   |                         |
| Fair value reserve  |                                    |   |                         |
| (investment securities available-for-sale):-                            |                                    |   |                         |
| Net changes in fair value   | 5,023                              | 9,345   | 14,368                  |
| Net amount transferred to profit or loss                                | 1,709                              | (9,077)   | (7,368)                 |
| Cash flow hedges:-  |                                    |   |                         |
| Effective portion of changes in fair value                              | 10,986                             | -   | 10,986                  |
| Net amount transferred to profit or loss                                | 4,341                              | -   | 4,341                   |
| <b>Other comprehensive income for the period,<br/>net of income tax</b> | <b>22,059</b>                      | <b>268</b>  | <b>22,327</b>           |
| <b>Total comprehensive income for the period</b>                        | <b>588,548</b>                     | <b>15,003</b>   | <b>603,551</b>          |

**47.3 Material adjustments made to the statements of cash flows**

There are no material differences between the statements of cash flows presented under MFRSs and the statement of cash flows presented under FRSs.

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**47. Explanation of transition to MFRSs (continued)****47.4 Reserves**

The changes that affected the reserves are as follows:

|   | Note  | Group              |                      | Bank               |                      |
|---|-------|--------------------|----------------------|--------------------|----------------------|
|   |       | 1.1.2011<br>RM'000 | 31.12.2011<br>RM'000 | 1.1.2011<br>RM'000 | 31.12.2011<br>RM'000 |
| Impairment provision on loans, advances and financing | (i)   | 190,687            | 191,127              | 209,176            | 223,274              |
| Fair value of financial liabilities                   | (ii)  | (3,810)            | (2,806)              | (3,861)            | (2,963)              |
| Change in designation of financial instruments        | (iii) | (7)                | -                    | (7)                | -                    |
|   |       | <u>186,870</u>     | <u>188,321</u>       | <u>205,308</u>     | <u>220,311</u>       |

**(i) Accounting policy on Impairment of Financial Assets – Loans, advances and financing**

Prior to MFRSs, the Group and Bank applied the transitional provision as stated in the BNM guidelines on Classification and Impairment Provisions for Loans/Financing and maintained collective impairment provisions at 1.5% of total outstanding loans, net of individual impairment provision.

With the adoption of MFRS139 Financial instruments: Recognition and Measurement (“MFRS139”), the Group and the Bank first assesses 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 risk characteristics and collectively assess them for impairment.

**(ii) Accounting policy on Financial Instrument Categories and Subsequent Measurement – Financial Liabilities**

Prior to MFRSs, the Group and the Bank measured financial liabilities, subsequent to initial recognition, at amortised cost using the effective interest method in accordance with BNM guidelines on Financial Reporting for Banking Institutions.

With the adoption of MFRS139, the Group and the Bank have applied fair value option for certain financial liability instruments.

**(iii) Change in designation of previously recognised financial instruments**

The Group and the Bank had designated certain financial assets as available-for-sale at the date of transition to MFRSs as permitted by MFRS 1. These financial assets were previously recognised as financial assets held for trading.

**(iv) Transfer to regulatory reserves**

The Group and the Bank had transferred RM150,000,000 from Retained Profits to Regulatory reserves as at 1 January 2011 in line with BNM's requirements (Note 20).