Company No. 115793P

Standard Chartered Bank Malaysia Berhad

(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the financial year ended 31 December 2010

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

Directors' report for the financial year ended 31 December 2010

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 2010.

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 13 to the financial statements.

There have been no significant changes in the principal activities of the Bank and its subsidiaries during the year.

Results

	Group RM'000	Bank RM'000
Profit before taxation	571,464	507,670
Tax expense	(133,222)	(115,680)
Profit for the year	438,242	391,990

Dividends

Since the end of the previous financial year, the Bank paid an interim dividend (gross) of 105.6 sen per share, less tax at 25% totalling RM 99,000,000 in respect of the financial year ended 31 December 2010 on 24 September 2010.

The Directors recommend the payment of a final ordinary dividend (gross) of 240 sen per share, less tax at 25% totalling RM 225,000,000 (180 sen per ordinary share) in respect of the current financial year on the issued and fully paid-up ordinary shares of the Bank.

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year.

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.

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

2010 Results

Amid moderate improvements in the economic climate, the Group registered a profit before taxation of RM 571 million, representing a 42.9% improvement against 2009.

Net interest income increased by 5.7% to RM 718 million on the back of strong loan growth, where net interest margin was 1.64% against 1.56% last year, reflecting the increasing trend in Overnight Policy Rate ("OPR").

Non-interest income (including Islamic Banking income) was at RM 818 million, recording a 17.8% increase, mainly attributable to several large Wholesale Banking transactions during the year.

Despite the relatively strong underlying business growth, operating expenses of RM 742 million only showed a moderate increase of 3.9% against 2009.

Provisions for loans, advances and financing was 14.1% lower at RM 222 million, in spite of the requirement to increase collective impairment in line with loan growth, reflecting the Group’s continued emphasis on robust credit management.

Business plan and strategy (continued)

2010 Results (continued)

The Group's total assets increased to RM 45.81 billion from RM 42.75 billion as at last financial year end on the back of strong loan growth. Gross loans, advances and financing registered a growth of 21.8% to reach RM 28.85 billion attributable to more lending activities in wholesale banking and mortgage financing. Asset quality continued to improve, as reflected in the net NPL ratio decreasing to 0.5% from 0.8% previously.

Deposits from customers has also increased from RM32.92 billion to RM34.26 billion as at 31 December 2010, driven mainly by Fixed/Investment Deposits, which registered an increase of 16.3%.

Following the implementation of Basel II in 2010, the Group's risk-weighted capital ratio has remained strong at 14.26% as compared against 14.98% previously under Basel I measurement.

Strategy and Economic Environment

The Malaysian economy is expected to continue its moderate recovery path amid the uncertainties in the advanced economies, particularly in the Euro zone. Gross Domestic Product growth for 2010 is expected to be in the 4.5% – 5.5% range.

The government recently unveiled the Economic Transformation Programme, which aims to attract RM 1.4 trillion of investments into Malaysia over the next 10 years and propel Malaysia into a high-income nation by 2020, with the Financial Services sector expected to be a significant contributor.

The Malaysian banking system remains stable with ample liquidity and cost of borrowing at reasonable levels. Amid a strengthening Ringgit against several major currencies, OPR increased by 75 basis points during the year to 2.75%, a level which is accommodative and consistent with growth and inflation prospects.

The overall banking sector remains well capitalized, registering a strong Capital ratio, while asset quality is intact with high loan loss coverage.

As part of its liberalisation plan, Bank Negara Malaysia ("BNM") issued five new banking licenses during the year, coupled with the recent announcement of two new Islamic ‘megabank’ licenses.

Standard Chartered Bank Malaysia Berhad celebrated its 135th Anniversary in 2010 and retains a strong platform for growth in both the Consumer and Wholesale Banking segments.

Since late 2009, the Group’s Consumer business embarked on a transformation programme, repositioning the business through re-engineering to create scalable operations, investments in frontline capacity, and improvement in customer service. As a result, strategic focus on core segments and products has improved resulting in enhanced market share in key products and segments.

Wholesale Banking’s performance is in line with the Group’s strategy for client fee income to be the main driver of growth. There has been a shift in product mix towards more value-added and strategic businesses with strong growth achieved across all client segments where we focused on cross-selling and deepening client relationships.

The Group’s Islamic Banking business, through Standard Chartered Saadiq Berhad, achieved significant income momentum in a dynamic, growing market as Malaysia vies to become the international Islamic Banking hub. The year 2010 saw the opening of five new dedicated Saadiq branches while continuing to leverage on the conventional infrastructure and distribution platforms.

RAM Rating Services Berhad has maintained the Bank’s credit rating at AAA/P1, reflecting the Bank’s strong asset quality and financial standing and stable funding and liquidity.

Business plan and strategy (continued)

Strategy and Economic Environment (continued)

Standard Chartered Bank Malaysia Berhad is committed to building a sustainable business as a bank, supporting our customers and contributing to the communities in which we live and work. A key feature behind the Bank's community work is three (3) days paid annual leave provided to each staff to do volunteering work. In 2011, the Bank will continue to play an active role in championing HIV/AIDS prevention and the “Living with HIV/AIDS” education programmes with staff and partners alike. We are committed to protecting the environment and sustainable finance which are core to our approach to sustainable business and we operate in an efficient way to minimise resource use and carbon emission. Some of our environment efforts championed through our staff include planting trees across Malaysia through the "Green Tree" programme, in support of the government's 26 Million Tree Campaign. Our investment towards restoring sight through our "Seeing is Believing" programme gained more depth and momentum. Key efforts in 2010 included the successful translation for a series of books into Braille and audio books for donation to visually-impaired schools and associations. The Bank has also continued to encourage responsible spending habits for the future generations of tomorrow via our Financial Literacy Campaign carried out nationwide.

Plan for 2011

The Group's strategic focus for Consumer Banking will be centred on continuing on the transformation path, maintaining execution focus and exploring new opportunities. The Group aims to establish leadership in High Value Segments (Premium Banking, Private Banking and SME) while defending Personal Banking. Key to maintaining traction going into 2011 will be through continuing execution focus on embedding the Customer Charter of fast, friendly and accurate service, and the launch of new initiatives to drive sales management discipline.

Wholesale Banking will continue to deepen client relationships, intensify focus on network leverage and explore new opportunities. The key to success will be staff recruitment and retention, product support from regional product groups and key investments to expand our capabilities.

Our Islamic Banking business will focus on investing to maintain momentum with competitors and maximize our Saadiq proposition in Malaysia. Our target business model includes full leverage of conventional infrastructure, establishing dedicated organisation structure with clear tracking of Key Performance Indicators and introducing a full range of products suite on par with our conventional banking business and competitors while maintaining friendly, fast and accurate service.

Statement of Corporate Governance

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 and the Revised Code (the "Code") 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 Bank has adhered to the aforesaid principles of the Code and the extent to which 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 2010.

Board of Directors

Composition of the Board of Directors

The Board of Directors (the "Board") bring a wide range of business, financial and global experience to the Board. The Board presently has nine (9) members, the majority of whom are Non-Executive Directors, of which four (4) are Independent Non-Executive Directors, hence fulfilling the prescribed requirements for one-third of the membership of the Board to be Independent Board members by BNM. The Directors who served since the date of the last report are:-

Board of Directors (continued)

Composition of the Board of Directors (continued)

Members	Status of Directorship
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	Independent Non-Executive Director
Raymond John Ferguson - Deputy Chairman	Non-Independent Non-Executive Director
Datuk Abu Hassan bin Kendut	Independent Non-Executive Director
Karen Fawcett	Non-Independent Non-Executive Director
Foo Mee Har	Non-Independent Non-Executive Director
Datuk Ishak bin Imam Abas	Independent Non-Executive Director
Edward Martin Jake Williams	Non-Independent Non-Executive Director
Datuk Seri Michael Yam Kong Choy	Independent Non-Executive Director
Osman Tarique Morad	Non-Independent Executive Director

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.

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 has established specialised Board Committees to assist to carry out its responsibilities more effectively and provide oversight over the Bank's operations. These committees are the Nomination Committee, the Audit Committee and the 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.

The Bank has obtained a waiver from BNM from establishing a Remuneration Committee on 28 April 2006. Although the Bank is exempted from establishing a Remuneration Committee as required under the Revised Guidelines, the Board take note of all remuneration and performance appraisal policies determined by the Group.

Frequency and attendance of each director at board meetings

The Board meets regularly and has a formal schedule of matters specifically reserved for its decision. Meetings for the year are scheduled early in the year with due notice given for all scheduled meetings. During the financial year 2010, 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. The record of the attendance at the Board Meetings is as follows:-

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Board of Directors (continued)

Frequency and attendance of each director at board meetings (continued)

Members	Attendance and Number of Board Meetings
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	5/6
Raymond John Ferguson - Deputy Chairman	6/6
Datuk Abu Hassan bin Kendut	5/6
Karen Fawcett	5/6
Foo Mee Har	6/6
Datuk Ishak bin Imam Abas	6/6
Edward Martin Jake Williams	5/6
Datuk Seri Michael Yam Kong Choy	5/6
Osman Tarique Morad	6/6

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 a MBA from INSEAD, Fontainebleau, France in 1988 and MA Economics from Cambridge in 1987.

(d) Foo Mee Har

Foo Mee Har was appointed to the Board as a Non-Independent Non-Executive Director on 25 April 2008. She is currently the Global Head of Premium Banking of Standard Chartered Group. She is overall responsible for the Premium Banking business for the Group from the strategy, product and service offerings to client relationship management for the affluent and emerging affluent clients in Asia, Middle East and Africa. Mee Har joined Standard Chartered Bank in 1994 where she held diverse roles and assignments. She was appointed the Country Head of Consumer Banking in China in 2003, spearheading significant growth of Standard Chartered's personal banking franchise throughout China. Prior to her current role, she was the President and CEO of Standard Chartered Bank (Thai) PCL based in Bangkok, with overall responsibility for the bank's business and operations in Thailand covering both Consumer and Wholesale Banking. Having lived and worked in Australia, China, Malaysia, Singapore and Thailand, she has a wide and varied experience in many of the Asian markets. Mee Har graduated with a Bachelor of Science (First Class Honors) degree from the University of New South Wales, Australia with a major in Occupational Psychology.

Key information and background of Directors (continued)

(e) Raymond John Ferguson

Raymond John Ferguson was appointed to the Board as a Non-Independent Non-Executive Director on 18 January 2008 and as Deputy Chairman on 30 September 2008. He is currently the Regional Chief Executive Officer of Standard Chartered Bank for Singapore and South East Asia. He is an experienced international banker with over 20 years of senior management experience, including his tenure as the Chief Executive of Standard Chartered Bank in the Americas. He held various senior positions with the Bank and had worked in UAE, Singapore, Philippines, Taiwan and Indonesia. He is an Associate of the Institute of Bankers in Scotland and a full member of the Singapore Institute of Directors. He holds an MBA from Henley Management College and Brunel University, UK.

(f) 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.

(g) 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).

(h) 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.

(i) 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.

Committees

a) Nomination Committee

Membership and composition

The members of the Nomination Committee are:-
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman
Karen Fawcett
Raymond John Ferguson
Datuk Ishak bin Imam Abas
Osman Tarique Morad

All of the Nomination Committee members are Non-Executive Directors except for Mr. Osman Tarique Morad.

Functions and responsibilities and terms of reference

The Nomination Committee is empowered by 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 ("CEO"). Through the recommendations of the Nomination Committee, the Board has established a policy on Fit and Proper Criteria for Appointment of Directors in the Bank which provides guidance for the Committee to determine the overall suitability of the candidate. During the year, the Board has approved the frameworks on the Board Effectiveness Review and Succession Planning in relation to the Directors, Chief Executive Officer and senior executives.

In addition, the Nomination Committee regularly review the overall structure, size and the composition in accordance with the criteria set and make recommendations to the Board with regard to any adjustments that are deemed necessary. This includes identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise, subject to such application for approval to BNM as may be required from time to time. During the year, the Nomination Committee has made assessment of re-appointment of five (5) directors and was convinced that their re-appointments would assist in achieving a mix of Board members that represents a diversity of backgrounds and experiences that would best complement the current Board effectiveness.

The Nomination Committee is also tasked to determine and implement a process for the evaluation of the performance and effectiveness of the Board, its committees and each individual director. In 2010, the Board has adopted a self-evaluation to evaluate the performance of the Board and its committees. The purpose of the evaluation is to determine whether the Board 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 2010, the committee met four (4) times and the attendance of the members are as follows:-

Members	Attendance and Number of Meetings
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	3/4
Karen Fawcett	4/4
Raymond John Ferguson	4/4
Datuk Ishak bin Imam Abas	4/4
Osman Tarique Morad	4/4

Committees (continued)

b) Audit Committee

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 (appointed on 9 February 2010)
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim (resigned on 9 February 2010)
Foo Mee Har (resigned on 9 February 2010)

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

Terms of Reference

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 any and 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 our business.

Number of meetings held

The AC meets on a quarterly basis and during the financial year 2010, the committee met five (5) times and the attendance of the members are as follows:-

Members	Attendance and Number of Meetings
Datuk Abu Hassan bin Kendut - Chairman	5/5
Datuk Ishak bin Imam Abas	5/5
Datuk Seri Michael Yam Kong Choy (appointed on 9 February 2010)	3/4
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim (resigned on 9 February 2010)	1/1
Foo Mee Har (resigned on 9 February 2010)	0/1

c) Board Risk Committee

Membership and composition

The members of the Board Risk Committee ("BRC") are:-
Datuk Ishak bin Imam Abas - Chairman
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim
Datuk Abu Hassan bin Kendut
Edward Martin Jake Williams (appointed on 9 February 2010)
Foo Mee Har (resigned on 9 February 2010)

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.

Committees (continued)

c) Board Risk Committee (continued)

Terms of Reference

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 2010, the committee met six (6) times and the attendance of the members are as follows:-

Members	Attendance and Number of Meetings
Datuk Ishak bin Imam Abas - Chairman	6/6
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	6/6
Datuk Abu Hassan bin Kendut	6/6
Edward Martin Jake Williams (appointed on 9 February 2010)	3/5
Foo Mee Har (resigned on 9 February 2010)	0/1

d) Syariah Advisory Committee

Membership and composition

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

Main Responsibilities of the Syariah Advisory Committee

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

Responsibilities of the Syariah 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 Bank.
- To provide guidance and advice upon request from the Bank's 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.

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Committees (continued)

d) Syariah Advisory Committee (continued)

Responsibilities of the Syariah Advisers (continued)

- The approval by the Consultants will be deemed to have been obtained when all four (4) Syariah consultants have given their approval in writing. Similarly, any opinions endorsed by a majority will be deemed as consensus amongst all four (4) Syariah consultants.
- 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 Committee from time to time covering gradually all products and services introduced by the subsidiary of the Bank to the market. The Syariah Compliance Manuals for the time being shall cover all decisions made by BNM's National Syariah Advisory Council as well as the Group's SAC.
- Country Assurance and Audit and 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.
- Country Assurance and Audit and Group Internal Audit established at the Bank shall report and discuss its findings directly with the committee.

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.

The responsible unit to ensure compliance to the SAC decision and action taken must be tracked in the Business Operational Risk Group ("BORG").

Number of meetings held

Members	Attendance and Number of Meetings
Prof. Madya Dr. Shamsiah binti Mohamad - Chairperson	12/12
Prof. Madya Dr. Nurdianawati Irwani Abdullah	10/12
Dr. Hikmatullah Babu Sahib	11/12
Ustaz Zaharuddin Abdul Rahman	10/12

Risk Management

The management of risk lies at the heart of the Bank's business. One of the main risks incurred arises from extending credit to customers through trading and lending operations. Beyond credit risk, the Bank is also exposed to a range of other risk types such as market, liquidity, operational, reputational and other risks which are inherent to the Bank's strategy and business the Bank has chosen to participate in.

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

Through the Risk Management Framework ("RMF"), the Bank manages enterprise-wide risks, with the objective of maximizing risk-adjusted returns within the Bank's risk appetite.

Risk Management (continued)

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

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

Risk Governance

Ultimate responsibility for setting the Bank's risk appetite and for the effective management of risk rests with the Board. Governance responsibility for risk management is with BRC, which comprises of non-executive directors of the Bank. Executive responsibility for risk management is held by the Bank's Risk Management Committee ("RMC").

The Board delegates authority for the management of risk to several committees.

The RMC, being the executive committee is responsible for the management of all risks other than those delegated by the Board to the Asset and Liability Committee ("ALCO") and the Retirement Benefit Scheme Management Committee. The RMC is responsible for the establishment of, and compliance with, policies relating to credit risk, country cross-border risk, market risk, operational risk, regulatory risk and reputational risk. The RMC also defines the overall risk management framework.

The ALCO is responsible for the management of capital ratios and the establishment of, and compliance with, policies relating to balance sheet management, including management of liquidity, capital adequacy and structural foreign exchange rate risk.

The Bank's Retirement Benefit Scheme Management Committee is responsible for the management of pension risk of the Bank.

Members of the Executive Committee ("ExCo") are also members of both the RMC and ALCO. The RMC is chaired by the Country Chief Risk Officer ("CCRO"). The ALCO is chaired by the CEO.

Risk limits and risk exposure approval authority frameworks are set by the RMC in respect of credit risk, country cross-border risk and market risk. The ALCO sets the approval authority framework in respect of liquidity risk. Risk approval authorities may be exercised by risk committees or authorised individuals.

Acting within an authority delegated by the Board, the AC and BRC, whose members are all non-executive directors of the Bank, reviews specific risk areas and monitors the activities of the RMC and ALCO. The AC and BRC receive regular reports on risk management, including portfolio trends, policies and standards, adherence with internal controls, regulatory compliance, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference.

The committee governance structure ensures that risk-taking authority and risk management policies are cascaded down through the organisation from the Board to the appropriate committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business and functional committees up to the country level committees.

Risk Management (continued)

Risk Governance (continued)

The CCRO directly manages a risk function which is separate from the origination, trading and sales functions of the businesses and also chairs the RMC. The Senior Credit Officer for Consumer Banking has his primary reporting line into the CCRO, the latter is also the Chief Risk Officer for Wholesale Banking. CCRO takes overall responsibility for risk in the Bank.

The Risk function is responsible for upholding the integrity of the Bank's risk/return decisions, and in particular for ensuring that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and are controlled in accordance with the Bank's standards.

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. This is particularly important given that revenues are recognised immediately while losses arising from risk positions only manifest themselves over time.

The Risk function is also responsible for maintaining the Bank's RMF, ensuring it remains appropriate to the Bank's activities, and is effectively communicated and implemented across the Bank. The Risk function also administers risk-related governance and reporting processes.

The RMF identifies the risk types to which the Bank is exposed, each of which is controlled by a designated risk control owner. The major risk types are described individually in Note 38. The risk control owners are responsible for establishing minimum standards and implementing governance and assurance processes, under the oversight of the RMC or ALCO and their sub-committees.

The Country Assurance and Audit function is a separate country function that reports to the Chairman of the Audit Committee. It provides independent assurance to management and to the Audit Committee that:-

- Significant risks associated with all aspects of the business and operations have been identified and prioritised;
- An effective system of controls over these risks is in place and is working as intended; and
- Standard Chartered PLC Group's and the Bank's plans, policies and principles have been effectively communicated and implemented.

Risk appetite

Risk appetite is an expression of the amount of risk the Bank is willing to take in pursuit of its strategic objectives, reflecting the Bank's capacity to sustain losses whilst continuing to meet its obligations arising from a range of different stress trading conditions. The Bank defines risk appetite in terms of both volatility of earnings and the maintenance of minimum regulatory capital requirements under stress scenarios. The Bank also defines risk appetite with respect to liquidity risks and reputational risk. The Bank's quantitative risk profile is assessed through a 'bottom-up' analytical approach covering all major businesses and portfolios. The risk appetite forms the basis for establishing the risk parameters including policies, concentration limits and business mix within which the businesses must operate.

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. Such developments include, but are not limited to the following - interest rate and exchange rate movements, oil price fluctuations and property price changes.

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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 above, 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 both Country Assurance and Audit and Group Internal Audit who are independent from the business operations. The results are reported to the Board and its committees.

Related Party Transactions

There were no other significant related party transactions other than as reported in Note 31.

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), advise 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 2010.

Board of Directors and their interests in shares

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

	As at	Number of shares			As at
In Standard Chartered PLC	1.1.2010	Acquired		Disposed	31.12.2010
<u>Ordinary shares of US$0.50 each</u>					
Osman Tarique Morad	18,423	-		(8,000)	10,423
Karen Fawcett	30,156	-		(12,375)	17,781
Raymond John Ferguson	5,718	11,400	(A)	(12,700)	4,418
Foo Mee Har	43,121	5,512	(B)	-	48,633
Edward Martin Jake Williams					
- Own	-	284,660	(C)	(267,772)	16,888
- Others	461	57		-	518

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Board of Directors and their interests in shares (continued)

	Number of options			
	As at 1.1.2010	Awarded/ Granted	Lapsed/ Exercised	As at 31.12.2010
<u>Deferred Bonus Share Plan</u>				
Osman Tarique Morad	702	1,846	-	2,548
<u>Executive Share Option Scheme</u>				
Karen Fawcett	143,810	-	(107,186)	36,624
Foo Mee Har	9,551	-	(2,075)	7,476
Edward Martin Jake Williams	318,564	3,534	(225,499)	96,599
<u>International Sharesave Scheme</u>				
Osman Tarique Morad	777	-	-	777
Karen Fawcett	1,003	591	(1,003)	591
Raymond John Ferguson	* 1,167	-	-	1,167
Foo Mee Har	1,542	-	-	1,542
Edward Martin Jake Williams	1,646	62	-	1,708
<u>Restricted Share Scheme</u>				
Osman Tarique Morad	3,675	1,937	-	5,612
Karen Fawcett	18,358	-	(18,358)	-
Raymond John Ferguson	5,965	-	-	5,965
Foo Mee Har	5,881	7,901	(1,000)	12,782
Edward Martin Jake Williams	16,461	28,642	(1,823)	43,280
<u>Options Over Performance Share Plan</u>				
Osman Tarique Morad	11,505	-	-	11,505
Karen Fawcett	* 59,865	16,100	(21,381)	54,584
Raymond John Ferguson	* 52,835	-	(12,596)	40,239
Foo Mee Har	32,411	-	(1,800)	30,611
Edward Martin Jake Williams	95,271	1,274	(61,702)	34,843
<u>Deferred Supplemental Restricted Share Scheme</u>				
Osman Tarique Morad	-	922	-	922
Karen Fawcett	-	7,581	-	7,581
Raymond John Ferguson	-	3,749	-	3,749
				-
<u>Deferred Restricted Share Scheme</u>				
Karen Fawcett	-	34,217	-	34,217
Raymond John Ferguson	3,391	13,821	-	17,212

* Adjusted for Right Issues

(A) Acquired by way of the exercise of Performance Share Plan.
(B) Acquired by way of Right Issues.
(C) Acquired by way of the exercise of Executive Share Option Scheme, Restricted Share Scheme and Performance Share Plan.

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

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

Issue of shares and debentures

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

There were no debentures issued during the financial year.

Options granted over unissued shares

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

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 a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 28 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 and options awarded under the Standard Chartered PLC's Deferred Bonus Share Plan, Executive Share Option Scheme, Restricted Share Scheme, International Sharesave Scheme, Options over Performance Share Plan, Deferred Supplemental Restricted Share Scheme and Deferred Restricted Share Scheme.

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: 30 March 2011

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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 21 to 120 are drawn up in accordance with the Companies Act, 1965 in Malaysia and Financial Reporting Standards issued by the Malaysian Accounting Standards Board as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2010 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: 30 March 2011

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 21 to 120 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 30 March 2011.

....
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 2010 of the Group and of the Bank, and the statements of comprehensive income, statements of changes in equity and statements of 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 21 to 120.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of these financial statements that give a true and fair view in accordance with the Companies Act, 1965 in Malaysia and Financial Reporting Standards issued by the Malaysian Accounting Standards Board as modified by Bank Negara Malaysia Guidelines, and for such internal controls as the Directors determine are 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 judgment, 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 have been properly drawn up in accordance with the Companies Act, 1965 in Malaysia and Financial Reporting Standards issued by the Malaysian Accounting Standards Board as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

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

Khaw Hock Hoe
Approval Number: 2229/04/12(J)
Chartered Accountant

Petaling Jaya
Date: 30 March 2011

STANDARD CHARTERED BANK MALAYSIA BERHAD
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STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2010

		Group		Bank	
			Restated		Restated
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short term funds	3	4,522,666	8,870,950	3,667,843	7,586,909
Deposits and placements with banks and other financial institutions	4	358,182	950,000	2,263,730	2,213,924
Securities purchased under resale agreements	5	89,854	14,199	89,854	14,199
Financial assets held for trading	6	3,349,777	1,930,498	3,349,777	1,930,498
Investment securities available-for-sale	7	6,622,786	5,505,953	5,999,460	5,320,087
Loans, advances and financing	8	28,107,906	23,057,267	25,765,761	21,145,997
Derivative financial assets	43	2,335,191	2,023,995	2,333,269	2,026,954
Other assets	10	207,373	202,226	284,945	358,283
Tax recoverable		3,271	11,199	-	10,865
Statutory deposits with Bank Negara Malaysia	12	36,760	24,322	12,000	10,000
Investments in subsidiaries	13	-	-	386,022	300,022
Property, plant and equipment	14	55,530	61,695	55,530	61,695
Deferred tax assets	33	120,032	100,661	112,832	94,284
Total assets		**45,809,328**	**42,752,965**	**44,321,023**	**41,073,717**
Liabilities					
Deposits from customers	15	34,256,728	32,920,225	32,935,268	31,460,688
Deposits and placements of banks and other financial institutions	16	3,621,804	3,603,750	3,520,407	3,409,236
Bills and acceptances payable		6,792	11,388	6,792	11,388
Recourse obligations on loans sold to Cagamas Berhad	5	72,919	138,433	72,919	138,433
Derivative financial liabilities	43	1,886,049	1,738,274	1,885,045	1,741,466
Other liabilities	17	2,448,903	1,145,128	2,444,303	1,138,184
Tax payable		15,940	-	15,940	-
Subordinated debts	18	885,652	891,208	885,652	891,208
Total liabilities		**43,194,787**	**40,448,406**	**41,766,326**	**38,790,603**
Equity					
Share capital	20	125,000	125,000	125,000	125,000
Reserves	21	2,489,541	2,179,559	2,429,697	2,158,114
Total equity attributable to equity holder of the Bank		**2,614,541**	**2,304,559**	**2,554,697**	**2,283,114**
Total liabilities and equity		**45,809,328**	**42,752,965**	**44,321,023**	**41,073,717**
Commitments and contingencies	37	**162,357,835**	**160,201,010**	**161,064,175**	**159,608,997**

The notes set out on pages 29 to 120 form an integral part of, and should be read in conjuction with, these financial statements.

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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

		Group		Bank	
			Restated		Restated
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	23	1,374,359	1,298,944	1,428,259	1,324,441
Interest expense	24	(656,271)	(619,802)	(656,271)	(619,802)
Net interest income		**718,088**	**679,142**	**771,988**	**704,639**
Net income from Islamic Banking operations	25	246,234	144,017	-	-
		964,322	823,159	771,988	704,639
Other operating income	26	571,394	550,109	631,148	600,639
Total net income		1,535,716	1,373,268	1,403,136	1,305,278
Other operating expenses	27	(741,943)	(714,532)	(725,874)	(705,583)
Operating profit		**793,773**	**658,736**	**677,262**	**599,695**
Provisions for loans, advances and financing	29	(222,309)	(258,869)	(169,592)	(217,289)
Profit before taxation		**571,464**	**399,867**	**507,670**	**382,406**
Tax expense	32	(133,222)	(105,724)	(115,680)	(99,869)
Profit for the year		**438,242**	**294,143**	**391,990**	**282,537**
Other comprehensive income, net of income tax					
Fair value reserve (investment securities available-for-sale):-					
Net changes in fair value		6,302	11,297	6,820	11,488
Net amount transferred to profit or loss		(12,325)	(13,323)	(12,325)	(14,989)
Cash flow hedges:-					
Effective portion of changes in fair value		(3,749)	(1,271)	(3,749)	(1,271)
Net amount transferred to profit or loss		3,817	(1,595)	3,817	(1,595)
Actuarial gains from defined benefit plan		2,399	-	2,399	-
Other comprehensive income for the year, net of income tax		**(3,556)**	**(4,892)**	**(3,038)**	**(6,367)**
Total comprehensive income for the year		**434,686**	**289,251**	**388,952**	**276,170**
Profit for the year attributable to:-					
Equity holder of the Bank		438,242	294,143	391,990	282,537
Total comprehensive income attributable to:-					
Equity holder of the Bank		434,686	289,251	388,952	276,170

The notes set out on pages 29 to 120 form an integral part of, and should be read in conjuction with, these financial statements.

STANDARD CHARTERED BANK MALAYSIA BERHAD
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

GROUP	Note	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Capital redemption reserves RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	Total RM'000
		←		*Non-Distributable Reserves*			→	*Distributable Reserves*	
At 1 January 2010, as previously stated		125,000	375,000	132,960	190	7,439	(8,669)	1,672,639	2,304,559
Effect of adoption of FRS 139	48	-	-	-	-	-	-	(25,704)	(25,704)
At 1 January 2010, as restated		125,000	375,000	132,960	190	7,439	(8,669)	1,646,935	2,278,855
Profit for the year		-	-	-	-	-	-	438,242	438,242
Other comprehensive income for the year		-	-	-	-	(6,023)	68	2,399	(3,556)
Total comprehensive income for the year		-	-	-	-	(6,023)	68	440,641	434,686
Transfer to statutory reserves		-	-	23,746	-	-	-	(23,746)	-
Dividends (ordinary shares):-									
- 2010 interim	22	-	-	-	-	-	-	(99,000)	(99,000)
At 31 December 2010		**125,000**	**375,000**	**156,706**	**190**	**1,416**	**(8,601)**	**1,964,830**	**2,614,541**
		Note 20	Note 21	Note 21	Note 21	Note 21	Note 21	Note 21	

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

GROUP	Note	←	*Non-Distributable Reserves*				→	*Distributable Reserves*	
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Capital redemption reserves RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2009		125,000	375,000	126,539	190	9,465	(5,803)	1,459,917	2,090,308
Profit for the year		-	-	-	-	-	-	294,143	294,143
Other comprehensive income for the year		-	-	-	-	(2,026)	(2,866)	-	(4,892)
Total comprehensive income for the year		-	-	-	-	(2,026)	(2,866)	294,143	289,251
Transfer to statutory reserves		-	-	6,421	-	-	-	(6,421)	-
Dividends (ordinary shares):-									
- 2008 final	22	-	-	-	-	-	-	(75,000)	(75,000)
At 31 December 2009		**125,000**	**375,000**	**132,960**	**190**	**7,439**	**(8,669)**	**1,672,639**	**2,304,559**
		Note 20	Note 21	Note 21	Note 21	Note 21	Note 21	Note 21	

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

BANK	Note	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Capital redemption reserves RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	Total RM'000
		← Non-Distributable Reserves →						Distributable Reserves	
At 1 January 2010, as previously stated		125,000	375,000	125,000	190	6,868	(8,669)	1,659,725	2,283,114
Effect of adoption of FRS 139	48	-	-	-	-	-	-	(18,369)	(18,369)
At 1 January 2010, as restated		125,000	375,000	125,000	190	6,868	(8,669)	1,641,356	2,264,745
Profit for the year		-	-	-	-	-	-	391,990	391,990
Other comprehensive income for the year		-	-	-	-	(5,505)	68	2,399	(3,038)
Total comprehensive income for the year		-	-	-	-	(5,505)	68	394,389	388,952
Dividends (ordinary shares):-									
- 2010 interim	22	-	-	-	-	-	-	(99,000)	(99,000)
At 31 December 2010		**125,000**	**375,000**	**125,000**	**190**	**1,363**	**(8,601)**	**1,936,745**	**2,554,697**
		Note 20	Note 21	Note 21	Note 21	Note 21	Note 21	Note 21	

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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

BANK		←		*Non-Distributable Reserves*			→	*Distributable Reserves*	
	Note	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Capital redemption reserves RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2009		125,000	375,000	125,000	190	10,369	(5,803)	1,452,188	2,081,944
Profit for the year		-	-	-	-	-	-	282,537	282,537
Other comprehensive income for the year		-	-	-	-	(3,501)	(2,866)	-	(6,367)
Total comprehensive income for the year		-	-	-	-	(3,501)	(2,866)	282,537	276,170
Dividends (ordinary shares):-									
- 2008 final	22	-	-	-	-	-	-	(75,000)	(75,000)
At 31 December 2009		**125,000**	**375,000**	**125,000**	**190**	**6,868**	**(8,669)**	**1,659,725**	**2,283,114**
		Note 20	Note 21	Note 21	Note 21	Note 21	Note 21	Note 21	

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Group		Bank	
		Restated		Restated
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	571,464	399,867	507,670	382,406
Adjustments for:-				
Dividend income	(45,543)	(19,974)	(45,543)	(19,974)
Depreciation	24,415	23,096	24,415	23,096
Gain on disposal of property, plant and equipment	(442)	(223)	(442)	(223)
Gain on disposal of investment securities available-for-sale	(18,303)	(24,284)	(18,303)	(24,284)
Profit equalisation reserve	-	1,734	-	-
Amortisation of premium less accretion of discount on investment securities available-for-sale	(46,640)	(2,524)	(32,590)	(1,922)
Operating profit before working capital changes	484,951	377,692	435,207	359,099
Changes in working capital:-				
Deposits and placements with banks and other financial institutions	591,818	35,270	(49,806)	(1,228,924)
Securities purchased under resale agreement	(75,655)	3,480,950	(75,655)	3,480,950
Financial assets held for trading	(1,419,279)	1,746,358	(1,419,279)	1,746,358
Loans, advances and financing	(5,076,343)	(2,477,987)	(4,638,133)	(1,934,757)
Derivative financial instruments	(163,421)	243,469	(162,736)	243,422
Other assets	(5,056)	160,267	73,429	(54,213)
Statutory deposits with Bank Negara Malaysia	(12,438)	475,678	(2,000)	436,000
Deposits from customers	1,336,503	(89,848)	1,474,580	2,873,905
Deposits and placements of banks and other financial institutions	18,054	310,853	111,171	163,517
Bills and acceptances payable	(4,596)	(123,793)	(4,596)	(94,851)
Recourse obligations on loans sold to Cagamas Berhad	(65,514)	(23,465)	(65,514)	(23,465)
Other liabilities	1,301,415	(345,688)	1,303,758	(1,124,749)
Cash (used in)/generated from operations	(3,089,561)	3,769,756	(3,019,574)	4,842,292
Income taxes paid	(127,536)	(166,422)	(106,407)	(158,750)
Net cash (used in)/generated from operating activities	**(3,217,097)**	**3,603,334**	**(3,125,981)**	**4,683,542**
Cash flows from investing activities				
Dividends received	45,543	19,974	45,543	19,974
Purchase of property, plant and equipment	(19,327)	(24,581)	(19,327)	(24,581)
Proceeds from disposal of property, plant and equipment	1,519	535	1,519	535
Purchase of investment securities available-for-sale	(23,555,801)	(10,803,682)	(21,078,300)	(10,653,682)
Proceeds from disposal of investment securities available-for-sale	22,495,879	12,026,118	20,442,480	11,817,345
Investment in a subsidiary	-	-	(86,000)	(100,000)
Net cash (used in)/generated from investing activities	**(1,032,187)**	**1,218,364**	**(694,085)**	**1,059,591**

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

	Group		Bank	
		Restated		Restated
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Dividends paid (Note 22)	(99,000)	(75,000)	(99,000)	(75,000)
Net cash used in financing activities	**(99,000)**	**(75,000)**	**(99,000)**	**(75,000)**
Net (decrease)/increase in cash and cash equivalents	(4,348,284)	4,746,698	(3,919,066)	5,668,133
Cash and cash equivalents brought forward	8,870,950	4,124,252	7,586,909	1,918,776
Cash and cash equivalents carried forward	**4,522,666**	**8,870,950**	**3,667,843**	**7,586,909**
Cash and cash equivalents comprise:				
Cash and short term funds (Note 3)	**4,522,666**	**8,870,950**	**3,667,843**	**7,586,909**

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 13 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 Companies Act, 1965 in Malaysia, Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB") as modified by Bank Negara Malaysia Guidelines and accounting principles generally accepted in Malaysia. 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.

New accounting standards adopted

The following standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB"), which became effective on 1 January 2010 are relevant to the Group and the Bank:-

i) FRS 7, *Financial Instruments: Disclosures*

ii) FRS 101, *Presentation of Financial Statements*

iii) FRS 123, *Borrowing Costs*

iv) FRS 139, *Financial Instruments: Recognition and Measurement*

v) Amendments to FRS 2, *Share-based Payment – Vesting Conditions and Cancellations*

vi) Amendments to FRS 101, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

vii) Amendments to FRS 117, *Leases*

viii) Amendments to FRS 132, *Financial Instruments: Presentation*
– Puttable Financial Instruments and Obligations Arising on Liquidation
– Separation of Compound Instruments

ix) Amendments to FRS 139, *Financial Instruments: Recognition and Measurement,* FRS 7*, Financial Instruments: Disclosures* and IC Interpretation 9, *Reassessment of Embedded Derivatives*

x) IC Interpretation 9, *Reassessment of Embedded Derivatives*

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

(a) Statement of compliance (continued)

New accounting standards adopted (continued)

xi) IC Interpretation 10, *Interim Financial Reporting and Impairment*

xii) IC Interpretation 14, *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

xiii) Improvements to FRSs (2009)

The effects, if any, arising from the adoption of the above standards, amendments and interpretations are set out in Note 48 to the financial statements.

Accounting standards not yet effective

The Group and the Bank have not applied the following accounting standards, amendments and interpretations that have been issued by the MASB but are not yet effective for the Group and the Bank:-

	FRSs / Interpretations	**Effective date**
i)	FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)	1 July 2010
ii)	FRS 3, *Business Combinations* (revised)	1 July 2010
iii)	FRS 127, *Consolidated and Separate Financial Statements* (revised)	1 July 2010
iv)	FRS 124, *Related Party Disclosure* (revised)	1 January 2012
v)	Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards* *– Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters* *– Additional Exemptions for First-time Adopters*	1 January 2011
vi)	Amendments to FRS 2, *Share-based Payment*	1 July 2010
vii)	Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*	1 January 2011
viii)	Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*	1 July 2010
ix)	Amendments to FRS 7 , *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*	1 January 2011
x)	Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Right Issues*	1 March 2010

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

(a) Statement of compliance (continued)

	FRSs / Interpretations	Effective date
xi)	Amendments to FRS 138, *Intangible Assets*	1 July 2010
xii)	IC Interpretation 4, *Determining whether an Arrangement contains a Lease*	1 January 2011
xiii)	IC Interpretation 12, *Service Concession Agreements*	1 July 2010
xiv)	IC Interpretation 15, *Agreements for the Construction of Real Estate*	1 January 2012
xv)	IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*	1 July 2010
xvi)	IC Interpretation 17, *Distribution of Non-cash Assets to Owners*	1 July 2010
xvii)	IC Interpretation 18, *Transfers of Assets from Customers*	1 January 2011
xviii)	IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2011
xix)	Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*	1 July 2010
xx)	Amendments to IC Interpretation 14, *Repayment of a Minimum Funding Requirement*	1 July 2011
xxi)	Improvements to FRSs (2010)	1 January 2011

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

i) from the annual period beginning on 1 January 2011 for those standards, amendments or interpretations above that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 or 1 January 2011, except for FRS 1, FRS 3, Amendments to FRS 1, Amendments to FRS 138, IC Interpretation 12 and IC Interpretation 16, which are not applicable to the Group and the Bank.

ii) from the annual period beginning on 1 January 2012 for those standards, amendments or interpretations above that will be effective for annual periods beginning on or after 1 July 2011 or 1 January 2012, except for IC Interpretation 15, which is not applicable to the Group and the Bank.

The initial application of all the above applicable standards, amendments or interpretations is not expected to have any material financial impact to the financial statements upon their first adoption.

The financial statements were approved by the Board of Directors on 30 March 2011.

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

(b) 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.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with the MASB's Financial Reporting Standards requires management to make estimates and assumptions that affect 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 makes assumptions of the effects of uncertain future events on those assets and liabilities at the statement of financial position date. The Group's estimates and assumptions 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 (c)(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 (m) and Note 2 (p))
iii) Fair value estimation of financial assets and financial liabilities (Note 43)
iv) Estimation of defined benefit obligations (Note 2 (k)(ii))

2. Significant accounting policies

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

(a) Basis of measurement

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

(b) Basis of consolidation

The consolidated financial statements as at and for the financial year ended 31 December 2010 comprise the financial statements of the Bank and its subsidiaries made up to the end of the financial year.

2. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

i) Subsidiaries

Subsidiaries are those 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 statements of financial position are 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.

(c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. The accounting policies applied in the previous years are largely in line with those required under FRS 139 except for that discussed in Note 48.

i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements 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

<u>Financial assets</u>

The financial assets of the Group and the Bank include Cash and short term funds, Deposits and placements with banks and other financial institutions, Securities purchased under resale agreements, Financial assets held for trading, Investment securities available-for-sale, Loans, advances and financing, Financial derivatives and Other assets.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

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

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 statements of comprehensive income. Interest income from the financial assets held for trading, calculated using the effective interest method, is recognised in the statements of comprehensive income.

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 method. A gain or loss is recognised in the statements of comprehensive income when the securities are derecognised. Amortisation of premium or accretion of discount for securities are also recognised in the statements 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

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 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 method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment. Interest income is recognised as interest income in the statements of comprehensive income using effective interest method.

D) Available-for-sale financial assets

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

The financial liabilities of the Group and the Bank include Deposits from customers, Deposits and placements of banks and other financial institutions, Securities sold under repurchase agreements, Bills and acceptances payable, Recourse obligations on loans sold to Cagamas Berhad, Financial derivatives, Other liabilities, and Subordinated debts.

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

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

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

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

iii) Financial guarantee contracts

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 statements of comprehensive income using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in statements 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

iv) Regular way purchase or sale of financial assets (continued)

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

Derivative financial instruments are recognised at inception on the statements of financial position (including the transaction costs), which are usually zero or negligible at inception, and subsequent changes in fair value as a result of fluctuation in market interest rates or foreign exchange rates are recorded as derivative financial assets (favourable) or derivative financial liabilities (unfavourable).

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

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

Fair value hedge

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

v) Derivative financial instruments and hedge accounting (continued)

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.

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

vii) Offsetting

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

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

viii) Impairment of financial assets

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

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

A) Securities

The carrying amount of the Group's and the Bank's securities are reviewed at each statements of financial position 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 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 statements 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 statements 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

viii) Impairment of financial assets (continued)

A) Securities (continued)

- *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 statements 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 statements of comprehensive income.

Impairment losses recognised in the statements of comprehensive income for an investment in an equity investment classified as available-for-sale, is not reversed through the statements 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 statements of comprehensive income, that portion of impairment loss is reversed through the statements of comprehensive income.

B) Loans, advances and financing

The carrying amount of the Group's and the Bank's loans, advances and financing are reviewed at each statements of financial position 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 statements 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.

Collective impairment provisions is maintained by the Group and the Bank against risks which are not specifically identified. The percentage is in compliance with the minimum requirement of 1.5% set by BNM.

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

viii) Impairment of financial assets (continued)

B) Loans, advances and financing (continued)

Where the fair value of the debt or equity instrument is higher than the net book value of the restructured loans, the gain from the conversion exercise is transferred to the impairment loss account, which would be netted off from the "Securities" account in the statements of financial position.

(d) 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 statements 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 statements of financial position date.

2. Significant accounting policies (continued)

(e) 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 statements 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 statements of financial positions. The securities sold under repurchase agreements are treated as pledged assets and continue to be recognised as assets in the statements of financial position.

(f) 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.

(g) 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.

(h) 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.

(i) Subordinated debts

Subordinated debts are carried at amortised cost except for debts which are fair value hedged, which are then disclosed at their fair value. Interest expense on subordinated debts of the Group and the Bank are recognised in the statements of comprehensive income on an accrual basis.

(j) 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 and financial assets held for trading), where policies are as disclosed in Note 2(c)(viii)(A), are reviewed at each statements 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.

2. Significant accounting policies (continued)

(j) 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 statements 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 statements 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.

(k) 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 statements 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 statements of comprehensive income in the period they arise.

2. Significant accounting policies (continued)

(k) 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 statements 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 statements 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 statements 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. Termination benefits for voluntary redundancies are recognised 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.

(l) Operating leases

The Group and the Bank have adopted the amendments to FRS 117 on 1 January 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified to property, plant and equipment and measured as such retrospectively. Effects of change are disclosed in Note 48 to financial statements.

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

(m) Recognition of interest/profit income

Interest/profit income is recognised in the statements 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 due will not be recognised as income. This policy was adopted in current year as explained in Note 48 (ii).

2. Significant accounting policies (continued)

(n) 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.

(o) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the statements 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 statements 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 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 statements 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.

(p) 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 method as described in Note 2(s). The effective interest rate is the rate that exactly discounts estimated future payments through the expected life of the financial liabilities.

(q) 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.

2. Significant accounting policies (continued)

(r) Currency translations

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

(s) 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.

(t) 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.

3. Cash and short term funds

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	103,183	114,553	96,386	112,808
Money at call and deposit placements maturing within one month	4,419,483	8,756,397	3,571,457	7,474,101
	4,522,666	8,870,950	3,667,843	7,586,909

4. Deposits and placements with banks and other financial institutions

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Licensed banks	50,000	350,000	1,955,548	1,613,924
Bank Negara Malaysia	-	600,000	-	600,000
Other financial institutions	308,182	-	308,182	-
	358,182	950,000	2,263,730	2,213,924

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	
	2010	2009
	RM'000	RM'000
Statement of Financial Position - Asset		
Securities and collaterals which can be re-pledged or sold (at fair value)	89,854	14,199

5. Repurchase and reverse repurchase agreements and collateral (continued)

	Group and Bank	
	2010	2009
	RM'000	RM'000
Statement of Financial Position - Liabilities		
Recourse obligations on loans sold to Cagamas	72,919	138,433
Collateral of loans sold to Cagamas	91,947	167,465

The major terms and condition for loans sold to Cagamas are 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.

6. Financial assets held for trading

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government treasury bills	194,831	41,337	194,831	41,337
Malaysian Government bonds/securities	636,956	689,034	636,956	689,034
Government Islamic bonds	20,705	-	20,705	-
Bank Negara Malaysia bills	2,156,498	724,095	2,156,498	724,095
Cagamas bonds	-	19,769	-	19,769
Private debt securities	340,787	456,263	340,787	456,263
	3,349,777	1,930,498	3,349,777	1,930,498

7. Investment securities available-for-sale

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government bonds/ securities *	1,493,740	2,406,919	1,493,740	2,406,919
Bank Negara Malaysia bills	2,077,444	-	1,529,339	-
Cagamas bonds	25,077	65,250	-	-
Bankers' acceptances and Islamic acceptance bills	506,752	486,417	506,752	486,417
Negotiable instruments of deposit	2,480,002	2,425,167	2,445,002	2,390,175
Government Islamic bonds	-	25,072	-	-
Private debt securities	15,144	60,552	-	-
	6,598,159	5,469,377	5,974,833	5,283,511
Unquoted securities:-				
Equity shares, at cost	9,647	9,733	9,647	9,733
Private debt securities, at fair value	14,980	26,843	14,980	26,843
	6,622,786	5,505,953	5,999,460	5,320,087

* Included in Malaysian Government bonds/securities are Malaysian Government Securities of the Group and the Bank amounting to RM 201 million each (2009: RM 136 million) being utilised to meet Statutory Reserve Requirement as further explained in Note 12.

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 FRS 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.

8. Loans, advances and financing

(i) By type

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
At amortised cost				
Overdrafts	660,746	690,707	660,746	690,707
Term loans/financing				
- Housing loans/financing	13,042,147	11,387,751	12,207,448	11,108,187
- Syndicated term loan/financing	928,345	297,940	928,345	297,940
- Hire purchase receivables	101,845	36,972	-	-
- Lease receivables	365,030	218,873	-	-
- Other term loans/financing	7,829,184	5,565,070	6,440,171	4,233,927
Bills receivable	2,328,025	2,215,967	2,326,325	2,211,603
Trust receipts	1,435,463	1,117,850	1,250,769	1,077,830
Staff loans/financing	65,013	73,902	61,695	70,388
Loans/financing to banks and other financial institutions	358,259	10,654	358,259	10,654
Credit card receivables	1,505,746	1,318,027	1,505,746	1,318,027
Revolving credit	1,120,404	1,277,176	722,637	732,389
	29,740,207	24,210,889	26,462,141	21,751,652
Less: Unearned interest and income	(893,959)	(531,851)	(1,693)	(8,929)
Gross loans, advances and financing	28,846,248	23,679,038	26,460,448	21,742,723
Less: Impairment provisions on loans, advances and financing:-				
- Individual impairment provisions (2009: Specific allowance)	(311,096)	(268,940)	(298,740)	(267,636)
- Collective impairment provisions (2009: General allowance)	(427,246)	(352,831)	(395,947)	(329,090)
Total net loans, advances and financing	28,107,906	23,057,267	25,765,761	21,145,997

(ii) By type of customer

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Domestic banking institutions	2,963	10,654	2,963	10,654
Domestic non-bank financial institutions	321,472	400,488	261,339	203,712
Domestic business enterprises	9,716,031	6,988,411	8,612,695	6,202,729
Small medium enterprises	*2,890,944*	*2,273,070*	*2,764,578*	*2,165,288*
Others	*6,825,087*	*4,715,341*	*5,848,117*	*4,037,441*
Individuals	16,929,474	14,909,023	15,736,971	13,966,948
Other domestic entities	669	425	669	425
Foreign entities	1,875,639	1,370,037	1,845,811	1,358,255
	28,846,248	23,679,038	26,460,448	21,742,723

8. Loans, advances and financing (continued)

(iii) By interest/profit rate sensitivity

	Group		Bank	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Fixed rate				
Housing loans/financing	49,725	59,698	45,031	54,227
Other fixed rate loan/financing	3,305,945	2,695,174	2,025,234	1,729,923
Variable rate				
BLR plus	16,514,655	14,284,551	16,094,230	14,043,249
Cost plus	8,109,945	5,760,357	7,714,900	5,224,964
Other variable rates	865,978	879,258	581,053	690,360
	28,846,248	23,679,038	26,460,448	21,742,723

(iv) By sector

	Group		Bank	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Agriculture	312,620	153,105	188,985	133,101
Mining and quarrying	164,105	128,441	155,250	126,719
Manufacturing	3,350,381	2,532,297	3,096,185	2,414,876
Electricity, gas and water	639,117	5,237	638,925	5,237
Construction	319,412	337,617	302,016	253,113
Real estate	482,731	350,934	307,411	259,106
Wholesale & retail trade and restaurants & hotels	2,135,959	1,945,455	2,034,214	1,810,945
Transportation, storage and communication	340,342	310,199	107,744	107,304
Finance, insurance and business services	1,683,718	1,102,959	1,471,274	799,063
Household	17,901,437	15,592,616	16,679,106	14,638,748
Others	1,516,426	1,220,178	1,479,338	1,194,511
	28,846,248	23,679,038	26,460,448	21,742,723

(v) By purpose

	Group		Bank	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Purchase of securities	633,625	-	633,625	-
Purchase of landed property	15,434,170	13,637,141	15,039,144	13,418,666
- Residential	*12,664,411*	*11,394,707*	*12,352,786*	*11,267,519*
- Non-residential	*2,769,759*	*2,242,434*	*2,686,358*	*2,151,147*
Fixed assets excluding land & building	53,237	9,521	-	-
Personal use	2,146,347	1,515,204	1,271,493	729,511
Credit cards	1,505,746	1,318,027	1,505,746	1,318,027
Working capital	8,761,108	7,187,999	7,698,425	6,265,373
Others	312,015	11,146	312,015	11,146
	28,846,248	23,679,038	26,460,448	21,742,723

8. Loans, advances and financing (continued)

(vi) By maturity structure

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Maturing within one year	10,456,653	7,969,505	9,494,847	7,170,194
One year to three years	1,232,516	1,039,268	846,327	759,218
Three years to five years	1,962,296	1,464,975	1,354,538	876,197
Over five years	15,194,783	13,205,290	14,764,736	12,937,114
	28,846,248	23,679,038	26,460,448	21,742,723

(vii) By geographical distribution

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Within Malaysia	28,492,454	23,633,360	26,106,654	21,697,045
Outside Malaysia	353,794	45,678	353,794	45,678
	28,846,248	23,679,038	26,460,448	21,742,723

(viii) Analysis of foreign currency exposure

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
USD	1,513,419	951,931	1,381,405	921,216
GBP	561,076	662,769	561,076	662,769
Other foreign currencies	23,259	17,695	22,987	17,695

9. Impaired loans, advances and financing

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January, as previously stated	448,150	552,325	434,162	543,071
Effect of adoption of FRS 139 (Note 48 (ii))	5,355	-	5,197	-
At 1 January, as restated	453,505	552,325	439,359	543,071
Classified as impaired/non-performing during the financial year	551,890	662,395	491,105	614,663
Reclassified as performing during the financial year	(293,399)	(471,817)	(292,512)	(470,402)
Amount recovered during the financial year	(67,274)	(83,096)	(59,660)	(79,758)
Amount written off during the financial year	(203,007)	(211,657)	(159,007)	(173,412)
At 31 December	441,715	448,150	419,285	434,162
Individual impairment provisions (2009: Specific allowance)	(311,096)	(268,940)	(298,740)	(267,636)
Net impaired/non-performing loans, advances and financing	130,619	179,210	120,545	166,526
Ratio of net impaired/non-performing loans, advances and financing to net loans, advances and financing	0.46%	0.77%	0.46%	0.78%

9. Impaired loans, advances and financing (continued)

(ii) Movements in impairment provisions for loans, advances and financing

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Collective impairment provisions (2009: General allowance)				
At 1 January	352,831	315,271	329,090	294,390
Impairment/allowance made during the financial year	101,714	55,110	86,717	48,700
Amount written back	(27,299)	(17,550)	(19,860)	(14,000)
At 31 December	427,246	352,831	395,947	329,090
As a percentage of gross loans, advances and financing less individual impairment provisions/specific allowance	1.5%	1.5%	1.5%	1.5%
Individual impairment provisions (2009: Specific allowance)				
At 1 January, as previously stated	268,940	203,747	267,636	202,898
Effect of adoption of FRS 139 (Note 48 (ii))	39,629	-	29,691	-
At 1 January, as restated	308,569	203,747	297,327	202,898
Impairment/allowance made during the financial year	214,421	317,420	168,375	278,430
Amount written back	(72,426)	(108,882)	(71,539)	(108,612)
Amount written off	(139,468)	(143,345)	(95,423)	(105,080)
At 31 December	311,096	268,940	298,740	267,636

(iii) Impaired loans, advances and financing by sector

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Agriculture	13,981	15,444	13,981	15,444
Mining and quarrying	-	514	-	514
Manufacturing	34,832	43,506	32,819	43,484
Construction	55,563	55,315	55,563	55,315
Wholesale & retail trade and restaurants & hotels	49,392	44,667	49,392	44,667
Transportation, storage and communication	32	-	32	-
Finance, insurance and business services	2,567	6,809	2,567	6,809
Household	273,169	277,426	252,752	263,460
Others	12,179	4,469	12,179	4,469
	441,715	448,150	419,285	434,162

9. Impaired loans, advances and financing (continued)

(iv) Impaired loans, advances and financing by purpose

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Purchase of landed property	242,183	257,538	232,684	253,491
- Residential	*217,209*	*233,234*	*207,710*	*229,187*
- Non-residential	*24,974*	*24,304*	*24,974*	*24,304*
Personal use	27,875	22,280	14,979	12,361
Credit cards	14,790	12,191	14,790	12,191
Working capital	156,867	156,141	156,832	156,119
	441,715	448,150	419,285	434,162

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Within Malaysia	441,098	448,150	418,668	434,162
Outside Malaysia	617	-	617	-
	441,715	448,150	419,285	434,162

10. Other assets

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest/Income receivables	39,392	65,826	40,906	66,492
Other receivables, deposit and prepayments	167,981	136,400	244,039	291,791
	207,373	202,226	284,945	358,283

11. Prepaid lease payments

Group and Bank	**Unexpired period less than 50 years RM'000**
Cost	
At 1 January 2009	
As previously stated	1,245
Effect of adoption of amendments to FRS 117 (Note 48 (i))	(1,245)
At 1 January 2009, as restated / 31 December 2009, as restated / 31 December 2010	-
Amortisation	
At 1 January 2009	
As previously stated	96
Effect of adoption of amendments to FRS 117 (Note 48 (i))	(96)
At 1 January 2009, as restated / 31 December 2009, as restated / 31 December 2010	-
Carrying amounts	
At 1 January 2009, as restated / 31 December 2009, as restated / 31 December 2010	-

12. 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.

In accordance with BNM’s circular titled “Regulatory Treatment related to the Statutory Reserve Requirement Incentive for Principal Dealers and Islamic Principal Dealers” issued on 10 July 2009, the Bank, being a principal dealer appointed by BNM, is allowed to utilise Malaysian Government Securities (“MGS”) to meet the SRR. As at 31 December 2010, MGS of the Group and the Bank with nominal amount of RM 201 million each (2009 - RM 136 million) are utilised for SRR purposes. These securities are included in the investment securities available-for-sale (Note 7).

13. Investments in subsidiaries

	Bank	
	2010 RM'000	**2009 RM'000**
Unquoted shares, at cost	386,022	300,022

The subsidiaries of the Bank are as follows:-

Name	**Principal activities**	**Country of incorporation**	**Percentage of equity held**	
			2010	**2009**
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%

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

* On 27 July 2010, the Bank subscribed additional 21.5 million new ordinary shares of RM 1.00 each of Standard Chartered Saadiq Berhad at an issue price of RM 4.00 per share for a cash consideration of RM 86 million.

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14. Property, plant and equipment

Group and Bank Cost	Freehold land RM'000	Short term leasehold land RM'000	Buildings and refurbishment RM'000	Premises, plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
At 1 January 2010	-	1,245	71,132	7,358	161,642	46,882	3,065	291,324
Additions	-	-	429	564	15,523	1,863	948	19,327
Disposal	-	(309)	(1,335)	-	-	-	-	(1,644)
At 31 December 2010	-	936	70,226	7,922	177,165	48,745	4,013	309,007
Accumulated Depreciation								
At 1 January 2010	-	120	59,543	7,261	131,764	28,181	2,760	229,629
Charge for the year	-	19	3,459	83	13,684	6,812	358	24,415
Disposal	-	(31)	(536)	-	-	-	-	(567)
At 31 December 2010	-	108	62,466	7,344	145,448	34,993	3,118	253,477
Net book value								
At 31 December 2010	-	828	7,760	578	31,717	13,752	895	55,530

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14. Property, plant and equipment (continued)

Group and Bank

Cost	Freehold land RM'000	Short term leasehold land RM'000	Buildings and refurbishment RM'000	Premises, plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
At 1 January 2009, as previously stated	168	-	70,598	7,239	140,164	44,654	3,065	265,888
Effect of adoption of amendments to FRS 117 (Note 48 (i))	-	1,245	-	-	-	-	-	1,245
At 1 January 2009, as restated	168	1,245	70,598	7,239	140,164	44,654	3,065	267,133
Additions	-	-	692	119	21,542	2,228	-	24,581
Disposal	(168)	-	(158)	-	(64)	-	-	(390)
At 31 December 2009	-	1,245	71,132	7,358	161,642	46,882	3,065	291,324
Accumulated Depreciation								
At 1 January 2009, as previously stated	-	-	55,244	7,202	120,425	21,323	2,319	206,513
Effect of adoption of amendments to FRS 117 (Note 48 (i))	-	96	-	-	-	-	-	96
At 1 January 2009, as restated	-	96	55,244	7,202	120,425	21,323	2,319	206,609
Charge for the year	-	24	4,323	59	11,391	6,858	441	23,096
Disposal	-	-	(24)	-	(52)	-	-	(76)
At 31 December 2009	-	120	59,543	7,261	131,764	28,181	2,760	229,629
Net book value								
At 31 December 2009	-	1,125	11,589	97	29,878	18,701	305	61,695

15. Deposits from customers

(i) By type of deposits

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Demand deposits	12,825,314	12,177,435	12,359,091	11,680,914
Savings deposits	3,942,783	5,013,170	3,879,015	4,943,920
Fixed/Investment deposits	16,803,823	14,449,518	16,198,205	13,991,528
Negotiable instruments of deposits	684,808	1,280,102	498,957	844,326
	34,256,728	32,920,225	32,935,268	31,460,688

(ii) By type of customers

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Government and statutory bodies	126,072	13,329	26,072	13,329
Business enterprises	15,032,215	13,227,444	14,486,533	12,677,905
Individuals	16,955,819	17,185,614	16,510,743	16,734,032
Others	2,142,622	2,493,838	1,911,920	2,035,422
	34,256,728	32,920,225	32,935,268	31,460,688

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Due within six months	13,976,010	11,803,462	13,384,052	11,300,315
Six months to one year	2,456,205	2,633,761	2,368,938	2,433,697
One year to three years	117,495	251,301	91,097	161,762
Three years to five years	533,137	368,644	533,137	349,746
Over five years	405,784	672,452	319,938	590,334

16. Deposits and placements of banks and other financial institutions

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Licensed banks	278,846	30,584	253,271	23,315
Bank Negara Malaysia	77,637	58,428	77,637	58,428
Other financial institutions	3,265,321	3,514,738	3,189,499	3,327,493
	3,621,804	3,603,750	3,520,407	3,409,236

17. Other liabilities

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Interest/Profit payable	125,194	114,358	121,319	112,467
Provision for retirement benefit scheme (Note 34)	2,057	2,971	2,057	2,971
Amount owing to subsidiaries	-	-	22	22
Profit equalisation reserve	7,478	7,478	-	-
Other payables and accruals	2,314,174	1,020,321	2,320,905	1,022,724
	2,448,903	1,145,128	2,444,303	1,138,184

The movements in profit equalisation reserve are as follows:-

Profit equalisation reserve

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
At 1 January	7,478	5,744	-	-
Amount provided during the financial year	-	1,734	-	-
At 31 December	7,478	7,478	-	-

18. Subordinated debts

	Group and Bank 2010 RM'000	2009 RM'000
<u>At cost</u>		
Islamic subordinated debt (i)	380,000	380,000
<u>At fair value</u>		
Subordinated bonds (ii)	505,652	511,208
	885,652	891,208

(i) On 14 December 2004, the Bank entered into a BBA (Bai Bithaman Ajil) Transaction Sale Agreement and Musyarakah Contribution Agreement with a third party for the issuance of RM 380 million Islamic Subordinated debt ("the Debt") for the funding of its Islamic Banking ("IB") operations.

Terms and conditions of the Debt are as follows:-

a) The Debt is unsecured and bears a profit margin of 7% per annum payable semi-annually from the date of issue.

b) The Debt is to be repaid in full upon expiry of 7 years from the date of issue through the following:-

i) bullet repayment by cash; or

ii) issuance of 380 million Irredeemable Non Cumulative Preference Shares at an issue price of RM 1.00 each.

The cash repayment represents a subordinated obligation of the Bank, subordinated to all the other liabilities and obligation of the Bank (except for those that are also subordinated by their terms). Any cash repayment shall be subject to approval from BNM.

c) For capital adequacy requirements, the debt shall be made available for absorption of losses incurred by IB operations prior to its repayment at the end of 7 years.

(ii) 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.

19. Redeemable preference shares

	Group and Bank 2010 RM'000	2009 RM'000
Authorised		
Redeemable preference shares of RM 1.00 each	300,000	300,000
Issued and fully paid	-	-

19. Redeemable preference shares (continued)

The Bank had in prior years fully redeemed 190,000 cumulative Redeemable Preference Shares ("RPS") of RM 1.00 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 21).

20. Share capital

	Group and Bank			
	2010		2009	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Authorised				
Ordinary shares of RM 1.00 each	700,000	700,000	700,000	700,000
Irredeemable Non-Cumulative Preference Shares of RM 0.10 each	38,000	380,000	38,000	380,000
	738,000	1,080,000	738,000	1,080,000
Issued and fully paid				
Ordinary shares of RM 1.00 each	125,000	125,000	125,000	125,000

21. Reserves

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-distributable :				
Share premium	375,000	375,000	375,000	375,000
Statutory reserves	156,706	132,960	125,000	125,000
Capital redemption reserve (Note 19)	190	190	190	190
AFS reserves	1,416	7,439	1,363	6,868
Cash flow hedge reserves	(8,601)	(8,669)	(8,601)	(8,669)
	524,711	506,920	492,952	498,389
Distributable :				
Retained profits	1,964,830	1,672,639	1,936,745	1,659,725
	2,489,541	2,179,559	2,429,697	2,158,114

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.

AFS reserves relates to the fair valuation of financial assets categorised as available-for-sale. Cash flow hedge reserves comprises 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.

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 1,412,671,000 dividend out of its retained earnings as at 31 December 2010.

22. Dividends

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

	Group and Bank 2010 RM'000	Group and Bank 2009 RM'000
Ordinary:-		
Final paid:-		
Nil (2008 - 80 sen per share less tax)	-	75,000
Interim paid:-		
105.6 sen per share less tax in respect of year ended 2010 (2009 - nil)	99,000	-
	99,000	75,000

The Directors recommend the payment of a final ordinary dividend (gross) of 240 sen per share, less tax at 25% totalling RM 225,000,000 (180 sen per ordinary share) in respect of the current financial year on the issued and fully paid-up ordinary shares of the Bank. This proposed dividend will be recognised in subsequent financial reports upon approval by the shareholders.

23. Interest income

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	999,743	830,773	999,743	830,773
- Recoveries from impaired loans	22,360	51,898	22,360	51,898
Money at call and deposit placements with banks and other financial institutions	115,649	187,497	169,549	212,994
Financial assets held for trading	86,273	86,795	86,273	86,795
Investment securities available-for-sale	150,334	141,981	150,334	141,981
	1,374,359	1,298,944	1,428,259	1,324,441

24. Interest expense

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits and placements of banks and other financial institutions	88,744	53,418	88,744	53,418
Deposits from customers	513,907	511,748	513,907	511,748
Loans sold to Cagamas	5,575	6,620	5,575	6,620
Subordinated debts	48,045	48,016	48,045	48,016
	656,271	619,802	656,271	619,802

25. Net income from Islamic Banking operations

	Group	
	2010 RM'000	2009 RM'000
Income derived from investment of depositors' funds and others	79,465	85,998
Transfer to profit equalisation reserves	-	(1,734)
Total distributable income	79,465	84,264
Income attributable to depositors	(16,633)	(58,376)
Income attributable to the Bank	62,832	25,888
Income derived from investment of Islamic banking capital funds	183,402	118,129
	246,234	144,017

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26. Other operating income

	Group		Bank	
		Restated		Restated
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
<u>Fee and commission</u>				
Fee and commission income:-				
Arising from financial instruments not fair valued through profit or loss	266,267	221,103	266,267	221,103
- Commission income	*166,219*	*137,860*	*166,219*	*137,860*
- Service fees	*74,036*	*54,948*	*74,036*	*54,948*
- Guarantee fees	*26,012*	*28,295*	*26,012*	*28,295*
Fee and commission expense:-				
Arising from financial instruments not fair valued through profit or loss	(39,008)	(27,842)	(39,008)	(27,842)
- Commission charges	*(20,488)*	*(64)*	*(20,488)*	*(64)*
- Service charges	*(18,520)*	*(27,778)*	*(18,520)*	*(27,778)*
	227,259	193,261	227,259	193,261
<u>Net trading income</u>				
(Loss)/Gains from sale of financial assets held for trading and derivative financial instruments	(64,198)	94,125	(64,198)	94,125
Unrealised gain on revaluation of financial assets held for trading and other financial instruments	163,975	7,142	163,975	7,142
Foreign exchange currency				
- Gain from dealing in foreign currency	48,652	180,872	48,652	180,872
- Unrealised gain from foreign exchange translation	128,939	27,357	128,939	27,357
	277,368	309,496	277,368	309,496
<u>Other income</u>				
Gains from sale of investment securities available-for-sale	18,303	24,284	18,303	24,284
Gross dividends from unquoted investments	45,543	19,974	45,543	19,974
Rental income	60	395	60	395
Gain on disposal of property, plant and equipment	442	223	442	223
Others	2,419	2,476	62,173	53,006
	66,767	47,352	126,521	97,882
Total other operating income	**571,394**	**550,109**	**631,148**	**600,639**

27. Other operating expenses

	Group		Bank	
		Restated		Restated
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, bonuses, wages and allowances	234,822	206,760	231,996	205,498
- Pension fund contributions	31,294	24,538	31,294	24,538
- Other staff related cost	31,659	42,553	30,869	42,321
	297,775	273,851	294,159	272,357
Establishment costs				
- Depreciation of property, plant and equipment	24,415	23,096	24,415	23,096
- Rental	22,018	21,661	21,702	21,661
- Information technology and project expenses	71,407	98,416	70,893	98,414
- Others	36,720	39,182	36,227	39,110
	154,560	182,355	153,237	182,281
Marketing expenses				
- Advertisement and publicity	28,087	25,391	27,703	24,217
- Others	29,180	6,552	29,137	6,500
	57,267	31,943	56,840	30,717
Administration and general expenses				
- Communication expenses	11,932	13,654	11,877	13,613
- Group administration and business support expenses	83,244	92,462	77,264	88,746
- Outsourcing expenses	65,939	46,464	65,935	46,464
- Others	71,226	73,803	66,562	71,405
	232,341	226,383	221,638	220,228
Total other operating expenses	**741,943**	**714,532**	**725,874**	**705,583**

The above expenditure includes the following items:-

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration, excluding benefits-in-kind (Note 28):-				
- Directors of the Bank	2,949	2,574	2,889	2,531
- Directors of the subsidiaries	696	744	696	744
Share-based payments	6,325	8,261	6,325	8,261
Defined benefit obligations cost (Note 34)	4,380	1,476	4,380	1,476
Contributions to defined contribution plan (included in personnel costs)	26,914	23,062	26,914	23,062
Hire of equipment	2,185	1,742	2,185	1,742
Auditor's remuneration:-				
- Statutory audit	500	475	440	425
- Other services	339	244	269	244
Property, plant and equipment:-				
- Depreciation	24,415	23,096	24,415	23,096
Rental of premises	23,141	23,008	23,141	23,008
Mutual separation scheme	-	10,900	-	10,900

28. Key management personnel compensation

The key management personnel compensation are as follows:-

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors of the Bank:-				
- Fees	411	372	383	352
- Remuneration	2,538	2,202	2,506	2,179
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	492	713	492	713
Total short-term employee benefits*	3,441	3,287	3,381	3,244
Directors of the subsidiaries:-				
- Fees	-	-	-	-
- Remuneration	696	744	696	744
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	-	90	-	90
Total short-term employee benefits	696	834	696	834
- Share-based payments	55	131	55	131
	751	965	751	965
	4,192	4,252	4,132	4,209
Other key management personnel:-				
- Short-term employee benefits	11,937	9,995	11,937	9,995
- Share-based payments	189	132	189	132
	12,126	10,127	12,126	10,127

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:-

2010	Salary and other remuneration, including meeting allowance RM'000	Fees RM'000	Benefit-in-kind RM'000	Total RM'000
Executive Directors and Chief Executive Officers:-				
Osman Tarique Morad	2,439	-	492	2,931
Non-executive Directors:-				
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	16	140	-	156
Datuk Abu Hassan bin Kendut	21	83	-	104
Datuk Ishak bin Imam Abas	27	80	-	107
Datuk Seri Michael Yam Kong Choy	3	80	-	83
	2,506	383	492	3,381

28. Key management personnel compensation (continued)

2009	Salary and other remuneration, including meeting allowance RM'000	Fees RM'000	Benefit-in-kind RM'000	Total RM'000
Executive Directors and Chief Executive Officers:-				
Julian Francis Wynter	1,935	-	658	2,593
Osman Tarique Morad	184	-	55	239
Non-executive Directors:-				
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	21	140	-	161
Datuk Abu Hassan bin Kendut	17	80	-	97
Datuk Ishak bin Imam Abas	17	72	-	89
Datuk Seri Michael Yam Kong Choy	-	44	-	44
Dato' Lim Say Chong	5	16	-	21
	2,179	352	713	3,244

29. Provisions for loans, advances and financing

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Provisions for loans, advances and financing:-				
Individual impairment provisions (2009: Specific allowance)	141,995	208,538	96,836	169,818
- Made in the financial year	178,940	254,948	132,894	215,958
- Discounting of collaterals	35,481	62,472	35,481	62,472
- Written back	(72,426)	(108,882)	(71,539)	(108,612)
Collective impairment provisions (2009: General allowance)				
- Made in the financial year	107,714	55,110	86,717	48,700
- Written back	(33,299)	(17,550)	(19,860)	(14,000)
Bad and doubtful debts on loans, advances and financing:-				
Written off	66,837	72,644	66,837	72,644
Recovered	(60,938)	(59,873)	(60,938)	(59,873)
	222,309	258,869	169,592	217,289

30. Credit exposure to connected parties

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Aggregate value of outstanding credit exposures to connected parties	1,308,463	1,352,593	1,427,686	1,358,747
As a percentage of total credit exposures	2.7%	3.0%	3.2%	3.2%

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

31. 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 13.

(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).

(a) Transactions and balances with subsidiaries of the Bank

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Transactions				
Income				
Interest on placements or loans	-	-	53,900	25,497
Management fee	-	-	59,754	50,530
	-	-	113,654	76,027
Balances				
Amount due from subsidiaries				
Inter-company placements	-	-	1,991,113	2,572,000
Derivative financial instruments	-	-	42,511	14,771
Other balances	-	-	76,133	156,300
	-	-	2,109,757	2,743,071
Amount due to subsidiaries				
Derivative financial instruments	-	-	(15,348)	(12,668)
Other balances	-	-	(75,859)	(51,195)
	-	-	(91,207)	(63,863)

31. Significant related party transactions and balances (continued)

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

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Transactions				
Income				
Interest on placements or loans	13,289	15,650	13,211	15,634
Interest on deposits	32	77	32	77
	13,321	15,727	13,243	15,711
Expenditure				
Interest on borrowings	58,443	33,061	58,443	33,061
Interest on deposits	1,048	1,127	1,048	1,127
Other operating expenses	201,285	199,237	193,115	192,947
	260,776	233,425	252,606	227,135
Balances				
Amount due from fellow subsidiaries of Standard Chartered PLC				
Inter-company loans	971,402	356,178	971,402	356,176
Current accounts	406,345	473,871	203,815	461,785
Derivative financial instruments	566,662	414,509	566,662	414,509
Other balances	389,091	300,256	389,091	300,256
	2,333,500	1,544,814	2,130,970	1,532,726
Amount due to fellow subsidiaries of Standard Chartered PLC				
Inter-company loans	(1,693,667)	(1,361,800)	(1,693,667)	(1,361,800)
Current accounts	(451,828)	(347,665)	(394,681)	(164,372)
Derivative financial instruments	(786,365)	(716,335)	(786,365)	(715,473)
Amount due in respect of support charges	(82,243)	(41,235)	(73,263)	(37,099)
Other balances	(73,143)	(325,782)	(69,334)	(324,352)
	(3,087,246)	(2,792,817)	(3,017,310)	(2,603,096)

31. 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

Key management personnel compensation

Key management personnel compensation is disclosed in Note 28.

Transactions and balances other than compensation

	Group		Bank	
	2010	2009	2010	2009
Transactions	RM'000	RM'000	RM'000	RM'000
Income				
Interest on loans, advances and financing				
- Directors	137	133	136	133
- Other key management personnel	180	145	174	133
- Companies under control or significant influence of key management personnel	20	7	20	7
	337	285	330	273
Expenditure				
Interest on deposits				
- Directors	32	33	30	27
- Other key management personnel	36	24	36	22
- Companies under control or significant influence of key management personnel	-	19	-	19
	68	76	66	68
Balances				
Loans, advances and financing				
- Directors	3,079	3,162	2,786	3,162
- Other key management personnel	10,175	5,531	10,133	5,330
Deposits				
- Directors	(1,674)	(2,263)	(1,476)	(1,751)
- Other key management personnel	(2,179)	(2,022)	(2,164)	(1,878)
- Companies under control or significant influence of key management personnel	(8,754)	(6,410)	(8,754)	(6,410)

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.

All other related party transactions are conducted at arm's length basis.

32. Tax expense

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Income tax expense:-				
- Current year	153,487	102,449	135,295	96,684
- Over provision in prior years	(2,083)	-	(2,083)	-
	151,404	102,449	133,212	96,684
Deferred tax expense (Note 33):-				
- Origination/reversal of temporary differences	(18,182)	(6,356)	(17,532)	(6,446)
- Under provision in prior years	-	9,631	-	9,631
	(18,182)	3,275	(17,532)	3,185
Total tax expense	133,222	105,724	115,680	99,869
Reconciliation of effective tax expense:-				
Profit before taxation	571,464	399,867	507,670	382,406
Income tax using Malaysian tax rates @ 25%	142,866	99,967	126,918	95,602
Non-deductible expenses	3,945	3,070	2,351	1,580
Non-taxable income	(11,506)	(6,944)	(11,506)	(6,944)
	135,305	96,093	117,763	90,238
(Over)/Under provision in prior years				
- Income tax	(2,083)	-	(2,083)	-
- Deferred tax	-	9,631	-	9,631
Total tax expense	133,222	105,724	115,680	99,869
Tax recognised directly in equity:-				
AFS reserves	2,009	676	1,836	1,166
Cash flow hedge reserves	(23)	956	(23)	956
Actuarial gains or losses	(797)	-	(797)	-
Total tax recognised directly in equity (Note 33)	1,189	1,632	1,016	2,122

With effect from year of assessment 2009, corporate tax rate is at 25%. Consequently, deferred tax assets and liabilities are measured using this tax rate.

33. Deferred tax

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

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Property, plant and equipment	1,264	(908)	1,264	(908)
Collective impairment provisions/general allowance for bad and doubtful debts and financing	105,517	88,153	98,987	82,273
Other temporary differences	11,960	13,314	11,274	12,628
Actuarial gains or losses	(1,106)	(309)	(1,106)	(309)
Reserves				
- Available-for-sale	(470)	(2,479)	(454)	(2,290)
- Cash flow hedge	2,867	2,890	2,867	2,890
	120,032	100,661	112,832	94,284

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33. Deferred tax (continued)

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

	At 1 January 2009 RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2009 RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2010 RM'000
Group							
Property, plant and equipment	(148)	(760)	-	(908)	2,172	-	1,264
Collective impairment provisions/general allowance for bad and doubtful debts and financing	80,001	8,152	-	88,153	17,364	-	105,517
Other temporary differences	23,981	(10,667)	-	13,314	(1,354)	-	11,960
Actuarial gains or losses	(309)	-	-	(309)	-	(797)	(1,106)
Reserves							
- Available-for-sale	(3,155)	-	676	(2,479)	-	2,009	(470)
- Cash flow hedge	1,934	-	956	2,890	-	(23)	2,867
	102,304	(3,275)	1,632	100,661	18,182	1,189	120,032
		Note 32	Note 32		Note 32	Note 32	

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33. Deferred tax (continued)

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

	At 1 January 2009 RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2009 RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2010 RM'000
Bank							
Property, plant and equipment	(148)	(760)	-	(908)	2,172	-	1,264
Collective impairment provisions/general allowance for bad and doubtful debts and financing	73,598	8,675	-	82,273	16,714	-	98,987
Other temporary differences	23,728	(11,100)	-	12,628	(1,354)	-	11,274
Actuarial gains or losses	(309)	-	-	(309)	-	(797)	(1,106)
Reserves							
- Available-for-sale	(3,456)	-	1,166	(2,290)	-	1,836	(454)
- Cash flow hedge	1,934	-	956	2,890	-	(23)	2,867
	95,347	(3,185)	2,122	94,284	17,532	1,016	112,832
		Note 32	Note 32		Note 32	Note 32	

34. 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

The Bank makes additional contributions directly to the Employees Provident Fund ("EPF") for certain eligible employees. These contributions will be provided for in the Bank's financial statements and remitted to the EPF after the employee has been in employment with the Bank for a period of 3 years.

SCB Retirement Benefit Scheme	Group and Bank	
	2010	2009
	RM'000	RM'000
Amounts of net liabilities recognised in the statements of financial position		
Present value of defined benefit obligations		
- funded	2,551	2,286
- unfunded	1,763	2,797
	4,314	5,083
Fair value of plan assets	(2,257)	(2,112)
Recognised liability for defined benefit obligations (Note 17)	2,057	2,971
Movement in present value of defined benefit obligations		
Benefit obligation at 1 January	5,083	5,448
Current service cost	4,311	1,401
Interest cost	173	184
Actuarial gain recognised in equity	(3,126)	-
Benefits paid	(2,127)	(1,950)
Benefit obligation at 31 December	4,314	5,083
Movement in present value of plan assets		
Fair value at 1 January	2,112	2,076
Expected return on plan assets	104	109
Actuarial gain recognised in equity	63	-
Employer contributions	-	80
Benefits paid	(22)	(153)
Fair value at 31 December	2,257	2,112

34. Staff retirement and service benefits (continued)

	Group and Bank	
	2010	2009
	RM'000	RM'000
Components of pension cost		
Amount recognised in statements of comprehensive income		
Current service cost	4,311	1,401
Interest cost	173	184
Expected return on plan assets	(104)	(109)
Total pension cost recognised in statements of comprehensive income (Note 27)	4,380	1,476
Actual return on assets		
Actual return on plan assets	167	109

	2010	2009
	RM'000	RM'000
Actuarial gains and losses recognised directly in equity		
Cumulative amount at 1 January	1,235	1,235
Recognised during the year	3,189	-
Cumulative amount at 31 December	4,424	1,235

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

	2010 Rate per annum (%)	2009 Rate per annum (%)
Discount rate	4.4%	4.0%
Expected long-term rate of return on plan assets	4.5%	5.0%
Expected rate of future salary increases	3.3%	5.0%
EPF dividend rate	5.3%	5.0%

	Funded Scheme	
	2010	2009
	RM'000	RM'000
Plan assets comprise:-		
Malaysian Government Securities	767	750
Short Term Money Market Instruments and Cash	1,490	1,362
Total fair value of assets	2,257	2,112

Description of basis to determine the overall expected rate of return on assets

The expected return on plan assets is derived as a weighted average of the expected return on each asset and the respective allocation for each asset category. Expected asset allocation going forward will comprise 40% Malaysian Government Securities and 60% cash, fixed income instruments and other liquid instruments.

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34. Staff retirement and service benefits (continued)

Historical information

	2010 RM '000	2009 RM '000	2008 RM '000	2007 RM '000	2006 RM '000
Present value of the defined benefit obligation	4,314	5,083	5,448	6,503	7,044
Fair value of plan assets	(2,257)	(2,112)	(2,076)	(1,963)	(1,542)
Deficit in the plan recognised as liabilities of the Bank	2,057	2,971	3,372	4,540	5,502
Experience adjustments arising on plan liabilities	(3,126)	-	(398)	(652)	-
Experience adjustments arising on plan assets	63	-	(75)	261	-

The Group expects to pay RM 1,272,000 (2010 - RM 2,000,000) in contributions to defined benefit plans in 2011.

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35. 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

The International Sharesave Scheme was launched in 1996 and made available to all employees of the Bank. Employees have the choice of opening a three-year or a five-year savings contract. Within a period of six months after the third or fifth anniversary, employees may purchase ordinary shares of Standard Chartered PLC. Employees may make monthly contributions up to £250 over the period of the contract prior to exercise of the options; alternatively, the employee may elect to have the savings, plus interest, repaid in cash. The price at which they may purchase shares is at discount of up to 20 percent on the share price at the date of the invitation. There are no performance conditions attached to options granted.

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

Options are valued using a Binomial option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:-

	2010	**2009**
Grant date	11 October	9 October
Share price at grant date	£18.70	£15.57
Exercise price	£14.63	£11.46
Shares granted ('000)	53	133
Vesting period (years)	3/5	3/5
Expected volatility (%)	56/46	53/44
Expected option life (years)	3.33/5.33	3.33/5.33
Risk free rate (%)	0.9/1.6	1.8/2.5
Expected dividends (yield) (%)	3.5/3.8	3.3/3.17
Fair value (£)	7.4/7.2	6.4/6.2

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35. 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 the grant date.

The risk free rate 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 yield over the last three years or three years prior to grant date.

Where two amounts are shown, 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:-

	2010 Number ('000)	Weighted average exercise price	2009 Number ('000)	Weighted average exercise price
At 1 January	374	£10.80	415	£10.05
Granted during the year	53	£15.19	133	£11.46
Additonal shares for rights issue	15	£11.10	-	-
Exercised during the year	(61)	£9.72	(105)	£9.65
Lapsed during the year	(31)	£9.99	(69)	£10.27
At 31 December	350	£11.80	374	£10.80
Exercisable at 31 December	112	£10.48	6	£6.98

	2010				2009			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years
£8.64 / £11.46					£10.80	374	3.33/5.33	2.4
£8.32 / £14.63	£11.80	350	3.33/5.33	1.96				

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35. Equity Compensation Benefits (continued)

ii) Restricted Share Scheme / Supplementary Restricted Share Scheme

The Restricted Share Scheme / Supplementary Restricted Share Scheme is a discretionary share incentive scheme for high performing and high potential staff at any level of the organisation whom the Group wishes to motivate and retain. They are also used as the primary vehicle to defer an element of an employee's annual bonus into a share incentive scheme. Deferred awards vest in equal portions over three years. For non deferred awards, 50 percent of the award vests two years after the date of the grant and the remainder after three years. The awards granted under this scheme are nil cost options.

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

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.

	2010				2009
Grant date	16 December	21 September	18 June	11 March	11 March
Share price at grant date	£17.66	£19.12	£17.40	£17.40	£8.10
Shares granted ('000)	1	7	13	90	106
Vesting period (years)	2/3	2/3	2/3	1/2/3	2/3
Expected option life (years)	7	7	7	7	7
Expected dividends (yield) (%)	3.7	3.7	3.9	3.9/2.7	3.7
Fair value (£)	16.11	17.46	15.80	15.80/16.90	7.39

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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35. Equity Compensation Benefits (continued)

ii) Restricted Share Scheme / Supplementary Restricted Share Scheme (continued)

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

	2010 Number ('000)	Weighted average exercise price	2009 Number ('000)	Weighted average exercise price
At 1 January	205	-	128	-
Granted during the year	111	-	106	-
Additonal shares for rights issue	10	-	-	-
Exercised during the year	(20)	-	(28)	-
Lapsed during the year	(30)	-	(1)	-
At 31 December	276	-	205	-
Exercisable at 31 December	63	-	49	-

	2010				2009			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years
N/A	-	276	-	4.56	-	205	-	5.2

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35. Equity Compensation Benefits (continued)

iii) Executive Share Option Scheme (closed)

The Executive Share Option Scheme is an intrinsic part of the Group's executive directors' and senior managers' total remuneration. An EPS performance criterion needs to be met before the options can be exercised. Executive share options to purchase ordinary shares in Standard Chartered PLC are exercisable after the third, but before the tenth anniversary of the date of grant. The exercise price per share is the share price at the date of grant and options can normally only be exercised if a performance condition is satisfied.

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:-

	2010 Number ('000)	Weighted average exercise price	2009 Number ('000)	Weighted average exercise price
At 1 January	205	£7.59	205	£7.59
Additonal shares for rights issue	4	£7.05	-	-
Exercised during the year	(44)	£8.19	-	-
Lapsed during the year	(55)	£7.62	-	-
At 31 December	110	£7.05	205	£7.59
Exercisable at 31 December	110	£7.05	205	£7.59

	2010				2009			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years
£5.82 / £7.89	£7.05	110	5	1.11	£7.59	205	5	2.1

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35. Equity Compensation Benefits (continued)

iv) Performance Share Plan

The Performance Share Plan is designed as an intrinsic part of total remuneration for the Group's executive directors and for a small number of the Group's most senior executives. The awards granted under this scheme are nil cost options. Certain performance criteria need to be met before the options can be exercised.

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

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.

	2010	2009
Grant date	-	11 March
Share price at grant date	-	£8.10
Shares granted ('000)	-	22
Vesting period (years)	-	3
Expected option life (years)	-	10
Expected dividends (yield) (%)	-	3.4
Fair value (EPS) (£)	-	3.72
Fair value (TSR) (£)	-	1.46

The expected dividend yield is based on historical dividend for three years prior to grant.

The EPS and TSR fair value relates to the performance criteria to be satisfied. The TSR fair value is derived by discounting 50 percent of the award, which is subject to the TSR condition by the loss of expected dividends yield over the performance period, and the likelihood 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 50 percent of the award by the loss of expected dividends over the performance period and is adjusted for actual performance when calculating the charge for the year.

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35. Equity Compensation Benefits (continued)

iv) Performance Share Plan (continued)

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

	2010 Number ('000)	Weighted average exercise price	2009 Number ('000)	Weighted average exercise price
At 1 January	141	-	127	-
Additonal shares for rights issue	2	-	-	-
Granted during the year	-	-	22	-
Exercised during the year	(64)	-	(8)	-
Lapsed during the year	(20)	-	-	-
At 31 December	59	-	141	-
Exercisable at 31 December	23	-	65	-

	2010		Weighted average remaining life		2009		Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years
N/A	-	59	-	6.68	-	141	-	6.8

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36. Basic earnings per ordinary share

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net profit attributable to ordinary shareholder	438,242	294,143	391,990	282,537

	Group		Bank	
	2010 Number ('000)	2009 Number ('000)	2010 Number ('000)	2009 Number ('000)
Number of ordinary shares outstanding	125,000	125,000	125,000	125,000
Basic earnings per ordinary shares (sen)	351	235	314	226

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37. 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 2010 Principal amount RM'000	31 December 2010 Credit equivalent amount * RM'000	31 December 2010 Risk weighted amount * RM'000	31 December 2009 Principal amount RM'000	31 December 2009 Credit equivalent amount * RM'000	31 December 2009 Risk weighted amount * RM'000
Direct credit substitutes	1,277,004	1,277,004	362,744	1,391,319	1,391,319	1,073,254
Transaction-related contingent items	3,202,905	3,131,157	801,467	3,375,057	1,687,529	1,588,568
Short-term self liquidating trade-related contingencies	195,473	163,000	65,924	187,256	37,451	35,886
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	12,007,178	-	-
- maturity exceeding one year	4,346,479	1,750,451	774,013	4,315,234	2,157,617	1,348,447
Foreign exchange related contracts:-						
- less than one year	41,166,278	1,131,926	307,874	31,814,682	696,810	205,346
- one year to less than five years	11,916,400	1,177,274	372,210	9,978,585	885,488	249,265
- five years and above	4,504,133	826,478	185,849	4,853,126	712,878	164,879
Interest rate related contracts:-						
- less than one year	24,924,926	103,836	21,433	26,198,589	171,045	35,817
- one year to less than five years	44,561,020	1,129,231	305,227	47,997,956	1,491,016	361,692
- five years and above	7,360,722	699,656	263,169	8,228,711	791,844	213,728
Miscellaneous commitments and contingencies	7,062,336	636,357	448,121	9,853,317	-	-
	162,357,835	15,837,826	5,128,655	160,201,010	10,022,997	5,276,882

* The credit equivalent amount and the risk weighted amount are arrived at using the credit conversion factors and risk weights respectively, as per Bank Negara Malaysia guidelines. With effect from 1 July 2010, the credit conversion factors and risk weights are based on Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework ("RWCAF") - Basel II and Capital Adequacy Framework for Islamic Banks ("CAFIB") - Basel II.

No restatement is required for comparative figures which was computed based on Bank Negara Malaysia's RWCAF - Basel I and CAFIB - Basel I.

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

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37. Commitments and contingencies (continued)

Bank	31 December 2010 Principal amount RM'000	31 December 2010 Credit equivalent amount * RM'000	31 December 2010 Risk weighted amount * RM'000	31 December 2009 Principal amount RM'000	31 December 2009 Credit equivalent amount * RM'000	31 December 2009 Risk weighted amount * RM'000
Direct credit substitutes	1,243,177	1,243,177	348,639	1,355,116	1,355,116	1,037,938
Transaction-related contingent items	3,178,218	3,106,471	794,194	3,357,216	1,678,608	1,581,064
Short-term self liquidating trade-related contingencies	184,877	152,404	62,612	133,153	26,631	24,997
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	11,289,837	-	-
- maturity exceeding one year	3,975,398	1,729,671	757,052	4,262,887	2,131,444	1,327,437
Foreign exchange related contracts:-						
- less than one year	41,166,278	1,131,953	307,861	32,160,314	705,814	206,926
- one year to less than five years	11,860,301	1,172,483	369,197	9,918,775	880,441	247,373
- five years and above	4,504,133	826,478	185,849	4,853,126	712,878	164,879
Interest rate related contracts:-						
- less than one year	24,924,926	103,836	21,433	26,198,589	171,045	35,817
- one year to less than five years	44,761,020	1,166,559	313,438	47,997,956	1,491,016	361,692
- five years and above	7,360,722	687,425	216,821	8,228,711	791,844	203,398
Miscellaneous commitments and contingencies	7,062,336	636,357	448,121	9,853,317	-	-
	161,064,175	15,646,335	4,982,499	159,608,997	9,944,837	5,191,521

* The credit equivalent amount and the risk weighted amount are arrived at using the credit conversion factors and risk weights respectively, as per Bank Negara Malaysia guidelines. With effect from 1 July 2010, the credit conversion factors and risk weights are based on Bank Negara Malaysia's RWCAF - Basel II.

No restatement is required for comparative figures which was computed based on Bank Negara Malaysia's RWCAF - Basel I.

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

38. 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 risk identification, assessment, control and monitoring.

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 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 Group ("CORG"). 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 identification, assessment, control and monitoring. This four step management process is performed at all levels across Standard Chartered PLC Group and is the foundation of the 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

Independent assurance and audit/reviews provide management and governance bodies with confirmation that Standard Chartered PLC Group's risk management standards and controls are being adhered to. These audit/reviews are conducted by specialised control functions with the support of an independent audit and assurance function. Standard Chartered PLC Group's audit function conducts regular audits of assurance activities at Group and Country level.

(b) Credit risk

Credit risk is the risk that the counterparty to a financial transaction will fail to discharge an obligation, resulting in financial loss to the Bank. 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.

38. Risk management policies (continued)

(b) Credit risk (continued)

Credit policies
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 and covers loans, advances and financing, investment securities and deposits and placements. 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 the GRC 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 and country 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 responsible risk committees in each of the businesses and concentration limits that are material to Standard Chartered PLC Group are reviewed and approved at least annually by the GCC at Group and Country level.

Credit monitoring
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.

The Wholesale Banking Credit Issues Forum, which is a subcommittee of the Wholesale Banking Risk Committee, meets regularly to assess the impact of external events and trends on the credit risk portfolio and to define and implement the response in terms of appropriate changes to portfolio shape, underwriting standards, risk policy and procedures.

Corporate accounts or portfolios are placed on Early Alert when they display signs of weakness or financial deterioration, for example, where there is a decline in the customer's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management. Such accounts and portfolios are subjected to a dedicated process overseen by Group Special Assets Management ("GSAM"), the specialist recovery unit. 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 GSAM.

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

38. Risk management policies (continued)

(b) Credit risk (continued)

Credit monitoring (continued)

The Small and Medium Enterprise ("SME") business is managed within Consumer Banking in two distinct segments: small businesses, and medium enterprises, differentiated by the annual turnover of the counterparty. Medium enterprise accounts are monitored in line with Wholesale Banking procedures, while small business accounts are monitored in line with other Consumer Banking accounts. Medium enterprise past due accounts 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, netting agreements, credit insurance, credit derivatives and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation 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 property, marketable securities, commodities, bank guarantees and letters of credit.

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 38(b)(iii).

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
- enforcability 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**

<u>Consumer Banking</u>

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

38. Risk management policies (continued)

(b) Credit risk (continued)

(ii) **Problem credit management (continued)**
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.

All available sources, such as cash flow arising from operations, selling of assets or subsidiaries, realising collateral or payments under guarantees, are considered. In any decision relating to the raising of provisions, the Bank attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

(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 or enter into contractual netting agreements to reduce its exposures to certain counterparties.

Additional collateral will be called from the counterparty if total uncollateralised MTM exposure exceeds the threshold set by management to provide an extra buffer to the daily variation margin process.

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

(c) Market risk

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

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

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

The Bank has adopted the Standardised approach for market risk.

38. Risk management policies (continued)

(c) Market risk (continued)

Market risk governance
The BRC approves 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 2010.

The BRC is responsible, under authority delegated by the Board, for setting Value at Risk ("VaR") limits at a business level. The BRC 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.

Standard Chartered PLC Group Market Risk ("GMR") approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and position concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools.

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 Bank in measuring its market risk are historic simulation and Monte Carlo simulation. VaR models are back tested against actual results.

VaR is calculated as 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.

The BRC has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. The BRC considers stress testing results as part of its supervision of risk appetite.

Regular stress test scenarios are applied to interest rates, credit spreads and exchange rates. This covers all major asset classes in the non-trading and trading books. Ad-hoc scenarios are also prepared 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, where relevant, held are to be recorded in the financial accounts on a fair-value basis that is consistent with FRS.

38. Risk management policies (continued)

(c) Market risk (continued)

Valuation framework (continued)
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 ensure 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 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 classified 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 Bank's VaR.

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

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

	← 2010	→		Actual as at
	Average	**High**	**Low**	**31 December 2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trading				
Interest rate risk	5,197	12,559	2,053	3,958
Foreign exchange risk	1,767	10,886	312	3,755
Non-trading				
Interest rate risk	2,851	4,074	1,413	1,413

Note 42 provides further analysis on the Group's and the Bank's exposure to market risk.

38. Risk management policies (continued)

(d) Liquidity risk
The Bank defines liquidity risk as the risk that 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 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 41 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.

(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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39. Financial instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

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) Available-for-sale financial assets ("AFS")
(d) Other liabilities ("OL")

Group 2010	Carrying amount RM'000	L&R / OL RM'000	FVTPL HFT RM'000	FVTPL HFH RM'000	AFS RM'000
Financial assets					
Cash and short term funds	4,522,666	4,522,666	-	-	-
Deposits and placements with banks and other financial institutions	358,182	358,182	-	-	-
Securities repurchased under resale agreements	89,854	-	89,854	-	-
Financial assets held for trading	3,349,777	-	3,349,777	-	-
Investment securities available-for-sale	6,622,786	-	-	-	6,622,786
Loans, advances and financing	28,107,906	28,107,906	-	-	-
Derivative financial assets	2,335,191	-	2,244,058	91,133	-
Other assets	207,373	207,373	-	-	-
Statutory deposits with Bank Negara Malaysia	36,760	36,760	-	-	-
Total financial assets	**45,630,495**	**33,232,887**	**5,683,689**	**91,133**	**6,622,786**
Financial liabilities					
Deposits from customers	34,256,728	34,256,728	-	-	-
Deposits and placements of banks and other financial instruments	3,621,804	3,621,804	-	-	-
Bills and acceptances payable	6,792	6,792	-	-	-
Recourse obligations on loans sold to Cagamas Berhad	72,919	72,919	-	-	-
Derivative financial liabilities	1,886,049	-	1,875,422	10,627	-
Other liabilities	2,448,903	2,448,903	-	-	-
Subordinated debts	885,652	380,000	-	505,652	-
Total financial liabilities	**43,178,847**	**40,787,146**	**1,875,422**	**516,279**	**-**

39. Financial instruments (continued)

Categories of financial instruments (continued)

Bank 2010	Carrying amount RM'000	L&R / (OL) RM'000	FVTPL HFT RM'000	FVTPL HFH RM'000	AFS RM'000
Financial assets					
Cash and short term funds	3,667,843	3,667,843	-	-	-
Deposits and placements with banks and other financial institutions	2,263,730	2,263,730	-	-	-
Securities repurchased under resale agreements	89,854	-	89,854	-	-
Financial assets held for trading	3,349,777	-	3,349,777	-	-
Investment securities available-for-sale	5,999,460	-	-	-	5,999,460
Loans, advances and financing	25,765,761	25,765,761	-	-	-
Derivative financial assets	2,333,269	-	2,242,136	91,133	-
Other assets	284,945	284,945	-	-	-
Statutory deposits with Bank Negara Malaysia	12,000	12,000	-	-	-
Total financial assets	**43,766,639**	**31,994,279**	**5,681,767**	**91,133**	**5,999,460**
Financial liabilities					
Deposits from customers	32,935,268	32,935,268	-	-	-
Deposits and placements of banks and other financial instruments	3,520,407	3,520,407	-	-	-
Bills and acceptances payable	6,792	6,792	-	-	-
Recourse obligations on loans sold to Cagamas Berhad	72,919	72,919	-	-	-
Derivative financial liabilities	1,885,045	-	1,874,418	10,627	-
Other liabilities	2,444,303	2,444,303	-	-	-
Subordinated debts	885,652	380,000	-	505,652	-
Total financial liabilities	**41,750,386**	**39,359,689**	**1,874,418**	**516,279**	**-**

39. Financial instruments (continued)

Net gains and losses arising from financial instruments

	Group RM'000	Bank RM'000
Net gains/(losses) arising on:-		
Fair value through profit or loss:	335,670	335,670
- *Held for trading*	*342,566*	*342,566*
- *Held for hedging*	*(6,896)*	*(6,896)*
Available-for-sale financial assets:	152,815	163,132
- *Recognised in other comprehensive income*	*(6,023)*	*(5,505)*
- *Reclassified from equity to profit or loss*	*158,838*	*168,637*
Loans and receivables	1,452,878	1,418,910
Financial liabilities measured at amortised costs	(643,673)	(628,299)
	1,297,690	1,289,413

40. 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 at 31 December 2010, before taking into account any collateral held or 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 RM'000	Bank RM'000
On-balance sheet assets		
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
Financial assets held for trading	3,349,777	3,349,777
Investment securities available-for-sale (excludes equity shares)	6,613,139	5,989,813
Loans, advances and financing	28,107,906	25,765,761
Derivative financial assets	2,335,191	2,333,269
Interest/Income receivables	39,392	40,906
Statutory deposits with Bank Negara Malaysia	36,760	12,000
	45,349,684	43,416,567
Off-balance sheet items		
Contingent commitments	4,675,382	4,606,272
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	16,115,841	14,778,215
	20,791,223	19,384,487
Total maximum exposure to credit risk	66,140,907	62,801,054

40. Credit risk (continued)

(ii) Summary analysis of loans, advances and financing

Group 2010	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
Individually impaired loans *	134,545	8,219	142,764
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	21,276,035	7,259,117	28,535,152
Collective impairment provisions	(319,271)	(107,975)	(427,246)
	20,956,764	7,151,142	28,107,906

* Included in the balance is RM 43,590,000 for Consumer Banking, in respect of loans where no individual impairment provisions were made as the recoverable amounts are in excess of the carrying amounts.

Bank 2010	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
Individually impaired loans *	124,471	8,219	132,690
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	19,872,713	6,288,995	26,161,708
Collective impairment provisions	(300,766)	(95,181)	(395,947)
	19,571,947	6,193,814	25,765,761

* Included in the balance is RM 40,845,000 for Consumer Banking, in respect of loans where no individual impairment provisions were made as the recoverable amounts are in excess of the carrying amounts.

Loans, advances and financing past due but not individually impaired

Next 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.

Collateral held against Consumer Banking loans and Wholesale Banking loans largely comprises residential and commercial properties, other properties and securities respectively.

40. Credit risk (continued)

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

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

Group 2010	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
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
	1,819,443	417	1,819,860
Estimated fair value of collateral held	1,818,133	-	1,818,133

Bank 2010	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
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
	1,635,027	417	1,635,444
Estimated fair value of collateral held	1,758,353	-	1,758,353

Loans, advances and financing neither past due nor impaired

Included in the total portfolio of loans, advances and financing neither past due nor impaired are renegotiated loans. The analysis below represent the carrying amount of loans that would otherwise be past due or impaired if their terms had not been renegotiated. Although not considered to be impaired in nature, these loans continue to be monitored in the same way as impaired loans until a minimum number of payments have been received under the new terms.

2010	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
Group			
Renegotiated loans	224,675	21,453	246,128
Bank			
Renegotiated loans	196,783	21,453	218,236

40. 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.

2010	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Group			
Gross impaired loans, advances and financing	441,098	617	441,715
Individual impairment provisions	310,479	617	311,096
Collective impairment provisions	421,948	5,298	427,246
Bank			
Gross impaired loans, advances and financing	418,668	617	419,285
Individual impairment provisions	298,123	617	298,740
Collective impairment provisions	390,649	5,298	395,947

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

All deposits and placements as at statements 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.

2010	Standard & Poors RM'000	RAM RM'000
Group		
AAA	-	2,041,113
AA- to AA+	81,596	-
A- to A+	1,750,902	-
	1,832,498	2,041,113

	Standard & Poors RM'000	RAM RM'000
Bank		
AAA	-	2,041,113
AA- to AA+	81,596	-
A- to A+	1,750,902	-
	1,832,498	2,041,113

40. Credit risk (continued)

(iv) Summary analysis on securities portfolio

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

	Group RM'000	Bank RM'000
Government securities	6,670,028	6,121,923
Debt securities	3,382,742	3,307,521
AAA	*2,570,806*	*2,510,729*
AA- to AA+	*770,028*	*754,884*
A- to A+	*14,790*	*14,790*
Lower than A-	*12,138*	*12,138*
Unrated	*14,980*	*14,980*
Total securities portfolio	10,052,770	9,429,444

41. Liquidity risk

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

Group **As at 31 December 2010**	**3 months or less RM'000**	**> 3 - 12 months RM'000**	**> 1 - 5 years RM'000**	**Over 5 years RM'000**	**Total RM'000**
Financial assets					
Cash and short term funds	4,523,479	-	-	-	4,523,479
Deposits and placements with banks and other financial institutions	293,838	66,072	-	-	359,910
Securities purchased under resale agreements	90,026	-	-	-	90,026
Financial assets held for trading	1,016,068	1,477,535	730,337	285,187	3,509,127
Investment securities available-for-sale	4,553,068	1,109,695	1,085,004	9,932	6,757,699
Loans, advances and financing					
- Performing	6,494,099	3,754,105	3,688,257	25,180,934	39,117,395
- Impaired	-	-	-	130,619	130,619
Derivative financial assets	424,114	511,643	836,426	563,008	2,335,191
Other balances	244,133	-	-	-	244,133
	17,638,825	**6,919,050**	**6,340,024**	**26,169,680**	**57,067,579**
Financial liabilities					
Deposits from customers	29,155,885	4,153,720	712,758	406,378	34,428,741
Deposits and placements of banks and other financial institutions	2,976,277	648,467	7,916	4,140	3,636,800
Bills and acceptances payable	6,811	-	-	-	6,811
Recourse obligations on loans sold to Cagamas Berhad	73,621	-	-	-	73,621
Derivative financial liabilities	292,745	244,072	898,425	450,807	1,886,049
Other balances	1,946,300	502,603	-	-	2,448,903
Subordinated debts	-	400,710	588,326	-	989,036
	34,451,639	**5,949,572**	**2,207,425**	**861,325**	**43,469,961**
Net liquidity gap	**(16,812,814)**	**969,478**	**4,132,599**	**25,308,355**	**13,597,618**
Gross loans/financing commitments	**6,571,092**	**7,548,794**	**239,858**	**1,796,070**	**16,155,814**

41. Liquidity risk (continued)

Bank As at 31 December 2010	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial assets					
Cash and short term funds	3,668,433	-	-	-	3,668,433
Deposits and placements with banks and other financial institutions	1,087,649	1,017,055	-	218,054	2,322,758
Securities purchased under resale agreements	89,895	-	-	-	89,895
Financial assets held for trading	1,016,068	1,477,535	730,337	285,187	3,509,127
Investment securities available-for-sale	4,193,054	850,730	1,047,341	9,932	6,101,057
Loans, advances and financing					
- Performing	5,961,158	3,322,525	2,436,010	24,292,902	36,012,595
- Impaired	-	-	-	120,545	120,545
Derivative financial assets	424,114	511,643	834,504	563,008	2,333,269
Other balances	296,945	-	-	-	296,945
	16,737,316	**7,179,488**	**5,048,192**	**25,489,628**	**54,454,624**
Financial liabilities					
Deposits from customers	28,249,185	3,843,521	684,102	306,044	33,082,852
Deposits and placements of banks and other financial institutions	2,886,033	648,686	-	-	3,534,719
Bills and acceptances payable	6,811	-	-	-	6,811
Recourse obligations on loans sold to Cagamas Berhad	73,621	-	-	-	73,621
Derivative financial liabilities	292,745	244,072	897,422	450,806	1,885,045
Other balances	1,945,190	499,091	-	22	2,444,303
Subordinated debts	-	400,710	588,326	-	989,036
	33,453,585	**5,636,080**	**2,169,850**	**756,872**	**42,016,387**
Net liquidity gap	**(16,716,269)**	**1,543,408**	**2,878,342**	**24,732,756**	**12,438,237**
Gross loans/financing commitments	**6,559,006**	**6,248,746**	**233,346**	**1,777,089**	**14,818,187**

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42. 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.

Interest rate risk

Group As at 31 December 2010	Non-Trading Book 3 months or less RM'000	 > 3 - 12 months RM'000	 > 1 - 5 years RM'000	 Over 5 years RM'000	 Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate (%)
Financial assets								
Cash and short term funds	3,776,116	-	-	-	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	-	-	-	-	-	3,349,777	3,349,777	3.42
Investment securities available-for-sale	4,496,450	1,091,640	1,010,069	243	24,384	-	6,622,786	2.91
Loans, advances and financing								
- Performing	22,269,555	3,427,615	1,454,346	824,532	1,239	-	27,977,287	5.22
- Impaired	-	-	-	-	130,619	-	130,619	
Derivative financial assets	-	-	-	-	-	2,335,191	2,335,191	
Other balances	-	-	-	-	244,133	-	244,133	
	30,925,234	**4,584,178**	**2,464,415**	**824,775**	**1,146,925**	**5,684,968**	**45,630,495**	
Financial liabilities								
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	2,970,021	640,617	7,551	3,615	-	-	3,621,804	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	-	-	-	-	-	1,886,049	1,886,049	
Other balances	-	-	-	-	2,448,903	-	2,448,903	
Subordinated debts	-	380,000	505,652	-	-	-	885,652	5.45
	25,546,105	**5,122,817**	**1,169,409**	**387,622**	**9,066,845**	**1,886,049**	**43,178,847**	
On-balance sheet interest sensitivity gap	5,379,129	(538,639)	1,295,006	437,153	(7,919,920)	3,798,919		
Off-balance sheet interest sensitivity gap	(7,033,571)	3,418,721	(402,670)	(871,933)	-	-		
Total interest sensitivity gap	**(1,654,442)**	**2,880,082**	**892,336**	**(434,780)**	**(7,919,920)**	**3,798,919**		

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42. Market risk (continued)

Interest rate risk (continued)

Bank As at 31 December 2010	Non-Trading Book 3 months or less RM'000	Non-Trading Book > 3 - 12 months RM'000	Non-Trading Book > 1 - 5 years RM'000	Non-Trading Book Over 5 years RM'000	Non-Trading Book Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate (%)
Financial assets								
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	-	-	-	-	-	3,349,777	3,349,777	3.42
Investment securities available-for-sale	4,162,817	837,162	974,854	243	24,384	-	5,999,460	2.90
Loans, advances and financing								
- Performing	21,481,245	3,323,393	532,776	307,802	-	-	25,645,216	4.94
- Impaired	-	-	-	-	120,545	-	120,545	
Derivative financial assets	-	-	-	-	-	2,333,269	2,333,269	
Other balances	-	-	-	-	296,945	-	296,945	
	29,960,730	**5,162,152**	**1,507,630**	**485,045**	**968,036**	**5,683,046**	**43,766,639**	
Financial liabilities								
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	2,879,790	640,617	-	-	-	-	3,520,407	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	-	-	-	-	-	1,885,045	1,885,045	
Other balances	-	-	-	-	2,444,303	-	2,444,303	
Subordinated debts	-	380,000	505,652	-	-	-	885,652	5.45
	24,552,126	**4,817,363**	**1,135,444**	**298,163**	**9,062,245**	**1,885,045**	**41,750,386**	
On-balance sheet interest sensitivity gap	5,408,604	344,789	372,186	186,882	(8,094,209)	3,798,001		
Off-balance sheet interest sensitivity gap	(7,033,571)	3,418,721	(402,670)	(871,933)	-	-		
Total interest sensitivity gap	**(1,624,967)**	**3,763,510**	**(30,484)**	**(685,051)**	**(8,094,209)**	**3,798,001**		

42. 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:-

Type of Currency	Impact on Positions as at Reporting Period (200 basis points) Parallel Shift	
	Increase/(Decline) in profit before taxation RM'000	Increase/(Decline) in equity RM'000
MYR	193,049	144,787
USD	(20,642)	(15,482)
EUR	4,545	3,409
GBP	(1,560)	(1,170)
JPY	1,765	1,324

42. 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.

Group **As at 31 December 2010**	**MYR** **RM'000**	**USD** **RM'000**	**GBP** **RM'000**	**SGD** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Financial assets						
Cash and short term funds	2,431,225	1,541,743	17,563	157,050	375,085	4,522,666
Deposits and placements with banks and other financial institutions	50,000	154,124	12,900	-	141,158	358,182
Securities purchased under resale agreements	89,854	-	-	-	-	89,854
Financial assets held for trading	3,349,777	-	-	-	-	3,349,777
Investment securities available-for-sale	6,622,237	-	549	-	-	6,622,786
Loans, advances and financing	26,041,301	1,482,271	561,076	-	23,258	28,107,906
Derivative financial assets	1,289,963	757,614	927	8,238	278,449	2,335,191
Other balances	222,012	844	16,822	61	4,394	244,133
	40,096,369	**3,936,596**	**609,837**	**165,349**	**822,344**	**45,630,495**
Financial liabilities						
Deposits from customers	30,889,282	2,264,030	276,460	117,190	709,766	34,256,728
Deposits and placements of banks and other financial institutions	1,871,641	1,125,908	559,599	23,807	40,849	3,621,804
Bills and acceptances payable	-	2,254	2,201	1,228	1,109	6,792
Recourse obligations on loans sold to Cagamas Berhad	72,919	-	-	-	-	72,919
Derivative financial liabilities	760,833	1,053,892	3,485	2,584	65,255	1,886,049
Other balances	1,760,565	518,881	24,641	58,198	86,618	2,448,903
Subordinated debts	885,652	-	-	-	-	885,652
	36,240,892	**4,964,965**	**866,386**	**203,007**	**903,597**	**43,178,847**
Total foreign currency sensitivity gap	**3,855,477**	**(1,028,369)**	**(256,549)**	**(37,658)**	**(81,253)**	

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 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 7 million in profit before tax and RM 5 million in equity.

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42. Market risk (continued)

Foreign currency risk (continued)

Bank **As at 31 December 2010**	**MYR** **RM'000**	**USD** **RM'000**	**GBP** **RM'000**	**SGD** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Financial assets						
Cash and short term funds	1,783,828	1,357,832	4,788	157,050	364,345	3,667,843
Deposits and placements with banks and other financial institutions	1,829,714	279,958	12,900	-	141,158	2,263,730
Securities purchased under resale agreements	89,854	-	-	-	-	89,854
Financial assets held for trading	3,349,777	-	-	-	-	3,349,777
Investment securities available-for-sale	5,998,911	-	549	-	-	5,999,460
Loans, advances and financing	23,831,442	1,350,257	561,076	-	22,986	25,765,761
Derivative financial assets	1,290,027	755,627	927	8,238	278,450	2,333,269
Other balances	274,540	1,114	16,831	66	4,394	296,945
	38,448,093	**3,744,788**	**597,071**	**165,354**	**811,333**	**43,766,639**
Financial liabilities						
Deposits from customers	29,567,822	2,264,030	276,460	117,190	709,766	32,935,268
Deposits and placements of banks and other financial institutions	1,829,500	1,122,294	559,599	-	9,014	3,520,407
Bills and acceptances payable	-	2,254	2,201	1,228	1,109	6,792
Recourse obligations on loans sold to Cagamas Berhad	72,919	-	-	-	-	72,919
Derivative financial liabilities	750,620	1,065,088	3,485	597	65,255	1,885,045
Other balances	1,808,274	514,914	24,650	9,767	86,698	2,444,303
Subordinated debts	885,652	-	-	-	-	885,652
	34,914,787	**4,968,580**	**866,395**	**128,782**	**871,842**	**41,750,386**
Total foreign currency sensitivity gap	**3,533,306**	**(1,223,792)**	**(269,324)**	**36,572**	**(60,509)**	

43. Fair values of financial assets and liabilities

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

	Group			
	Carrying value		**Fair value**	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Cash and short term funds	4,522,666	8,870,950	4,522,666	8,870,950
Deposits and placements with banks and other financial institutions	358,182	950,000	358,182	950,000
Securities purchased under resale agreement	89,854	14,199	89,854	14,199
Financial assets held for trading	3,349,777	1,930,498	3,349,777	1,930,498
Investment securities available-for-sale	6,622,786	5,505,953	6,622,786	5,505,953
Loans, advances and financing *	28,535,152	23,410,098	28,091,994	23,088,709
Derivative financial assets	2,335,191	2,023,995	2,335,191	2,023,995
Financial liabilities				
Deposits from customers	34,256,728	32,920,225	34,274,240	32,936,095
Deposits and placements of banks and other financial institutions	3,621,804	3,603,750	3,611,663	3,603,934
Bills and acceptances payable	6,792	11,388	6,792	11,388
Recourse obligations on loans sold to Cagamas	72,919	138,433	73,044	139,424
Subordinated debts	885,652	891,208	885,652	875,924
Derivative financial liabilities	1,886,049	1,738,274	1,886,049	1,738,274

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 (2009 - general allowance) of the Group of RM 427,246,000 (2009 - RM 352,831,000) is not included in the carrying amount.

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

	Bank			
	Carrying value		Fair value	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Cash and short term funds	3,667,843	7,586,909	3,667,843	7,586,909
Deposits and placements with banks and other financial institutions	2,263,730	2,213,924	2,253,000	2,189,474
Securities purchased under resale agreement	89,854	14,199	89,854	14,199
Financial assets held for trading	3,349,777	1,930,498	3,349,777	1,930,498
Investment securities available-for-sale	5,999,460	5,320,087	5,999,460	5,320,087
Loans, advances and financing *	26,161,708	21,475,087	25,726,043	21,143,236
Derivative financial assets	2,333,269	2,026,954	2,333,269	2,026,954
Financial liabilities				
Deposits from customers	32,935,268	31,460,688	32,938,638	31,458,581
Deposits and placements of banks and other financial institutions	3,520,407	3,409,236	3,519,266	3,409,236
Bills and acceptances payable	6,792	11,388	6,792	11,388
Recourse obligations on loans sold to Cagamas	72,919	138,433	73,044	139,424
Subordinated debts	885,652	891,208	885,652	875,924
Derivative financial liabilities	1,885,045	1,741,466	1,885,045	1,741,466

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 (2009 - general allowance) of the Bank of RM 395,947,000 (2009 - RM 329,090,000) is not included in the carrying amount.

43. 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 statements of financial position 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 statements of financial position 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 statements of financial position 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.

43. 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 statements of financial position 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 statements of financial position 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 statements of financial position 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.

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

Derivative financial instruments

Group

(i) Derivatives held for trading

	31 December 2010			31 December 2009		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Foreign exchange derivative contracts:-						
- Forward foreign exhange	37,950,432	458,744	321,964	26,203,278	203,772	157,829
- Currency swaps	18,939,278	969,355	663,458	17,049,089	442,388	219,445
- Options purchased	498,376	7,140	-	1,886,635	69,042	-
- Options sold	198,725	-	1,568	1,507,391	-	10,915
Interest rate derivative contracts:-						
- Swaps	62,654,923	505,138	745,293	59,933,032	779,771	979,367
- Options purchased	2,952,134	40,115	1,851	1,885,003	29,749	2,616
- Options sold	677,412	-	7,020	867,845	-	7,491
- Exchange traded futures	7,443,000	-	-	13,380,000	-	-
Equity derivative contracts:-						
- Equity swaps and forwards	266,159	8,962	8,999	171,148	4,456	4,456
Commodity derivative contracts:-						
- Forward rate agreements and options	6,582,655	159,946	124,654	7,872,504	337,171	337,171
Credit derivative contracts	213,522	94,658	615	-	-	-
Total derivatives held for trading	**138,376,616**	**2,244,058**	**1,875,422**	**130,755,925**	**1,866,349**	**1,719,290**

(ii) Derivatives held-for-hedging

	31 December 2010			31 December 2009		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Derivatives designated as fair value hedges:-						
- Swaps	1,649,199	90,503	7,039	2,219,376	152,476	17,451
Derivatives designated as cash flow hedges:-						
- Swaps	1,470,000	630	3,588	4,140,000	5,170	1,533
Total derivatives held-for-hedging	**3,119,199**	**91,133**	**10,627**	**6,359,376**	**157,646**	**18,984**
	141,495,815	**2,335,191**	**1,886,049**	**137,115,301**	**2,023,995**	**1,738,274**

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

Derivative financial instruments (continued)

Bank

(i) Derivatives held for trading

	31 December 2010			31 December 2009		
	Principal amounts RM'000	**Positive fair value RM'000**	**Negative fair value RM'000**	**Principal amounts RM'000**	**Positive fair value RM'000**	**Negative fair value RM'000**
Foreign exchange derivative contracts:-						
- Forward foreign exhange	37,950,432	458,744	321,964	26,548,910	207,591	161,648
- Currency swaps	18,883,179	967,368	661,471	16,989,279	441,527	218,584
- Options purchased	498,376	7,140	-	1,886,635	69,042	-
- Options sold	198,725	-	1,568	1,507,391	-	10,915
Interest rate derivative contracts:-						
- Swaps	62,854,923	502,752	746,276	59,933,032	779,772	979,602
- Options purchased	2,952,134	42,566	1,851	1,885,003	29,749	2,616
- Options sold	677,412	-	7,020	867,845	-	7,490
- Exchange traded futures	7,443,000	-	-	13,380,000	-	-
Equity derivative contracts:-						
- Equity swaps and forwards	266,159	8,962	8,999	171,148	4,456	4,456
Commodity derivative contracts:-						
- Forward rate agreements and options	6,582,655	159,946	124,654	7,872,504	337,171	337,171
Credit derivative contracts	213,522	94,658	615	-	-	-
Total derivatives held for trading	**138,520,517**	**2,242,136**	**1,874,418**	**131,041,747**	**1,869,308**	**1,722,482**

(ii) Derivatives held-for-hedging

	31 December 2010			31 December 2009		
	Principal amounts RM'000	**Positive fair value RM'000**	**Negative fair value RM'000**	**Principal amounts RM'000**	**Positive fair value RM'000**	**Negative fair value RM'000**
Derivatives designated as fair value hedges:-						
- Swaps	1,649,199	90,503	7,039	2,219,376	152,476	17,451
Derivatives designated as cash flow hedges:-						
- Swaps	1,470,000	630	3,588	4,140,000	5,170	1,533
Total derivatives held-for-hedging	**3,119,199**	**91,133**	**10,627**	**6,359,376**	**157,646**	**18,984**
	141,639,716	**2,333,269**	**1,885,045**	**137,401,123**	**2,026,954**	**1,741,466**

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

Derivative financial instruments by sector

Group	31 December 2010 Principal amounts RM'000	Positive fair value RM'000	Negative fair value 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	1,868,716	1,633,555
Household	277,064	-	1,641
Others	10,490,241	113,121	55,603
	141,495,815	**2,335,191**	**1,886,049**

Bank	31 December 2010 Principal amounts RM'000	Positive fair value RM'000	Negative fair value 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	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	1,876,951	1,633,515
Household	277,064	-	1,641
Others	10,490,241	113,121	55,603
	141,639,716	**2,333,269**	**1,885,045**

44. 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 and Bank	
	2010	**2009**
	RM'000	**RM'000**
Less than one year	22,074	21,357
Between one and five years	19,689	20,371
	41,763	41,728

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. The subleases expire in 2011. Sublease payments of RM 21,000 (2009 - RM 183,000) are expected to be received over the sublease tenure.

45. Capital commitments

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Capital expenditure:-				
- authorised and contracted for	917	678	148	678
- authorised but not contracted for	3,344	3,877	3,344	3,877
	4,261	4,555	3,492	4,555

46. Capital management

(i) Capital management

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.

46. Capital management (continued)

(i) Capital management (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 sets internal triggers and target ranges for capital management and oversees adherence with these. ALCO is also responsible for the ongoing assessment of the demand for capital and the updating of the Bank's capital plan.

Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios in all legal entities. These processes are designed to ensure that the Bank has sufficient capital available to meet local regulatory requirements at all times.

(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 details the requirements on the calculation of risk-weighted assets developed based on BCBS and the Islamic Financial Services Board ("IFSB") paper "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" respectively.

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, the Bank has been using AIRB approach for calculating and reporting the credit risk capital requirement.

47. Capital adequacy

The capital adequacy ratios of the Group and the Bank as at 31 December 2010 are analysed as follows:-

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Tier 1 Capital				
Paid-up ordinary share capital	125,000	125,000	125,000	125,000
Share premium	375,000	375,000	375,000	375,000
Other reserves	2,117,302	1,805,789	2,057,511	1,784,915
Less: Deferred tax assets	(118,742)	(100,559)	(111,525)	(93,993)
Eligible Tier 1 capital	2,498,560	2,205,230	2,445,986	2,190,922
Tier 2 Capital				
Islamic subordinated debt	380,000	380,000	380,000	380,000
Subordinated bonds	500,000	500,000	500,000	500,000
General allowance for bad and doubtful debts and financing	-	352,831	-	329,090
Collective impairment provisions under standardised approach	62,990	-	67,588	-
Surplus of total Eligible Provisions over total Expected Loss under AIRB approach	85,503	-	93,575	-
	1,028,493	1,232,831	1,041,163	1,209,090
Less: Investment in subsidiaries	-	-	(386,022)	(300,022)
Eligible Tier 2 capital	1,028,493	1,232,831	655,141	909,068
Capital Base	3,527,053	3,438,061	3,101,127	3,099,990

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

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Total risk-weighted assets:-				
Credit risk	20,220,010	21,695,960	18,711,609	20,924,355
Market risk	1,715,769	1,260,063	1,715,769	1,260,063
Operational risk	2,802,491	-	2,610,212	-
Large Exposure for Equity Holdings	621	-	621	-
	24,738,891	22,956,023	23,038,211	22,184,418

47. Capital adequacy (continued)

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

	Group		Bank	
	2010	**2009**	**2010**	**2009**
Before proposed dividend:-				
Tier 1 capital ratio	10.10%	9.61%	10.62%	9.88%
Risk-weighted capital ratio	14.26%	14.98%	13.46%	13.97%
After proposed dividend:-				
Tier 1 capital ratio	9.19%	9.61%	9.64%	9.88%
Risk-weighted capital ratio	13.35%	14.98%	12.48%	13.97%

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

	2010	**2009**
Tier 1 capital ratio	14.40%	18.59%
Risk-weighted capital ratio	14.40%	20.00%

With effect from 1 July 2010, the capital ratios have been computed in accordance with Bank Negara Malaysia's RWCAF - Basel II and CAFIB - Basel II.

Comparative figures have been computed in accordance with Bank Negara Malaysia's RWCAF - Basel I and CAFIB - Basel I, and have not been restated for the first time adoption and disclosure of RWCAF - Basel II and CAFIB - Basel II.

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48. Significant changes in accounting policies

(i) FRS 117, *Leases* ("FRS 117")

The Group and the Bank have adopted the amendments to FRS 117 with effective from 1 January 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment and restatement of comparative figures as a result of the adoption has been disclosed in Note 49.

(ii) FRS 139, *Financial Instruments: Recognition and Measurement* ("FRS 139")

The Group and the Bank have adopted BNM's revised Guidelines on Financial Reporting for Licensed Institutions issued by BNM on 1 January 2005 incorporating principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting that are in line with FRS 139 principles. With effect from 1 January 2010, the full adoption of FRS 139 have resulted in several changes to the accounting policies, especially those on recognition of interest income for impaired loans and impairment provisions.

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date the loans being classified as impaired are reversed out of income and interest in suspense was created. Thereafter, interest on impaired loans are recognised as income upon recovery. Impairment provisions are made on principal outstanding.

With the adoption of FRS 139, such reversal of interest accrued are no longer required. When loans are impaired, impairment provision are made on both principal outstanding and interest/fee accrued. Subsequent contractual interest due will not be recognised as income and they are suspended in the statements of financial position.

As for collective impairment provisions (previously known as general allowance), BNM's “Guidelines on Classification and Impairment Provisions for Loans/Financing” issued on 8 January 2010 prescribes that banking institutions are required to maintain transitional collective impairment provisions of at least 1.5% of total outstanding loans, advances and financing, net of individual impairment provisions (previously known as specific allowance). This is similar to the previous regulatory requirement whereby banking institutions are required to maintain general allowance of at least 1.5% of total outstanding loans, advances and financing, net of specific allowance.

The determination of individual impairment provisions is required to be based on reasonable and well documented estimates of the net present value of the future cash flows that the banking institutions expect to recover. Previously, BNM required specific allowance to be made based on number of days in arrears of the loans, advances and financing.

The adoption of FRS 139 has the financial impact to the financial statements as shown below:-

Retained earnings	**Group RM'000**	**Bank RM'000**
At 1 January 2010, as previously stated	1,672,639	1,659,725
Change in treatment of interest accrued on impaired loans		
- Interest recognised on impaired loans, advances and financing	5,355	5,197
- Impairment provision in relation to interest income	(4,748)	(4,712)
Additional impairment provision on loans, advances and financing required due to loan impairment classification	(34,881)	(24,979)
	1,638,365	1,635,231
Tax effect @ 25%	8,570	6,125
At 1 January 2010, as restated	1,646,935	1,641,356

49. Comparatives

Certain comparatives have been restated as a result of adoption of FRS 117, FRS 139 and to conform with current year presentation.

	Group		Bank	
At 31 December 2009	**As previously reported RM'000**	**As restated RM'000**	**As previously reported RM'000**	**As restated RM'000**
Statements of financial position				
Property, plant and equipment	60,570	61,695	60,570	61,695
Prepaid lease payments	1,125	-	1,125	-
Derivative financial assets	-	2,023,995	-	2,026,954
Other assets	2,226,221	202,226	2,385,237	358,283
Derivative financial liabilities	-	(1,738,274)	-	(1,741,466)
Other liabilities	(2,883,402)	(1,145,128)	(2,879,650)	(1,138,184)
Statements of comprehensive income				
Other operating income	550,109	550,109	550,109	600,639
Other operating expense	(714,532)	(714,532)	(655,053)	(705,583)
Statements of cash flow				
Depreciation	23,072	23,096	23,072	23,096
Amortisation of prepaid lease payments	24	-	24	-
Note 26 to financial statements				
Fee and commission	193,261	-	193,261	-
Fee and commission income	-	221,103	-	221,103
Fee and commission expense	-	(27,842)	-	(27,842)
Others	2,476	2,476	2,476	53,006
Note 27 to financial statements				
Depreciation	23,072	23,096	23,072	23,096
Amortisation of prepaid lease payments	24	-	24	-