



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

**Financial statements for the financial year
ended 31 December 2009**

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

Directors' report for the financial year ended 31 December 2009

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 2009.

Principal activities

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

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

Results

	Group	Bank
	RM'000	RM'000
Profit before taxation	399,867	382,406
Tax expense	(105,724)	(99,869)
Profit for the year	<u>294,143</u>	<u>282,537</u>

Dividends

Since the end of the previous financial year, the Bank paid a final ordinary dividend of 80 sen per share less tax at 25% totalling RM 75,000,000 (60 sen per ordinary share) in respect of the financial year ended 31 December 2008 on 30 March 2009.

The Directors do not recommend any dividend to be paid for the current financial year.

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 doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate provisions made for doubtful debts 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 provision for doubtful debts and financing, in the financial statements of the Group and of the Bank inadequate to any substantial extent.

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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.

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Business plan and strategy

2009 Results

After recording its highest ever pre-tax profit in 2008, the Group ("SCBMB") results in 2009 reflects both the normalization of non-interest income as well as a 25% decline in the underlying business profitability stemming from the reduction in Overnight Policy Rate ("OPR") and the weaker economic condition. The exceptional profit level in 2008 was attributable to several significant but non-recurring gains in derivatives and one-off disposal of available-for-sale securities. Non-interest income of RM 906 million in 2008 represented an exceptional 50% of total net income for the Group. In 2009, with the non-recurrence of the significant gains from derivative transactions and securities disposal, non-interest income declined to RM 550 million or 40% of total net income for the Group, which is more in line with pre-2008 levels.

Net interest income declined 18.4% to RM 679 million, from RM 833 million previously, attributable mainly to the OPR reduction, while net interest margin declined to 1.6% from 1.9% previously as the Group continued to be impacted by the margin compression from intense competition.

The Group has continued to invest for growth while proactively managing the overall cost base through productivity improvement initiatives. This has resulted in an overall 1% reduction in operating expenses to RM 714 million, from RM 722 million previously.

In view of the adverse economic climate, the Group was required to make specific allowance for several impaired accounts, resulting in a higher specific allowance for bad and doubtful debts of RM 221 million, compared to RM 114 million in the previous year. However, the Group's asset quality remains at a healthy level, as reflected by a significant reduction in net NPL ratio to 0.77% from 1.67% previously. This is further supported by a continued improvement in the loan loss coverage to 139% from 94% a year ago.

In the light of the trends and business factors noted above, SCBMB Group registered a pre-tax profit of RM 400 million, a decline of 58.4% against the previous year's record level of RM 962 million. Excluding the exceptional gains in 2008 (noted above), the underlying performance has declined by approximately 25% attributable mainly to the OPR reduction and weaker economic condition.

Gross loans, advances and financing registered a growth of 12.2% to reach RM 23.68 billion at 31 December 2009 attributable to more lending activities in the SME sector and mortgage financing. Our asset quality continued to improve, as reflected in the net NPL ratio decreasing to 0.8% from 1.7% previously.

The Group's balance sheet position remains liquid with low loan to deposit ratio, and has sufficient liquidity capacity to support business growth. Total deposits as at 31 December 2009 stood at RM32.92 billion, marginally below last year's level of RM33.01 billion, attributable to decline in Fixed Deposits and Negotiable Instrument of Deposits by 11.8% and 22.7% respectively.

Risk-weighted capital ratio of the Group has remained strong at 14.98% (2008: 13.83%), due to stringent risk management and reinvestment of the 2009 profits to support future growth and transition into Basel II Advanced Internal Rating Based ("AIRB") Approach implementation in 2010.

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Strategy and Economic Environment

The global economic downturn that started in the second half of 2008 has shown some signs of abating. The Malaysian economy has exhibited signs of improvement in the third quarter and the pace of recovery in the domestic economy is gaining momentum. Domestic demand, particularly private consumption and public sector spending, has been the main impetus for growth. Gross Domestic Product ("GDP") growth has registered a reduced contraction of 1.2% in the third quarter, compared to a reduced contraction of 3.9% in the previous quarter amidst positive growth in domestic demand and stabilization of external demand. GDP is expected to expand by 4.2% in 2010, following an estimated 2.2% contraction in 2009, as the domestic and global economies continue to improve.

The Malaysian banking system has remained stable with ample liquidity, strong capitalisation, high assets quality, moderate loan growth, high savings rates and continued profitability. This enabled the financial sector to remain supportive of the financial services needs of the economy. With the further financial liberalisation plan implemented by Bank Negara Malaysia ("BNM"), competition in the Islamic financial services sector is heightened and overall banking operational flexibilities are enhanced. The banking sector expects an earnings growth of 19% in 2010 premised on lower provisions supported by overall improved operating income.

Standard Chartered Bank Malaysia Berhad has built a strong platform for growth through product and client diversification. Both the Consumer and Wholesale Banking segments have contributed strongly and the need for a balanced banking franchise remains. Cost discipline remains strong and we have continued to invest on a selective basis, especially in recruiting new front-liners to support the customer-centric strategy.

The key focus for the Group's Wholesale business is mainly driven by innovative financial market products and trading income. On the lending side, the focus of Wholesale Banking was on Trade Financing, which was a key driver in the Bank's overall loans growth.

As for the Group's Consumer business, despite the challenges faced by the economic downturn and the intensified competition during the year, we have seen improvements particularly in the mortgages sector. The key focus was on bringing new business momentum via investing in people and the Bank's distribution channels, as well as through branch optimisation and Priority Banking re-launch, while continuing infrastructure development.

Our Islamic Banking business has continued to grow year on year, in tandem with the growth in both Consumer and Wholesale Banking.

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

Standard Chartered Bank Malaysia Berhad is committed to building a sustainable business. In 2010, 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 (CO₂) emission. Our investment towards restoring sight through our "Seeing is Believing" programme gained more depth and momentum. The Bank has also continued to encourage responsible spending habits for the future generation of tomorrow via our Financial Literacy Campaign.

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Plan for 2010

The Group will continue to grow its business in Malaysia in support of a focused strategic agenda to achieve Standard Chartered PLC's ambition to be the best international bank, leading the way in Asia, Africa and the Middle East. Over the past few years, the Group has built significant momentum to lead the way in product innovation, service, performance culture, corporate governance and enhancing shareholder value.

The Group's overall strategic focus is on accelerating asset growth momentum, continuing customer acquisition and customer-centric strategies, while maintaining a prudent approach to liquidity and capital, and re-shaping our cost base for future growth while continuing to invest for service delivery.

Barring unforeseen circumstances, the Group expects to improve earnings momentum and continue to record a satisfactory performance for 2010.

Statement of Corporate Governance

The Bank is committed to maintaining good 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 Bank Negara Malaysia ("BNM") Guidelines on Corporate Governance for Licensed Institutions issued by BNM. 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 2009.

Board of Directors

Composition of the Board of Directors

The Board of Directors (the "Board") comprises members from diverse professional backgrounds, skills and extensive international experiences and knowledge in the areas of banking and finance, general management and strategy that are vital to the successful direction of the Bank. 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:-

Members

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman
Datuk Abu Hassan bin Kendut
Karen Fawcett
Raymond John Ferguson
Foo Mee Har
Datuk Ishak bin Imam Abas
Edward Martin Jake Williams
Dato' Michael Yam Kong Choy (appointed on
15 June 2009)
Osman Tarique Morad (appointed on 20 October 2009)
Julian Francis Wynter (resigned on 20 October 2009)

Status of Directorship

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

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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 investment, 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 an 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 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 2009, 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 apprise 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:-

<u>Members</u>	<u>Attendance and Number of Board Meetings</u>
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	
- Chairman	6/6
Datuk Abu Hassan bin Kendut	6/6
Karen Fawcett	5/6
Raymond John Ferguson	6/6
Foo Mee Har	5/6
Datuk Ishak bin Imam Abas	4/5
Edward Martin Jake Williams	4/5
Dato' Michael Yam Kong Choy (appointed on 15 June 2009)	3/3
Osman Tarique Morad (appointed on 20 October 2009)	1/1
Julian Francis Wynter (resigned on 20 October 2009)	4/5

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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 Masters in 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. 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 Transactional Banking responsible for the global performance of Trade Finance, Cash Management, Securities Services, Commercial Banking and Internet Banking Channels for Wholesale Banking Group. Prior to joining the Standard Chartered Group, Karen was a partner at Booz Allen Hamilton, focusing on financial services. She graduated with an MBA from INSEAD, Fontainebleau, France in 1988 and MA Economics from Cambridge in 1987.

(d) 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 the 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.

(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 2009. 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 is on the Board of Directors for the Institute of International Bankers. He holds an MBA from Henley Management College and Brunel University, UK.

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Key information and background of Directors (continued)

(f) 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 Group Premium Banking of Standard Chartered Group. She is overall responsible for the strategy, product & service offerings and relationship management of Consumer Banking's most valuable customer groups across the global franchise from Asia, Middle East to 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 & 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.

(g) 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 Petronas, 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 Malaysian Institute of Accountants ("MIA").

(h) 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 33 years of financial services experience and has worked at Standard Chartered Bank for the past nine 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).

(i) Dato' Michael Yam Kong Choy

Dato' 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. Dato' 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.

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Committees

a) Nomination Committee

Membership and composition

The members of Nomination Committee are:-

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman

Karen Fawcett

Raymond John Ferguson

Datuk Ishak Imam Abas (appointed on 24 March 2009)

Osman Tarique Morad (appointed on 20 October 2009)

Julian Francis Wynter (resigned on 20 October 2009)

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 four (4) new directors and was convinced that their appointments would assist in achieving a mix of Board Members that represents a diversity of background and experience 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 2008, 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 capitalize 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 2009, the committee met four (4) times and the attendance of the members are as follows:-

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a) Nomination Committee (continued)

<u>Members</u>	<u>Attendance and Number of Meetings</u>
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	4/4
Karen Fawcett	3/4
Raymond John Ferguson	4/4
Datuk Ishak Imam Abas (appointed on 24 March 2009)	2/2
Osman Tarique Morad (appointed on 20 October 2009)	1/1
Julian Francis Wynter (resigned on 20 October 2009)	3/3

b) Audit Committee

The Audit and Examination Committee was established in August 1994 and this committee was later renamed the Audit and Risk Committee in February 2005. Pursuant to the issuance of the Revised Guidelines by BNM, the Board has split the Audit and Risk Committee into the Audit Committee and the Risk Committee respectively in February 2006.

Membership and composition

The members of the Audit Committee are:-

Datuk Abu Hassan bin Kendut - Chairman
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim
Foo Mee Har
Datuk Ishak Imam Abas (appointed on 24 March 2009)

All of the Audit Committee members are independent non-executive directors, with the exception of Ms. Foo Mee Har who is a non-independent non-executive director.

Terms of Reference

The primary functions of the Audit Committee 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 Audit Committee meets on a quarterly basis and during the financial year 2009, the committee met four (4) times and the attendance of the members are as follows:-

<u>Members</u>	<u>Attendance and Number of Meetings</u>
Datuk Abu Hassan bin Kendut - Chairman	4/4
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	4/4
Foo Mee Har	3/4
Datuk Ishak Imam Abas (appointed on 24 March 2009)	3/3

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c) Risk Committee

Membership and composition

The members of the Risk Committee are:-

Datuk Ishak Imam Abas - Chairman (appointed on 24 March 2009)

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim

Datuk Abu Hassan bin Kendut

Foo Mee Har

All of the Risk Committee members are independent non-executive directors, with the exception of Ms. Foo Mee Har who is a non-independent non-executive director.

Terms of Reference

The primary functions of the Risk Committee 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 Risk Committee meets on a quarterly basis and during the financial year 2009, the committee met five (5) times and the attendance of the members are as follows:-

<u>Members</u>	<u>Attendance and Number of Meetings</u>
Datuk Ishak Imam Abas - Chairman (appointed on 24 March 2009)	4/4
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	5/5
Datuk Abu Hassan bin Kendut	5/5
Foo Mee Har	3/5

Risk Management

Through its risk management structure, the Bank seeks to manage efficiently the core risks: credit, market and liquidity risk, which arise directly through the Bank's commercial activities whilst operational, business, country, reputational, social, environmental and ethical compliance and legal risk are normal consequences of any business undertaking. The key element of risk management philosophy is for the risk functions to operate as an independent control working in partnership with the business units to provide a competitive advantage to the Bank. Detailed description of the primary risk management tools used by the Bank are documented in Note 38 to the financial statements.

The basic principles of risk management followed by the Bank include:-

- ensuring that business activities are controlled on the basis of risk adjusted returns;
- managing risk within agreed parameters with risk quantified wherever possible;
- assessing risk at the outset and throughout the time that we continue to be exposed to it;
- abiding by all applicable laws, regulations and governance standards of the country in which we do business;
- applying high and consistent ethical standards to our relationship with all customers, employees and other stakeholders; and
- undertaking activities in accordance with fundamental control standards. These controls include the disciplines of planning, monitoring, segregation, authorization and approval, recording, reconciliation and valuation.

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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 maximize 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 risk management framework 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 the Board of Directors and its committees through independent assurance provided by both Country Operational Risk Assurance and Audit and Group Internal Audit.

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 Management 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 Chief Executive Officer), 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 August 2009.

Board of Directors and their interests in shares

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

In Standard Chartered PLC <u>Ordinary shares of US\$0.50 each</u>	As at 1.1.2009 / at date of appointment	Number of shares		As at 31.12.2009
		Acquired	Disposed	
Osman Tarique Morad	18,423	-	-	18,423
Karen Fawcett	55,004	6,555 (A)	(31,403)	30,156
Raymond John Ferguson	15,410	12,547 (B)	(22,239)	5,718
Foo Mee Har	40,764	4,705 (C)	(2,348)	43,121
Edward Martin Jake Williams	5,255	1,596 (D)	(6,851)	-

Standard Chartered Bank Malaysia Berhad
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Board of Directors and their interests in shares (continued)

	As at 1.1.2009 / at date of appointment	Number of options		As at 31.12.2009
		Awarded/ Granted	Lapsed/ Exercised	
<u>Deferred Bonus Share Plan</u>				
Osman Tarique Morad	702	-	-	702
Karen Fawcett	2,489	-	(2,489)	-
Raymond John Ferguson	2,095	-	(2,095)	-
Foo Mee Har	975	-	(975)	-
<u>Executive Share Option Scheme</u>				
Karen Fawcett	143,810	-	-	143,810
Foo Mee Har	11,251	-	(1,700)	9,551
Edward Martin Jake Williams	318,564	-	-	318,564
<u>International Sharesave Scheme</u>				
Osman Tarique Morad	777	-	-	777
Karen Fawcett	1,697	1,003	(1,697)	1,003
Raymond John Ferguson	542	506	-	1,048
Foo Mee Har	1,542	-	-	1,542
Edward Martin Jake Williams	1,646	-	-	1,646
<u>Restricted Share Scheme</u>				
Osman Tarique Morad	4,371	-	(696)	3,675
Karen Fawcett	2,369	18,358	(2,369)	18,358
Raymond John Ferguson	-	9,356	-	9,356
Foo Mee Har	3,852	2,879	(850)	5,881
Edward Martin Jake Williams	18,057	-	(1,596)	16,461
<u>Options Over Performance Share Plan</u>				
Osman Tarique Morad	11,505	-	-	11,505
Karen Fawcett	35,458	-	-	35,458
Raymond John Ferguson	33,800	2,469	(10,452)	25,817
Foo Mee Har	20,788	13,580	(1,957)	32,411
Edward Martin Jake Williams	73,667	21,604	-	95,271

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

(B) Acquired by way of the exercise of Deferred Bonus Share Plan and Performance Share Plan.

(C) Acquired by way of the exercise of Deferred Bonus Share Plan, Executive Share Option Scheme, Restricted Share Scheme and Performance Share Plan.

(D) Acquired by way of the exercise of Restricted Share Scheme.

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.

Standard Chartered Bank Malaysia Berhad
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Options granted over unissued shares

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

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than 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 and options over Performance Share Plan.

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.

Shariah Advisory Committee

The Shariah Advisory Committee was formed in October 2000. The Committee was given the mandate by the Board of Directors to oversee the overall Islamic Banking business of the Group and to ensure that the compliance with the strict requirements of Shariah Law. The Committee is made up of officers and independent consultants who are experts in Shariah. The Committee meets regularly to discuss amongst others the development of new Islamic Banking products and to review the various procedures and practices related to the Islamic Banking business.

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: 25 March 2010

Standard Chartered Bank Malaysia Berhad
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**Statement by Directors pursuant to
Section 169(15) of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 19 to 93 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 2009 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: 25 March 2010

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

**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 19 to 93 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 25 March 2010.

.....
Wong Lai Loong

Before me:

**Independent Auditors' Report to the member 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 balance sheets as at 31 December 2009 of the Group and of the Bank, and the income statements, statements of recognised income and expense and cash flow statements 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 19 to 93.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation and fair presentation of these financial statements 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. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 and fair presentation of the financial statements 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 2009 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

Petaling Jaya
Date: 25 March 2010

Khaw Hock Hoe

Chartered Accountant
Approval Number: 2229/04/10(J)

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

BALANCE SHEETS AT 31 DECEMBER 2009

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Assets					
Cash and short term funds	3	8,870,950	4,124,252	7,586,909	1,918,776
Deposits and placements with banks and other financial institutions	4	950,000	985,270	2,213,924	985,000
Securities purchased under resale agreements	44	14,199	3,495,149	14,199	3,495,149
Securities held for trading	5	1,930,498	3,676,856	1,930,498	3,676,856
Securities available-for-sale	6	5,505,953	6,704,281	5,320,087	6,462,209
Loans, advances and financing	7	23,057,267	20,579,280	21,145,997	19,211,240
Other receivables	9	2,226,221	3,827,602	2,385,237	3,766,578
Tax recoverable		11,199	-	10,865	-
Prepaid lease payments	10	1,125	1,149	1,125	1,149
Statutory deposits with Bank Negara Malaysia	11	24,322	500,000	10,000	446,000
Investments in subsidiaries	12	-	-	300,022	200,022
Property, plant and equipment	13	60,570	59,375	60,570	59,375
Deferred tax assets	33	100,661	102,304	94,284	95,347
Total assets		42,752,965	44,055,518	41,073,717	40,317,701
Liabilities					
Deposits from customers	14	32,920,225	33,010,073	31,460,688	28,586,783
Deposits and placements of banks and other financial institutions	15	3,603,750	3,292,897	3,409,236	3,245,719
Bills and acceptances payable		11,388	135,181	11,388	106,239
Recourse obligations on loans sold to Cagamas Berhad	44	138,433	161,898	138,433	161,898
Other payables	16	2,883,402	4,412,329	2,879,650	5,183,859
Tax payable		-	52,774	-	51,201
Subordinated debts	17	891,208	900,058	891,208	900,058
Total liabilities		40,448,406	41,965,210	38,790,603	38,235,757
Equity					
Share capital	19	125,000	125,000	125,000	125,000
Reserves	20	2,179,559	1,965,308	2,158,114	1,956,944
Total equity attributable to equity holder of the Bank	21	2,304,559	2,090,308	2,283,114	2,081,944
Total liabilities and equity		42,752,965	44,055,518	41,073,717	40,317,701
Commitments and contingencies	37	160,201,010	201,688,112	159,608,997	201,382,959

The notes set out on pages 24 to 93 form an integral part of, and should be read in conjunction with, these financial statements.

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

**INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2009**

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest income	23	1,298,944	1,743,631	1,324,441	1,748,224
Interest expense	24	(619,802)	(910,942)	(619,802)	(915,533)
Net interest income		679,142	832,689	704,639	832,691
Net income from Islamic Banking operations	25	144,017	74,218	-	54,069
		823,159	906,907	704,639	886,760
Other operating income	26	550,109	906,090	550,109	906,090
Total net income		1,373,268	1,812,997	1,254,748	1,792,850
Other operating expenses	27	(714,532)	(722,007)	(655,053)	(711,833)
Operating profit		658,736	1,090,990	599,695	1,081,017
Allowance for bad and doubtful debts and financing	29	(258,869)	(128,928)	(217,289)	(123,139)
Profit before taxation		399,867	962,062	382,406	957,878
Tax expense	32	(105,724)	(243,684)	(99,869)	(248,768)
Profit for the year		294,143	718,378	282,537	709,110
Attributable to:-					
Equity holder of the Bank		294,143	718,378	282,537	709,110
Basic earnings per ordinary share (sen)	36	235	575	226	567

The notes set out on pages 24 to 93 form an integral part of, and should be read in conjunction with, these financial statements.

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
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**STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED
31 DECEMBER 2009**

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unrealised net gain on revaluation of securities available-for-sale		15,063	37,343	15,317	39,490
Realised gain from disposal of securities available-for-sale transferred to income statements		(17,765)	(23,268)	(19,984)	(24,210)
Unrealised loss on cash flow hedge		(1,695)	(27,679)	(1,695)	(27,679)
Realised (gain)/loss on cash flow hedge transferred to income statements		(2,127)	13,847	(2,127)	13,847
Defined benefit plan actuarial gain		-	322	-	322
Tax effect on income and expense recognised directly in equity	32	1,632	(130)	2,122	(431)
Income and expense recognised directly in equity	21	(4,892)	435	(6,367)	1,339
Profit for the year		294,143	718,378	282,537	709,110
Total recognised income and expense for the year attributable to equity holder of the Bank		<u>289,251</u>	<u>718,813</u>	<u>276,170</u>	<u>710,449</u>

The notes set out on pages 24 to 93 form an integral part of, and should be read in conjunction with, these financial statements.

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
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CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2009

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash flows from operating activities				
Profit before taxation	399,867	962,062	382,406	957,878
Adjustments for:-				
Dividend income	(19,974)	(2,229)	(19,974)	(2,229)
Depreciation	23,072	21,309	23,072	21,309
Amortisation of prepaid lease payments	24	24	24	24
Gain on disposal of property, plant and equipment	(223)	(285)	(223)	(285)
Gain on disposal of securities available-for-sale	(24,284)	(5,407)	(24,284)	(5,407)
Profit equalisation reserve	1,734	4,670	-	3,660
Amortisation of premium less accretion of discount on securities available-for-sale	(2,524)	(24,916)	(1,922)	(25,011)
Operating profit before working capital changes	377,692	955,228	359,099	949,939
Changes in working capital:-				
Deposits and placements with banks and other financial institutions	35,270	220,205	(1,228,924)	220,475
Securities purchased under resale agreement	3,480,950	(3,398,676)	3,480,950	(3,398,676)
Securities held for trading	1,746,358	(1,469,910)	1,746,358	(1,469,910)
Loans, advances and financing	(2,477,987)	(1,027,701)	(1,934,757)	340,340
Other receivables	1,597,559	(1,979,053)	1,377,519	(1,918,026)
Statutory deposits with Bank Negara Malaysia	475,678	167,233	436,000	221,233
Deposits from customers	(89,848)	2,285,357	2,873,905	(2,137,933)
Deposits and placements of banks and other financial institutions	310,853	(1,443,250)	163,517	(1,490,429)
Bills and acceptances payable	(123,793)	(737,529)	(94,851)	(766,471)
Recourse obligations on loans sold to Cagamas	(23,465)	(128,835)	(23,465)	(128,835)
Other payables	(1,539,511)	1,791,737	(2,313,059)	2,564,253
Cash generated from/(used in) operations	3,769,756	(4,765,194)	4,842,292	(7,014,040)
Income taxes paid	(166,422)	(226,129)	(158,750)	(226,129)
Net cash generated from/(used in) operating activities	3,603,334	(4,991,323)	4,683,542	(7,240,169)
Cash flows from investing activities				
Dividends received	19,974	2,229	19,974	2,229
Purchase of property, plant and equipment	(24,581)	(23,063)	(24,581)	(23,063)
Proceeds from disposal of property, plant and equipment	535	338	535	338
Purchase of securities available-for-sale	(10,803,682)	(12,494,599)	(10,653,682)	(12,209,599)
Proceeds from disposal of securities available-for-sale	12,026,118	7,192,446	11,817,345	7,150,816
Investment in a subsidiary	-	-	(100,000)	(200,000)
Net cash generated from/(used in) investing activities	1,218,364	(5,322,649)	1,059,591	(5,279,279)

STANDARD CHARTERED BANK MALAYSIA BERHAD
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CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2009 (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash flows from financing activities				
Dividends paid (Note 22)	(75,000)	(380,800)	(75,000)	(380,800)
Net cash used in financing activities	<u>(75,000)</u>	<u>(380,800)</u>	<u>(75,000)</u>	<u>(380,800)</u>
Net increase/(decrease) in cash and cash equivalents	4,746,698	(10,694,772)	5,668,133	(12,900,248)
Cash and cash equivalents brought forward	4,124,252	14,819,024	1,918,776	14,819,024
Cash and cash equivalents carried forward	<u>8,870,950</u>	<u>4,124,252</u>	<u>7,586,909</u>	<u>1,918,776</u>
Cash and cash equivalents comprise:				
Cash and short term funds (Note 3)	<u>8,870,950</u>	<u>4,124,252</u>	<u>7,586,909</u>	<u>1,918,776</u>

The notes set out on pages 24 to 93 form an integral part of, and should be read in conjunction with, these financial statements.

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
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Notes to the financial statements

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

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

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

1. Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with the 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 and the Bank. Islamic Banking refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The Group and the Bank has chosen to early adopt IC Interpretation 13, *Customer Loyalty Program* which is effective for annual periods beginning on or after 1 January 2010. There is no material impact to the financial statements upon the early adoption of IC Interpretation 13.

The Group and the Bank have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") as of 8 January 2010 but are not yet effective for the Group and the Bank:-

FRSs / Interpretations	Effective date
i) FRS 1, <i>First-time Adoption of Financial Reporting Standards</i> (revised)	1 July 2010
ii) FRS 3, <i>Business Combinations</i> (revised)	1 July 2010
iii) FRS 4, <i>Insurance Contracts</i>	1 January 2010
iv) FRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2010
v) FRS 8, <i>Operating Segments</i>	1 July 2009
vi) FRS 101, <i>Presentation of Financial Statements</i>	1 January 2010
vii) FRS 123, <i>Borrowing Costs</i>	1 January 2010
viii) FRS 127, <i>Consolidated and Separate Financial Statements</i> (revised)	1 July 2010
ix) FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
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1. Basis of preparation of the financial statements (continued)

(a) Statement of compliance (continued)

FRSs / Interpretations	Effective date
x) Amendments to FRS 1, <i>First-time Adoption of Financial Reporting Standards</i> and FRS 127, <i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2010
xi) Amendments to FRS 1, <i>First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosure for First-time Adoptors</i>	1 January 2011
xii) Amendments to FRS 2, <i>Share-based Payment – Vesting Conditions and Cancellations</i>	1 January 2010
xiii) Amendments to FRS 2, <i>Share-based Payment</i>	1 July 2010
xiv) Amendments to FRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 July 2010
xv) Amendments to FRS 7, <i>Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments</i>	1 January 2011
xvi) Amendments to FRS 101, <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>	1 January 2010
xvii) Amendments to FRS 132, <i>Financial Instruments: Presentation – Puttable Financial Statements and Obligations Arising on Liquidation – Separation of Compound Instruments</i>	1 January 2010
xviii) Amendments to FRS 132, <i>Financial Instruments: Presentation - Classification of Right Issues</i>	1 March 2010
xix) Amendments to FRS 138, <i>Intangible Assets</i>	1 July 2010
xx) Amendments to FRS 139, <i>Financial Instruments: Recognition and Measurement</i> , FRS 7, <i>Financial Instruments: Disclosures</i> and IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
xxi) Amendments to FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
xxii) IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
xxiii) IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010
xxiv) IC Interpretation 11, <i>FRS 2 – Group and Treasury Share Transactions</i>	1 January 2010
xxv) IC Interpretation 12, <i>Service Concession Agreements</i>	1 July 2010

STANDARD CHARTERED BANK MALAYSIA BERHAD
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1. Basis of preparation of the financial statements (continued)

(a) Statement of compliance (continued)

FRSs / Interpretations	Effective date
xxvi) IC Interpretation 14, <i>FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction</i>	1 January 2010
xxvii) IC Interpretation 15, <i>Agreements for the Construction of Real Estate</i>	1 July 2010
xxviii) IC Interpretation 16, <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
xxix) IC Interpretation 17, <i>Distribution of Non-cash Assets to Owners</i>	1 July 2010
xxx) Amendments to IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 July 2010
xxxi) Improvements to FRSs (2009)	1 January 2010

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

- i) from the annual period beginning on 1 January 2010 for those standards, amendments or interpretations above that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4 and FRS 8 which are not applicable to the Group and the Bank.
- ii) 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 and 1 January 2011, except for FRS 1, FRS 3, amendments to FRS 138, IC Interpretation 12, IC Interpretation 15 and IC Interpretation 16, which are 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 future financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

The financial statements were approved by the Board of Directors on 25 March 2010.

(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.

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

(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 balance sheet 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 (i))
- ii) Estimation of actuarial life for recognition of interest income and interest expense under effective interest rate method (Note 2(y) and Note 2(ab))
- iii) Fair value estimation of financial assets and financial liabilities (Note 40)
- iv) Estimation of defined benefit obligations (Note 2 (v)(ii))

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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 year ended 31 December 2009 comprise the financial statements of the Bank and its subsidiaries made up to the end of the financial year.

i) Subsidiaries

Subsidiaries are those enterprises 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 balance sheet 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) Cash and short term funds

Cash and short term funds are held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

For the purpose of the cash flow statements, cash and cash equivalents comprise cash and short term funds.

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2. Significant accounting policies (continued)

(d) Deposits and placements with banks and other financial institutions

Deposits and placements with banks and other financial institutions are stated at placement value.

(e) Securities held for trading

Securities are classified as held for trading if they are acquired or incurred principally for the purpose of selling or repurchasing them in the near term, or they are part of a portfolio of identified securities that the Group and the Bank manage together and for which there is evidence of a recent actual pattern of short-term profit taking. Securities classified as held for trading are stated at fair value and any gains or losses arising from a change in the fair value, or on the derecognition of the securities, are recognised in the income statements.

No security is reclassified into or out of the held for trading category while it is held. Interest from the held for trading securities (including zero coupon debt instruments), calculated using the effective interest method, is recognised in the income statements.

(f) Securities held-to-maturity

Securities held-to-maturity 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 income statements when the securities are derecognised. Amortisation of premium or accretion of discount for securities are also recognised in the income statements.

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

(g) Securities available-for-sale

Securities available-for-sale are securities that are not classified as held for trading or held-to-maturity, and are measured at fair value. Securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost.

Unrealised gains or losses arising from the change in the fair value of securities available-for-sale are recognised directly in equity through the statements of recognised income and expense, except for foreign exchange gains and losses of debt securities and impairment losses, which are recognised in the income statements. The cumulative gains or losses arising on disposal of securities available-for-sale which were previously recognised in equity, will be transferred to the income statements upon derecognition of the securities.

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

(h) Impairment of securities

The carrying amount of the Group's and the Bank's securities are reviewed at each balance sheet 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:-

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2. Significant accounting policies (continued)

(h) Impairment of securities (continued)

i) 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 income statements.

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 income statements.

ii) Securities carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of 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.

iii) Securities available-for-sale

The cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statements 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 income statements.

Impairment losses recognised in the income statements for an investment in an equity investment classified as available-for-sale, is reversed through the income statements.

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 income statements, that portion of impairment loss is reversed through the income statements.

(i) Loans, advances and financing

Loans, advances and financing are carried at their outstanding principal and interest balances net of unearned interest/income, general and specific allowances for bad and doubtful debts and financing.

The carrying amount of the Group's and the Bank's loans, advances and financing are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If such evidence exists, the recoverable amount of the loans, advances and financing is estimated. A specific allowance is provided in the income statements whenever the carrying amount of the loans, advances and financing exceeds its recoverable amount (being the present value of estimated future cash flows discounted at customer rate). The estimated future cash flows are based on projection of liquidation proceeds, realisation of assets or estimates of future operating cash flows.

A general allowance 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 Bank Negara Malaysia.

An uncollectible loan, advance and financing or portion of a loan, advance and financing 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.

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2. Significant accounting policies (continued)

(i) Loans, advances and financing (continued)

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 specific allowance) and the fair value of the debt or equity instruments will be the gain or loss from the conversion exercise.

Where the net book value of the restructured loans is higher than the fair value of the debt or equity instruments, the loss shall be recognised in the income statements in the current financial year.

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 balance sheets.

(j) Other receivables

Other receivables are recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

(k) Prepaid lease payments

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided except for leasehold land classified as investment property.

(l) Property, plant and equipment

i) Recognition and measurement

Property, plant and equipment are stated at cost less any 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 income statements during the financial period in which they are incurred.

iii) Depreciation

No depreciation is charged on freehold land. 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.

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2. Significant accounting policies (continued)

(l) Property, plant and equipment (continued)

iii) Depreciation (continued)

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

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 balance sheet date.

(m) Deposits from customers

Demand deposits, savings deposits, fixed/investment deposits, negotiable instruments of deposits and other deposits are stated at placement value.

(n) Deposits and placements of banks and other financial institutions

Deposits and placements of banks and other financial institutions are stated at placement value.

(o) 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 balance sheets.

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 balance sheets. The securities sold under repurchase agreements are treated as pledged assets and continue to be recognised as assets in the balance sheets.

(p) 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.

(q) 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.

(r) Other payables

Other payables are measured at cost and are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

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2. Significant accounting policies (continued)

(s) 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.

(t) Subordinated debts

Subordinated debts are carried at their face value 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 income statements on an accrual basis.

(u) Impairment of 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 securities held for trading) as disclosed in Note 2(h), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statements, 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.

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.

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 income statements 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.

STANDARD CHARTERED BANK MALAYSIA BERHAD
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2. Significant accounting policies (continued)

(v) 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 income statements 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 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 balance sheet 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 shareholder's equity and presented in the statements of recognised income and expense ("SORIE") in the period they arise.

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 income statements 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 balance sheet 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 income statements.

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2. Significant accounting policies (continued)

(v) Staff retirement and service benefits (continued)

iv) Termination benefits

Termination benefits are recognised as an expense when 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.

(w) Derivative financial instruments and hedge accounting

Derivatives are recognised at fair value with changes in fair value recognised in the income statements, unless they are part of a hedging relationship which qualifies for hedge accounting. The Group and the Bank designate certain derivatives as hedges, which are accounted for on an equivalent basis as for the underlying assets, liabilities or net positions. The Group and the Bank designate these derivatives as either:-

i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statements, together with any changes in the fair value of the hedged items.

ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statements.

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statements.

Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through income statements. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statements.

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2. Significant accounting policies (continued)

(x) Operating lease

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

(y) Recognition of interest income

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

Where an account is classified as non-performing, recognition of interest income is suspended and shall be accounted for on a cash basis. Interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of income.

Customers' accounts are classified as "non-performing" where repayments are in arrears for more than 90 days for loans and overdrafts, and 30 days after maturity date for trade bills, bankers' acceptances and trust receipts. The policy on suspension of interest adopted by the Bank complies with that required by revised BNM/GP3.

(z) Recognition of fees and other income

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

Dividends from securities held for trading, 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.

(aa) Tax expense

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet 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 balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

STANDARD CHARTERED BANK MALAYSIA BERHAD
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2. Significant accounting policies (continued)

(aa) Tax expense (continued)

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.

(ab) 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. The effective interest rate is the rate that exactly discounts estimated future payments through the expected life of the financial liabilities.

(ac) 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 Bank Negara Malaysia. 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.

(ad) Currency translations

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

(ae) Effective interest rate

The effective interest 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 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 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 rate, transaction costs and all other premiums or discounts.

(af) 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 year.

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3. Cash and short term funds

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	114,553	140,501	112,808	134,190
Money at call and deposit placements maturing within one month	8,756,397	3,983,751	7,474,101	1,784,586
	<u>8,870,950</u>	<u>4,124,252</u>	<u>7,586,909</u>	<u>1,918,776</u>

4. Deposits and placements with banks and other financial institutions

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Licensed banks	350,000	500,000	1,613,924	700,000
Bank Negara Malaysia	600,000	485,270	600,000	285,000
	<u>950,000</u>	<u>985,270</u>	<u>2,213,924</u>	<u>985,000</u>

5. Securities held for trading

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<u>At fair value</u>				
Malaysian Government treasury bills	41,337	9,213	41,337	9,213
Malaysian Government bonds/securities	689,034	2,469,909	689,034	2,469,909
Government Islamic bonds	-	120,294	-	120,294
Khazanah Islamic bonds	-	12,678	-	12,678
Bank Negara Malaysia bills	724,095	322,271	724,095	322,271
Cagamas bonds	19,769	38,800	19,769	38,800
Private debt securities	456,263	703,691	456,263	703,691
	<u>1,930,498</u>	<u>3,676,856</u>	<u>1,930,498</u>	<u>3,676,856</u>

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6. Securities available-for-sale

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<u>At fair value</u>				
Malaysian Government bonds/ securities *	2,406,919	2,966,216	2,406,919	2,966,216
Bank Negara Malaysia bills	-	1,398,304	-	1,398,304
Cagamas bonds	65,250	64,478	-	-
Bankers' acceptances and Islamic acceptance bills	486,417	-	486,417	-
Negotiable instruments of deposit	2,425,167	2,095,095	2,390,175	2,050,100
Government Islamic bonds	25,072	25,138	-	-
Private debt securities	60,552	107,461	-	-
Equity shares	-	16,211	-	16,211
	5,469,377	6,672,903	5,283,511	6,430,831
Unquoted securities:-				
Equity shares, at cost	9,733	9,098	9,733	9,098
Private debt securities, at fair value	26,843	22,280	26,843	22,280
	5,505,953	6,704,281	5,320,087	6,462,209

* Included in Malaysian Government bonds/securities are Malaysian Government Securities of the Group and the Bank amounting to RM 136 million (2008: nil) being utilised to meet Statutory Reserve Requirement as further explained in Note 11.

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 signed 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. Pursuant to these Master Shareholders' Agreements, the Bank 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. On this basis, PASB and RASB are excluded from the Group's consolidation and they are classified under securities available-for-sale.

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Overdrafts	690,707	754,040	690,707	754,040
Term loans/financing				
- Housing loans/financing	11,387,751	10,541,370	11,108,187	10,300,314
- Syndicated term loan/financing	297,940	94,888	297,940	94,888
- Hire purchase receivables	36,972	-	-	-
- Lease receivables	218,873	20,142	-	-
- Other term loans/financing	5,565,070	4,115,714	4,233,927	3,081,317
Bills receivable	2,215,967	1,961,747	2,211,603	1,927,878
Trust receipts	1,117,850	1,021,648	1,077,830	1,019,850
Claims on customers under acceptance credits	-	135,441	-	106,422
Staff loans/financing	73,902	90,892	70,388	87,862
Loans/financing to banks and other financial institutions	10,654	87,588	10,654	87,588
Credit card receivables	1,318,027	1,331,373	1,318,027	1,331,373
Revolving credit	1,277,176	1,386,127	732,389	925,873
	<u>24,210,889</u>	<u>21,540,970</u>	<u>21,751,652</u>	<u>19,717,405</u>
Less: Unearned interest and income	<u>(531,851)</u>	<u>(442,672)</u>	<u>(8,929)</u>	<u>(8,877)</u>
Gross loans, advances and financing	23,679,038	21,098,298	21,742,723	19,708,528
Less: Allowance for bad and doubtful debts and financing:-				
- Specific	(268,940)	(203,747)	(267,636)	(202,898)
- General	<u>(352,831)</u>	<u>(315,271)</u>	<u>(329,090)</u>	<u>(294,390)</u>
Total net loans, advances and financing	<u>23,057,267</u>	<u>20,579,280</u>	<u>21,145,997</u>	<u>19,211,240</u>

(ii) By type of customer

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Domestic banking institutions	10,654	87,588	10,654	87,588
Domestic non-bank financial institutions	777,134	509,289	514,897	431,189
<i>Stockbroking companies</i>	-	-	-	-
<i>Others</i>	<u>777,134</u>	<u>509,289</u>	<u>514,897</u>	<u>431,189</u>
Domestic business enterprises	6,611,765	5,858,238	5,891,544	5,284,095
<i>Small medium enterprises</i>	<u>2,273,070</u>	<u>1,767,803</u>	<u>2,165,288</u>	<u>1,685,032</u>
<i>Others</i>	<u>4,338,695</u>	<u>4,090,435</u>	<u>3,726,256</u>	<u>3,599,063</u>
Individuals	14,909,023	14,094,423	13,966,948	13,362,560
Other domestic entities	425	488	425	488
Foreign entities	1,370,037	548,272	1,358,255	542,608
	<u>23,679,038</u>	<u>21,098,298</u>	<u>21,742,723</u>	<u>19,708,528</u>

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7. Loans, advances and financing (continued)**(iii) By interest/profit rate sensitivity**

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fixed rate				
Housing loans/financing	59,698	72,375	54,227	66,356
Other fixed rate loan/financing	2,695,174	2,168,588	1,729,923	1,454,366
Variable rate				
BLR plus	14,284,551	13,196,538	14,043,249	12,984,171
Cost plus	5,760,357	4,759,664	5,224,964	4,302,502
Other variable rates	879,258	901,133	690,360	901,133
	<u>23,679,038</u>	<u>21,098,298</u>	<u>21,742,723</u>	<u>19,708,528</u>

(iv) By sector

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Agriculture	118,106	112,933	98,101	112,912
Mining and quarrying	20,122	11,202	18,400	8,202
Manufacturing	2,567,296	2,263,379	2,449,876	2,213,432
Electricity, gas and water	5,237	87,002	5,237	87,002
Construction	337,617	239,021	253,113	232,538
Real estate	350,934	120,903	259,106	59,221
Purchase of landed property	13,112,827	12,256,962	12,944,687	12,094,021
- Residential	11,354,990	10,566,523	11,227,835	10,452,946
- Non-residential	1,757,837	1,690,439	1,716,852	1,641,075
Wholesale & retail trade and restaurants & hotels	1,945,455	2,030,047	1,810,945	1,730,836
Transport, storage and communication	310,199	159,769	107,304	73,365
Finance, insurance and business services	1,211,278	915,394	907,382	811,019
Consumption credit	2,833,012	2,784,746	2,047,284	2,210,150
Others	866,955	116,940	841,288	75,830
	<u>23,679,038</u>	<u>21,098,298</u>	<u>21,742,723</u>	<u>19,708,528</u>

(v) Analysis of foreign currency exposure

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
USD	951,931	1,021,152	921,216	1,021,152
GBP	662,769	-	662,769	-
Other foreign currencies	17,695	12,736	17,695	12,736

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8. Non-performing loans/financing (NPL/NPF)**(i) Movements in the non-performing loans, advances and financing**

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January	552,325	556,673	543,071	556,673
Classified as non-performing during the financial year	662,395	430,454	614,663	421,301
Reclassified as performing during the financial year	(471,817)	(247,726)	(470,402)	(247,539)
Amount recovered during the financial year	(83,096)	(33,011)	(79,758)	(32,862)
Amount written off	(211,657)	(154,065)	(173,412)	(148,837)
Amount vested over to Standard Chartered Saadiq Berhad ("Saadiq")	-	-	-	(5,665)
At 31 December	448,150	552,325	434,162	543,071
Specific allowance	(268,940)	(203,747)	(267,636)	(202,898)
Net non-performing loans, advances and financing	<u>179,210</u>	<u>348,578</u>	<u>166,526</u>	<u>340,173</u>
Ratio of net non-performing loans, advances and financing to net loans, advances and financing	<u>0.77%</u>	<u>1.67%</u>	<u>0.78%</u>	<u>1.74%</u>

(ii) Movements in allowance for bad and doubtful debts

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
General Allowance				
At 1 January	315,271	300,421	294,390	300,421
Allowance made in the financial year	37,560	14,850	34,700	14,000
Amount vested over to Saadiq	-	-	-	(20,031)
At 31 December	<u>352,831</u>	<u>315,271</u>	<u>329,090</u>	<u>294,390</u>
As a percentage of gross loans, advances and financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>	<u>1.5%</u>	<u>1.5%</u>
Specific Allowance				
At 1 January	203,747	197,418	202,898	197,418
Allowance made in the financial year	317,420	201,730	278,430	196,688
Amount written back	(108,882)	(105,047)	(108,612)	(104,975)
Amount written off	(143,345)	(90,354)	(105,080)	(85,392)
Amount vested over to Saadiq	-	-	-	(841)
At 31 December	<u>268,940</u>	<u>203,747</u>	<u>267,636</u>	<u>202,898</u>

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8. Non-performing loans/financing (NPL/NPF) (continued)**(iii) NPL/NPF by sector**

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Agriculture	15,444	-	15,444	-
Mining and quarrying	514	500	514	500
Manufacturing	43,484	59,342	43,484	59,342
Construction	55,315	4,259	55,315	4,259
Real estate	-	795	-	795
Purchase of landed property	246,995	406,148	242,949	403,277
- Residential	227,247	386,915	223,201	384,044
- Non-residential	19,748	19,233	19,748	19,233
Wholesale & retail trade and restaurants & hotels	44,667	16,294	44,667	16,294
Transport, storage and communication	-	40	-	40
Finance, insurance and business services	6,809	9,863	6,809	9,863
Consumption credit	34,494	47,611	24,552	41,228
Others	428	7,473	428	7,473
	<u>448,150</u>	<u>552,325</u>	<u>434,162</u>	<u>543,071</u>

9. Other receivables

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Derivatives (Note 40)	2,023,995	3,461,287	2,026,954	3,458,686
Interest/Income receivables	65,826	94,846	66,492	93,797
Other receivables, deposit and prepayments	136,400	271,469	291,791	214,095
	<u>2,226,221</u>	<u>3,827,602</u>	<u>2,385,237</u>	<u>3,766,578</u>

10. Prepaid lease payments

Group and Bank	Unexpired period less than 50 years RM'000
Cost	
At 1 January 2008 / 31 December 2008 / 31 December 2009	<u>1,245</u>
Amortisation	
At 1 January 2008	72
Amortisation for the year	<u>24</u>
At 31 December 2008	96
Amortisation for the year	<u>24</u>
At 31 December 2009	<u>120</u>
Carrying amounts	
At 1 January 2008	1,173
At 31 December 2008	<u>1,149</u>
At 31 December 2009	<u>1,125</u>

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11. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia ("BNM") in compliance 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.

Based on the revised SRR guideline issued by BNM, the SRR rate was revised to 1% effective on 1 March 2009 (2008: 3.5%).

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 Bank Negara Malaysia, is allowed to utilise Malaysian Government Securities ("MGS") to meet the SRR. As at 31 December 2009, MGS of the Group and the Bank with nominal amount of RM 136 million (2008: nil) are utilised for SRR purposes. These securities are included in the securities available-for-sale (Note 6).

12. Investments in subsidiaries

	Bank	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost	300,022	200,022

The subsidiaries of the Bank are as follows:-

Name	Principal activities	Country of incorporation	Percentage of equity held	
			2009	2008
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 14 July 2009, the Bank subscribed for an additional 25 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 100 million.

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13. Property, plant and equipment**Group and Bank**

Cost	Freehold 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	168	70,598	7,239	140,164	44,654	3,065	265,888
Additions	-	692	119	21,542	2,228	-	24,581
Disposal	(168)	(158)	-	(64)	-	-	(390)
At 31 December 2009	-	71,132	7,358	161,642	46,882	3,065	290,079

Accumulated Depreciation

At 1 January 2009	-	55,244	7,202	120,425	21,323	2,319	206,513
Charge for the year	-	4,323	59	11,391	6,858	441	23,072
Disposal	-	(24)	-	(52)	-	-	(76)
At 31 December 2009	-	59,543	7,261	131,764	28,181	2,760	229,509

Net book value

At 31 December 2009	-	11,589	97	29,878	18,701	305	60,570
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13. Property, plant and equipment (continued)**Group and Bank**

Cost	Freehold 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 2008	168	71,074	7,239	130,381	32,267	2,929	244,058
Additions	-	-	-	9,783	12,387	893	23,063
Disposal	-	(476)	-	-	-	(757)	(1,233)
At 31 December 2008	<u>168</u>	<u>70,598</u>	<u>7,239</u>	<u>140,164</u>	<u>44,654</u>	<u>3,065</u>	<u>265,888</u>
Accumulated Depreciation							
At 1 January 2008	-	50,719	7,020	110,649	15,611	2,385	186,384
Charge for the year	-	4,948	182	9,776	5,712	691	21,309
Disposal	-	(423)	-	-	-	(757)	(1,180)
At 31 December 2008	<u>-</u>	<u>55,244</u>	<u>7,202</u>	<u>120,425</u>	<u>21,323</u>	<u>2,319</u>	<u>206,513</u>
Net book value							
At 31 December 2008	<u>168</u>	<u>15,354</u>	<u>37</u>	<u>19,739</u>	<u>23,331</u>	<u>746</u>	<u>59,375</u>

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Demand deposits	12,177,435	10,323,248	11,680,914	10,077,017
Savings deposits	5,013,170	4,648,283	4,943,920	4,592,411
Fixed/investment deposits	14,449,518	16,382,211	13,991,528	12,704,035
Negotiable instruments of deposits	1,280,102	1,656,331	844,326	1,213,320
	<u>32,920,225</u>	<u>33,010,073</u>	<u>31,460,688</u>	<u>28,586,783</u>

(ii) By type of customers

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Government and statutory bodies	13,329	14,395	13,329	14,395
Business enterprises	13,227,444	13,236,641	12,677,905	9,761,746
Individuals	17,185,614	16,769,513	16,734,032	16,453,793
Others	2,493,838	2,989,524	2,035,422	2,356,849
	<u>32,920,225</u>	<u>33,010,073</u>	<u>31,460,688</u>	<u>28,586,783</u>

15. Deposits and placements of banks and other financial institutions

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Licensed banks	30,584	331,276	23,315	286,625
Bank Negara Malaysia	58,428	31,103	58,428	30,779
Other financial institutions	3,514,738	2,930,518	3,327,493	2,928,315
	<u>3,603,750</u>	<u>3,292,897</u>	<u>3,409,236</u>	<u>3,245,719</u>

16. Other payables

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Derivatives (Note 40)	1,738,274	2,932,097	1,741,466	2,929,776
Interest/profit payable	114,358	160,335	112,467	147,657
Provision for retirement benefit scheme (Note 34)	2,971	3,372	2,971	3,372
Amount owing to subsidiaries	-	-	22	22
Profit equalisation reserve	7,478	5,744	-	-
Other payables and accruals	1,020,321	1,310,781	1,022,724	2,103,032
	<u>2,883,402</u>	<u>4,412,329</u>	<u>2,879,650</u>	<u>5,183,859</u>

The movements in profit equalisation reserve are as follows:-

Profit equalisation reserve

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January	5,744	1,074	-	1,074
Amount provided during the year	1,734	6,110	-	5,100
Amount written back during the year	-	(1,440)	-	(1,440)
Amount vested over to Saadiq	-	-	-	(4,734)
At 31 December	<u>7,478</u>	<u>5,744</u>	<u>-</u>	<u>-</u>

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17. Subordinated debts

	Group and Bank	
	2009	2008
	RM'000	RM'000
<u>At cost</u>		
Islamic subordinated debt (i)	380,000	380,000
<u>At fair value</u>		
Subordinated bonds (ii)	511,208	520,058
	891,208	900,058

- (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 Bank Negara Malaysia.

- 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.

18. Redeemable preference shares

	Group and Bank	
	2009	2008
	RM'000	RM'000
Authorised		
Redeemable preference shares of RM 1.00 each	300,000	300,000
Issued and fully paid	-	-

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18. Redeemable preference shares (continued)

The Bank had in prior years issued and subsequently redeemed 190,000 cumulative Redeemable Preference Shares ("RPS") of RM 1.00 each. The redemption of the RPS had resulted in an amount of RM190,000 in respect of the nominal value of the RPS to be transferred to a capital redemption reserve (Note 20).

19. Share capital

	Group and Bank	
	2009	2008
	RM'000	RM'000
Authorised		
Ordinary shares of RM 1.00 each	700,000	700,000
Irredeemable Non-Cumulative Preference Shares of RM 0.10 each	<u>38,000</u>	<u>38,000</u>
	<u><u>738,000</u></u>	<u><u>738,000</u></u>
Issued and fully paid		
Ordinary shares of RM 1.00 each	<u>125,000</u>	<u>125,000</u>

20. Reserves

	Group		Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
<i>Non-distributable :</i>				
Share premium	375,000	375,000	375,000	375,000
Statutory reserves	132,960	126,539	125,000	125,000
Capital redemption reserve (Note 18)	190	190	190	190
AFS reserves	7,439	9,465	6,868	10,369
Cash flow hedge reserves	<u>(8,669)</u>	<u>(5,803)</u>	<u>(8,669)</u>	<u>(5,803)</u>
	506,920	505,391	498,389	504,756
<i>Distributable :</i>				
Retained profits	<u>1,672,639</u>	<u>1,459,917</u>	<u>1,659,725</u>	<u>1,452,188</u>
	<u><u>2,179,559</u></u>	<u><u>1,965,308</u></u>	<u><u>2,158,114</u></u>	<u><u>1,956,944</u></u>

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.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax exempt income and tax credit under Section 108 of the Income Tax Act, 1967 to frank in full all of its retained profits as at 31 December 2009 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 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.

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21. Capital and reserves**Reconciliation of movement in capital and reserves**

GROUP	Note	← Non Distributable Reserves →					→	Distributable Reserves	Total RM'000
		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	
At 1 January 2008		125,000	375,000	125,000	190	(1,102)	4,571	1,123,636	1,752,295
Unrealised net gain on revaluation of securities available-for-sale		-	-	-	-	28,006	-	-	28,006
Realised gain from disposal of securities available-for-sale transferred to income statements		-	-	-	-	(17,439)	-	-	(17,439)
Unrealised loss on cash flow hedge		-	-	-	-	-	(20,759)	-	(20,759)
Realised loss on cash flow hedge transferred to income statements		-	-	-	-	-	10,385	-	10,385
Actuarial gain from defined benefit plan recognised during the year		-	-	-	-	-	-	242	242
Net gains/(losses) recognised directly in equity		-	-	-	-	10,567	(10,374)	242	435
Profit for the year		-	-	-	-	-	-	718,378	718,378
Total recognised income and expense for the year		-	-	-	-	10,567	(10,374)	718,620	718,813
Transfer to statutory reserves		-	-	1,539	-	-	-	(1,539)	-
Dividends (ordinary shares):-									
- 2007 final	22	-	-	-	-	-	-	(310,800)	(310,800)
- 2007 special	22	-	-	-	-	-	-	(70,000)	(70,000)
At 31 December 2008		125,000	375,000	126,539	190	9,465	(5,803)	1,459,917	2,090,308
		Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	

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21. Capital and reserves (continued)**Reconciliation of movement in capital and reserves (continued)**

GROUP	Note	← Non Distributable Reserves →				→ Distributable Reserves		Total RM'000	
		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
At 1 January 2009		125,000	375,000	126,539	190	9,465	(5,803)	1,459,917	2,090,308
Unrealised net gain on revaluation of securities available-for-sale		-	-	-	-	11,297	-	-	11,297
Realised gain from disposal of securities available-for-sale transferred to income statements		-	-	-	-	(13,323)	-	-	(13,323)
Unrealised loss on cash flow hedge		-	-	-	-	-	(1,271)	-	(1,271)
Realised loss on cash flow hedge transferred to income statements		-	-	-	-	-	(1,595)	-	(1,595)
Net losses recognised directly in equity		-	-	-	-	(2,026)	(2,866)	-	(4,892)
Profit for the year		-	-	-	-	-	-	294,143	294,143
Total recognised income and expense 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 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	

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21. Capital and reserves (continued)**Reconciliation of movement in capital and reserves (continued)**

BANK	Note	← Non Distributable Reserves				→	Distributable Reserves		Total RM'000
		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	
At 1 January 2008		125,000	375,000	125,000	190	(1,102)	4,571	1,123,636	1,752,295
Unrealised net gain on revaluation of securities available-for-sale		-	-	-	-	29,616	-	-	29,616
Realised gain from disposal of securities available-for-sale transferred to income statements		-	-	-	-	(18,145)	-	-	(18,145)
Unrealised loss on cash flow hedge		-	-	-	-	-	(20,759)	-	(20,759)
Realised loss on cash flow hedge transferred to income statements		-	-	-	-	-	10,385	-	10,385
Actuarial gain from defined benefit plan recognised during the year		-	-	-	-	-	-	242	242
Net gains/(losses) recognised directly in equity		-	-	-	-	11,471	(10,374)	242	1,339
Profit for the year		-	-	-	-	-	-	709,110	709,110
Total recognised income and expense for the year		-	-	-	-	11,471	(10,374)	709,352	710,449
Dividends (ordinary shares):-									
- 2007 final	22	-	-	-	-	-	-	(310,800)	(310,800)
- 2007 special	22	-	-	-	-	-	-	(70,000)	(70,000)
At 31 December 2008		125,000	375,000	125,000	190	10,369	(5,803)	1,452,188	2,081,944
		Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	

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21. Capital and reserves (continued)**Reconciliation of movement in capital and reserves (continued)**

BANK	Note	← Non Distributable Reserves →				→	Distributable Reserves	Total RM'000	
		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
At 1 January 2009		125,000	375,000	125,000	190	10,369	(5,803)	1,452,188	2,081,944
Unrealised net gain on revaluation of securities available-for-sale		-	-	-	-	11,488	-	-	11,488
Realised gain from disposal of securities available-for-sale transferred to income statements		-	-	-	-	(14,989)	-	-	(14,989)
Unrealised loss on cash flow hedge		-	-	-	-	-	(1,271)	-	(1,271)
Realised gain on cash flow hedge transferred to income statements		-	-	-	-	-	(1,595)	-	(1,595)
Net losses recognised directly in equity		-	-	-	-	(3,501)	(2,866)	-	(6,367)
Profit for the year		-	-	-	-	-	-	282,537	282,537
Total recognised income and expense 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 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	

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22. Dividends

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

	Group and Bank	
	2009	2008
	RM'000	RM'000
Ordinary:-		
Final paid:-		
80 sen per share less tax in respect of year ended 2008 (2007 - 336 sen per share less tax)	75,000	310,800
Special dividend paid:-		
Nil (2007 - 76 sen per share less tax)	-	70,000
	<u>75,000</u>	<u>380,800</u>

The Directors do not recommend any dividend to be paid for the current financial year.

23. Interest income

	Group		Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	858,352	1,106,681	858,352	1,106,681
- Recoveries from NPLs	51,898	63,472	51,898	63,472
Money at call and deposit placements with banks and other financial institutions	187,497	456,005	212,994	460,598
Securities held for trading	78,772	34,835	78,772	34,835
Securities available-for-sale	140,319	50,445	140,319	50,445
	<u>1,316,838</u>	<u>1,711,438</u>	<u>1,342,335</u>	<u>1,716,031</u>
Amortisation of premium less accretion of discount	9,685	59,644	9,685	59,644
Interest suspended	(27,579)	(27,451)	(27,579)	(27,451)
Total interest income	<u>1,298,944</u>	<u>1,743,631</u>	<u>1,324,441</u>	<u>1,748,224</u>

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24. Interest expense

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits and placements of banks and other financial institutions	53,418	138,707	53,418	138,707
Deposits from customers	511,748	736,974	511,748	741,565
Loans sold to Cagamas	6,620	9,241	6,620	9,241
Subordinated debts	48,016	26,020	48,016	26,020
	<u>619,802</u>	<u>910,942</u>	<u>619,802</u>	<u>915,533</u>

25. Net income from Islamic Banking operations

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income derived from investment of depositors' funds and others	85,998	136,057	-	110,500
Transfer to profit equalisation reserves	(1,734)	(4,670)	-	(3,660)
Total distributable income	84,264	131,387	-	106,840
Income attributable to depositors	(58,376)	(123,325)	-	(95,955)
Income attributable to the Bank	25,888	8,062	-	10,885
Income derived from investment of Islamic banking capital funds and shareholder's funds	118,129	88,445	-	65,473
Less: Income attributable to investors of subordinated debt	-	(22,289)	-	(22,289)
	<u>144,017</u>	<u>74,218</u>	<u>-</u>	<u>54,069</u>

26. Other operating income

	Group and Bank	
	2009 RM'000	2008 RM'000
Fee income:-		
Commission	137,796	138,040
Service charges and fees	27,170	14,945
Guarantee fees	28,295	23,670
	<u>193,261</u>	<u>176,655</u>
(Loss)/Gains from sale of securities and other financial instruments		
- Securities held for trading and other financial instruments	(153,030)	(75,712)
- Securities available-for-sale	24,284	5,394
Unrealised gain on revaluation of securities held-for-trading and other financial instruments	254,297	509,043
Gross dividends from unquoted investments	19,974	2,229
	<u>145,525</u>	<u>440,954</u>
Other income:-		
Foreign exchange currency		
- Gain from dealing in foreign currency	176,548	131,081
- Unrealised gain from foreign exchange translation	31,681	128,217
Rental income	395	544
Gain on disposal of property, plant and equipment	223	285
Others	2,476	28,354
	<u>211,323</u>	<u>288,481</u>
Total other operating income	<u>550,109</u>	<u>906,090</u>

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27. Other operating expenses

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Personnel costs				
- Salaries, bonuses, wages and allowances	206,760	246,024	205,498	245,492
- Pension fund contributions	24,538	25,589	24,538	25,589
- Other staff related cost	42,553	47,860	42,321	47,777
	<u>273,851</u>	<u>319,473</u>	<u>272,357</u>	<u>318,858</u>
Establishment costs				
- Depreciation of property, plant and equipment	23,072	21,309	23,072	21,309
- Amortisation of prepaid lease payments	24	24	24	24
- Rental	21,661	22,806	21,661	22,806
- Information technology and project expenses	98,416	101,643	98,414	101,621
- Others	39,182	35,123	39,110	34,913
	<u>182,355</u>	<u>180,905</u>	<u>182,281</u>	<u>180,673</u>
Marketing expenses				
- Advertisement and publicity	20,219	20,301	19,045	20,301
- Others	11,724	15,052	11,672	15,052
	<u>31,943</u>	<u>35,353</u>	<u>30,717</u>	<u>35,353</u>
Administration and general expenses				
- Communication expenses	13,654	16,173	13,613	16,165
- Group administration and business support expenses	92,462	95,368	88,746	94,948
- Outsourcing expenses	46,464	30,324	46,464	30,324
- Others	73,803	44,411	20,875	35,512
	<u>226,383</u>	<u>186,276</u>	<u>169,698</u>	<u>176,949</u>
Total other operating expenses	<u>714,532</u>	<u>722,007</u>	<u>655,053</u>	<u>711,833</u>

The above expenditure includes the following statutory disclosures:-

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors' remuneration, excluding benefits-in-kind (Note 28):-				
- Directors of the Bank	2,574	2,783	2,531	2,783
- Directors of the subsidiaries	744	222	787	222
Share-based payments	8,261	5,753	8,261	5,753
Defined benefit obligations cost (Note 34)	1,476	1,488	1,476	1,488
Contributions to defined contribution plan (included in personnel costs)	23,062	24,101	23,062	24,101
Hire of equipment	1,742	727	1,742	727
Auditor's remuneration:-				
- Statutory audit	475	465	425	412
- Other services	244	149	244	149
Property, plant and equipment:-				
- Depreciation	23,072	21,309	23,072	21,309
Rental of premises	23,008	23,514	23,008	23,514
Amortisation on prepaid lease payments	24	24	24	24
Mutual separation scheme	10,900	22,682	10,900	22,682

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28. Key management personnel compensation

The key management personnel compensation are as follows:-

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors of the Bank:-				
- Fees	372	367	352	367
- Remuneration	2,202	2,416	2,179	2,416
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	713	805	713	805
Total short-term employee benefits *	<u>3,287</u>	<u>3,588</u>	<u>3,244</u>	<u>3,588</u>
Directors of the subsidiaries:-				
- Fees	-	-	20	-
- Remuneration	744	222	767	222
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	90	20	90	20
Total short-term employee benefits	<u>834</u>	<u>242</u>	<u>877</u>	<u>242</u>
- Share-based payments	131	112	131	112
	<u>965</u>	<u>354</u>	<u>1,008</u>	<u>354</u>
	<u>4,252</u>	<u>3,942</u>	<u>4,252</u>	<u>3,942</u>
Other key management personnel:-				
- Short-term employee benefits	9,995	9,141	9,995	9,141
- Share-based payments	132	299	132	299
	<u>10,127</u>	<u>9,440</u>	<u>10,127</u>	<u>9,440</u>

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

* Aggregate remuneration of all Directors of the Bank during the year are as follows:-

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Executive Directors and Chief Executive Officers:-				
Salary and other remuneration, including meeting allowance	1,025	1,698	1,025	1,698
Bonuses	1,094	652	1,094	652
Benefits-in-kind	713	805	713	805
	<u>2,832</u>	<u>3,155</u>	<u>2,832</u>	<u>3,155</u>
Non-executive Directors:-				
Fees	372	367	352	367
Other allowances	83	66	60	66
	<u>455</u>	<u>433</u>	<u>412</u>	<u>433</u>

Number of Directors of the Group and the Bank whose remuneration for the financial year fall in the following bands are as follows:-

	Group		Bank	
	2009	2008	2009	2008
Executive Directors and Chief Executive Officers:-				
RM 2,300,001 to RM 2,350,000	-	1	-	1
RM 1,900,001 to RM 1,950,000	1	-	1	-
RM 150,001 to RM 200,000	1	-	1	-

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28. Key management personnel compensation (continued)

	Group		Bank	
	2009	2008	2009	2008
Non-executive Directors:-				
RM 150,001 to RM 200,000	1	-	1	-
RM 100,001 to RM 150,000	-	1	-	1
RM 50,001 to RM 100,000	2	3	2	3
Not exceeding RM 50,000	2	-	2	-

29. Allowance for bad and doubtful debts and financing

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Allowance for bad and doubtful debts on loans, advances and financing:-				
Specific allowance (net)	208,538	96,683	169,818	91,713
- Made in the financial year	254,948	128,426	215,958	123,384
- Discounting of collaterals	62,472	73,304	62,472	73,304
- Written back	(108,882)	(105,047)	(108,612)	(104,975)
General allowance				
- Made in the financial year	37,560	14,850	34,700	14,000
Bad and doubtful debts on loans, advances and financing:-				
Written off	72,644	71,015	72,644	71,015
Recovered	(59,873)	(53,620)	(59,873)	(53,589)
	<u>258,869</u>	<u>128,928</u>	<u>217,289</u>	<u>123,139</u>

30. Credit exposure to connected parties

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Aggregate value of outstanding credit exposures to connected parties	1,352,593	2,211,181	1,358,747	2,247,188
As a percentage of total credit exposures	3.0%	5.7%	3.2%	6.0%
Aggregate value of outstanding credit exposures to connected parties which is non-performing or in default	-	100	-	100
As a percentage of total credit exposures	0.0%	0.0%	0.0%	0.0%

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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 12.

(ii) Fellow subsidiaries of Standard Chartered PLC

Entities which are related by virtue of having Standard Chartered PLC as the ultimate holding company.

(iii) Key management personnel

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

(iv) Companies under control or significant influence of key management personnel

These are entities in which certain key management personnel hold key management position or have significant voting power via ownership of shares.

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

(a) Transactions and balances with subsidiaries of the Bank

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Transactions				
Income				
Interest on placements or loans	-	-	25,497	4,592
Management fee	-	-	50,530	7,765
	<u>-</u>	<u>-</u>	<u>76,027</u>	<u>12,357</u>
Balances				
Amount due from subsidiaries				
Inter-company loans	-	-	2,574,956	582,228
Derivatives	-	-	14,771	1,019
Other balances	-	-	153,344	-
	<u>-</u>	<u>-</u>	<u>2,743,071</u>	<u>583,247</u>
Amount due to subsidiaries				
Derivatives	-	-	(12,668)	(7,088)
Other balances	-	-	(51,195)	(684,405)
	<u>-</u>	<u>-</u>	<u>(63,863)</u>	<u>(691,493)</u>

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Transactions				
Income				
Interest on placements or loans	15,650	36,040	15,634	36,040
Interest on deposits	77	12,931	77	12,931
	<u>15,727</u>	<u>48,971</u>	<u>15,711</u>	<u>48,971</u>
Expenditure				
Interest on borrowings	33,061	66,327	33,061	66,327
Interest on deposits	1,127	2,212	1,127	2,212
Other operating expenses	199,237	179,677	192,947	177,888
	<u>233,425</u>	<u>248,216</u>	<u>227,135</u>	<u>246,427</u>
Balances				
Amount due from fellow subsidiaries of Standard Chartered PLC				
Inter-company loans	356,178	342,644	356,176	342,644
Current accounts	473,871	68,813	461,785	63,861
Derivatives	414,509	802,951	414,509	802,951
Other balances	300,256	200,641	300,256	200,641
	<u>1,544,814</u>	<u>1,415,049</u>	<u>1,532,726</u>	<u>1,410,097</u>
Amount due to fellow subsidiaries of Standard Chartered PLC				
Inter-company loans	(1,361,800)	(1,004,254)	(1,361,800)	(1,004,254)
Current accounts	(347,665)	(336,222)	(164,372)	(330,350)
Derivatives	(716,335)	(1,124,950)	(715,473)	(1,122,628)
Amount due in respect of support charges	(41,235)	(247,424)	(37,099)	(247,004)
Other balances	(325,782)	(168,336)	(324,352)	(168,109)
	<u>(2,792,817)</u>	<u>(2,881,186)</u>	<u>(2,603,096)</u>	<u>(2,872,345)</u>

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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

Transactions	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income				
Interest on loans, advances and financing				
- Directors	133	28	133	28
- Other key management personnel	145	72	133	70
- Companies under control or significant influence of key management personnel	7	1,019	7	1,019
	<u>285</u>	<u>1,119</u>	<u>273</u>	<u>1,117</u>
Expenditure				
Interest on deposits				
- Directors	33	620	27	620
- Other key management personnel	24	25	22	25
- Companies under control or significant influence of key management personnel	19	242	19	242
	<u>76</u>	<u>887</u>	<u>68</u>	<u>887</u>
Balances				
Loans, advances and financing				
- Directors	3,162	1,146	3,162	1,146
- Other key management personnel	5,531	3,376	5,330	3,014
- Companies under control or significant influence of key management personnel	-	67,911	-	67,911
Deposits				
- Directors	(2,263)	(19,092)	(1,751)	(19,085)
- Other key management personnel	(2,022)	(990)	(1,878)	(986)
- Companies under control or significant influence of key management personnel	(6,410)	-	(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.

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32. Tax expense

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income tax expense:-				
- Current year	102,449	242,298	96,684	240,726
- Under provision in prior years	-	14,595	-	14,595
	<u>102,449</u>	<u>256,893</u>	<u>96,684</u>	<u>255,321</u>
Deferred tax expense (Note 33):-				
- Origination/reversal of temporary differences	(6,356)	1,386	(6,446)	1,851
- Over provision in prior years	9,631	(14,595)	9,631	(14,595)
- Reversal of deferred tax arising from transfer of Islamic Banking business to Saadiq	-	-	-	6,191
	<u>3,275</u>	<u>(13,209)</u>	<u>3,185</u>	<u>(6,553)</u>
Total tax expense	<u>105,724</u>	<u>243,684</u>	<u>99,869</u>	<u>248,768</u>
Reconciliation of effective tax expense:-				
Profit before taxation	<u>399,867</u>	<u>962,062</u>	<u>382,406</u>	<u>957,878</u>
Income tax using Malaysian tax rates @ 25% (2008: 26%)	99,967	250,137	95,602	249,048
Non-deductible expenses	3,070	1,044	1,580	1,044
Non-taxable income	(6,944)	(7,442)	(6,944)	(7,442)
Transfer of Islamic Banking business to Saadiq	-	-	-	6,191
Effects of changes in tax rate	-	(55)	-	(73)
	<u>96,093</u>	<u>243,684</u>	<u>90,238</u>	<u>248,768</u>
Under/(over) provision in prior years				
- Income tax	-	14,595	-	14,595
- Deferred tax	9,631	(14,595)	9,631	(14,595)
Total tax expense	<u>105,724</u>	<u>243,684</u>	<u>99,869</u>	<u>248,768</u>
Tax recognised directly in equity:-				
AFS reserves	676	(3,507)	1,166	(3,808)
Cash flow hedge reserves	956	3,458	956	3,458
Actuarial gains or losses	-	(81)	-	(81)
Total tax recognised directly in equity (Note 33)	<u>1,632</u>	<u>(130)</u>	<u>2,122</u>	<u>(431)</u>

The Finance Act 2007 announced the reduction of corporate tax rate to 26% with effect from year of assessment 2008 and to 25% with effect from year of assessment 2009 respectively. Consequently, deferred tax assets and liabilities are measured using these tax rates.

33. Deferred tax

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Property, plant and equipment	(908)	(148)	(908)	(148)
General allowance for bad and doubtful debts and financing	88,153	80,001	82,273	73,598
Other temporary differences	13,314	23,981	12,628	23,728
Actuarial gains or losses	(309)	(309)	(309)	(309)
Reserves				
- Available-for-sale	(2,479)	(3,155)	(2,290)	(3,456)
- Cash flow hedge	2,890	1,934	2,890	1,934
	<u>100,661</u>	<u>102,304</u>	<u>94,284</u>	<u>95,347</u>

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33. Deferred tax (continued)

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

	At 1 January 2008 RM'000	Recognised in income statement RM'000	Recognised in equity RM'000	At 31 December 2008 RM'000	Recognised in income statement RM'000	Recognised in equity RM'000	At 31 December 2009 RM'000
Group							
Property, plant and equipment	(1,242)	1,094	-	(148)	(760)	-	(908)
General allowance for bad and doubtful debts and financing	75,105	4,896	-	80,001	8,152	-	88,153
Other temporary differences	16,762	7,219	-	23,981	(10,667)	-	13,314
Actuarial gains or losses	(228)	-	(81)	(309)	-	-	(309)
Reserves							
- Available-for-sale	352	-	(3,507)	(3,155)	-	676	(2,479)
- Cash flow hedge	(1,524)	-	3,458	1,934	-	956	2,890
	<u>89,225</u>	<u>13,209</u>	<u>(130)</u>	<u>102,304</u>	<u>(3,275)</u>	<u>1,632</u>	<u>100,661</u>
		Note 32	Note 32		Note 32	Note 32	

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33. Deferred tax (continued)

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

	At 1 January 2008 RM'000	Recognised in income statement RM'000	Recognised in equity RM'000	At 31 December 2008 RM'000	Recognised in income statement RM'000	Recognised in equity RM'000	At 31 December 2009 RM'000
Bank							
Property, plant and equipment	(1,242)	1,094	-	(148)	(760)	-	(908)
General allowance for bad and doubtful debts and financing	75,105	(1,507)	-	73,598	8,675	-	82,273
Other temporary differences	16,762	6,966	-	23,728	(11,100)	-	12,628
Actuarial gains or losses	(228)	-	(81)	(309)	-	-	(309)
Reserves							
- Available-for-sale	352	-	(3,808)	(3,456)	-	1,166	(2,290)
- Cash flow hedge	(1,524)	-	3,458	1,934	-	956	2,890
	<u>89,225</u>	<u>6,553</u>	<u>(431)</u>	<u>95,347</u>	<u>(3,185)</u>	<u>2,122</u>	<u>94,284</u>
		Note 32	Note 32		Note 32	Note 32	

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34. Staff retirement and service benefits**Funded scheme**

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	
	2009	2008
	RM'000	RM'000
Amounts of net liabilities recognised in the balance sheet		
Present value of defined benefit obligations		
- funded	2,286	2,675
- unfunded	2,797	2,773
	<u>5,083</u>	<u>5,448</u>
Fair value of plan assets	(2,112)	(2,076)
Recognised liability for defined benefit obligations (Note 16)	<u>2,971</u>	<u>3,372</u>
Movement in present value of defined benefit obligations		
Benefit obligation at 1 January	5,448	6,503
Current service cost	1,401	1,343
Interest cost	184	245
Actuarial gain recognised in equity	-	(398)
Benefits paid	(1,950)	(2,245)
Benefit obligation at 31 December	<u>5,083</u>	<u>5,448</u>
Movement in present value of plan assets		
Fair value at 1 January	2,076	1,963
Expected return on plan assets	109	100
Actuarial gain recognised in equity	-	(75)
Employer contributions	80	88
Benefits paid	(153)	-
Fair value at 31 December	<u>2,112</u>	<u>2,076</u>

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34. Staff retirement and service benefits (continued)

	Group and Bank	
	2009	2008
	RM'000	RM'000
Components of pension cost		
Amount recognised in income statement		
Current service cost	1,401	1,343
Interest cost	184	245
Expected return on plan assets	(109)	(100)
Total pension cost recognised in income statement (Note 27)	1,476	1,488
Actual return on assets		
Actual return on plan assets	109	25
	2009	2008
	RM'000	RM'000
Actuarial gains and losses recognised directly in equity		
Cumulative amount at 1 January	1,235	913
Recognised during the year	-	322
Cumulative amount at 31 December	1,235	1,235

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

	2009	2008
	Rate per annum (%)	Rate per annum (%)
Discount rate	4%	4%
Expected long-term rate of return on plan assets	5%	5%
Expected rate of future salary increases	5%	5%
EPF dividend rate	5%	5%

	Funded Scheme	
	2009	2008
	RM'000	RM'000
Plan assets comprise:-		
Malaysian Government Securities	750	727
Short Term Money Market Instruments and Cash	1,362	1,349
Total fair value of assets	2,112	2,076

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**

	2009	2008	2007	2006	2005
	RM '000	RM '000	RM '000	RM '000	RM '000
Present value of the defined benefit obligation	5,083	5,448	6,503	7,044	5,125
Fair value of plan assets	(2,112)	(2,076)	(1,963)	(1,542)	(1,883)
Deficit in the plan	<u>2,971</u>	<u>3,372</u>	<u>4,540</u>	<u>5,502</u>	<u>3,242</u>
Experience adjustments arising on plan liabilities	-	(398)	(652)	-	-
Experience adjustments arising on plan assets	-	(75)	261	-	-

The Group expects to pay RM 2 million in contributions to defined benefit plans in 2010.

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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 option 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:-

	2009	2008
Grant date	9 October	3 October
Share price at grant date	£15.57	£11.62
Exercise price	£11.46	£11.08
Shares granted ('000)	133	98
Vesting period (years)	3/5	3/5
Expected volatility (%)	53/44	23/31
Expected option life (years)	3.33/5.33	3.33/5.33
Risk free rate (%)	1.8/2.5	5
Expected dividends (yield) (%)	3.3/3.17	2.9/3.3
Fair value (£)	6.4/6.2	4.4/4.9

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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:-

	2009	Weighted average exercise price	2008	Weighted average exercise price
	<u>Number ('000)</u>		<u>Number ('000)</u>	
At 1 January	415	£10.05	387	£11.26
Granted during the year	133	£11.46	98	£11.62
Additional shares for rights issue	-	-	52	-
Exercised during the year	(105)	£9.65	(11)	£7.64
Lapsed during the year	(69)	£10.27	(111)	£11.24
At 31 December	<u>374</u>	£10.80	<u>415</u>	£10.05
Exercisable at 31 December	<u>6</u>	£6.98	<u>52</u>	£9.80
	2009		2008	
	Weighted average remaining life		Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Weighted average exercise price	No. of shares ('000)
£6.50 / £11.46	£10.80	374	£10.05	415
£9.87 / £11.62		3.33/5.33	£10.05	415
		2.4		3.33/5.33
				2.9

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35. Equity Compensation Benefits (continued)

ii) Restricted Share Scheme

The 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. Except upon appointment when an executive director may be granted an award of restricted shares, the Restricted Share Scheme is not applicable to executive directors, as it has no performance conditions attached to it. Fifty per cent 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.

	2009	← 2008 →	
Grant date	11 March	16 September	11 March
Share price at grant date	£8.10	£13.86	£16.26
Shares granted ('000)	106	21	7
Vesting period (years)	2/3	2/3	2/3
Expected option life (years)	7	7	7
Expected dividends (yield) (%)	3.7	2.9	2.8
Fair value (£)	<u>7.39</u>	<u>12.81</u>	<u>15.33</u>

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 (continued)**

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

	2009		Weighted average exercise price	2008		Weighted average exercise price		
	<u>Number ('000)</u>			<u>Number ('000)</u>				
At 1 January	128		-	120		-		
Granted during the year	106		-	28		-		
Additional shares for rights issue	-		-	17		-		
Exercised during the year	(28)		-	(33)		-		
Lapsed during the year	(1)		-	(4)		-		
At 31 December	<u>205</u>		-	<u>128</u>		-		
Exercisable at 31 December	<u>49</u>		-	<u>47</u>		-		
	2009			2008				
	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	-	205	-	5.2	-	128	-	4.94

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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 option 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:-

	2009		2008	
	<u>Number ('000)</u>	Weighted average exercise price	<u>Number ('000)</u>	Weighted average exercise price
At 1 January	205	£7.59	183	£8.63
Additional shares for rights issue	-	-	26	-
Exercised during the year	-	-	(4)	£6.90
At 31 December	<u>205</u>	£7.59	<u>205</u>	£7.59
Exercisable at 31 December	<u>205</u>	£7.59	<u>205</u>	£7.59
	2009		2008	
	Weighted average remaining life		Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Weighted average exercise price	No. of shares ('000)
	Expected years	Contractual years	Expected years	Contractual years
£6.04 / £8.19	£7.59	205	5	2.1
			£7.59	205
			5	4.0

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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 option 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.

	2009	2008
Grant date	11 March	11 March
Share price at grant date	£8.10	£16.26
Shares granted ('000)	22	24
Vesting period (years)	3	3
Expected option life (years)	10	10
Expected dividends (yield) (%)	3.4	2.8
Fair value (EPS) (£)	3.72	7.53
Fair value (TSR) (£)	<u>1.46</u>	<u>7.28</u>

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 per cent 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 per cent 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:-

	2009		Weighted average exercise price	2008		Weighted average exercise price
	<u>Number ('000)</u>			<u>Number ('000)</u>		
At 1 January	127	-	-	87	-	-
Additional shares for rights issue	-	-	-	16	-	-
Granted during the year	22	-	-	24	-	-
Exercised during the year	(8)	-	-	-	-	-
At 31 December	<u>141</u>	-	-	<u>127</u>	-	-
Exercisable at 31 December	<u>65</u>	-	-	<u>46</u>	-	-
	2009			2008		
	Weighted average remaining life			Weighted average remaining life		
	Weighted average exercise price	No. of shares (<u>'000</u>)	Contractual years	Weighted average exercise price	No. of shares (<u>'000</u>)	Contractual years
Range of exercise price for options outstanding	-	141	-	-	127	8.1
N/A	-	141	-	-	127	8.1

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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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Net profit attributable to ordinary shareholder	<u>294,143</u>	<u>718,378</u>	<u>282,537</u>	<u>709,110</u>
	Group		Bank	
	2009 Number ('000)	2008 Number ('000)	2009 Number ('000)	2008 Number ('000)
Number of ordinary shares outstanding	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>
Basic earnings per ordinary shares (sen)	<u>235</u>	<u>575</u>	<u>226</u>	<u>567</u>

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37. Commitments and contingencies

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

The commitments and contingencies are as follows:-

Group	As at 31 December 2009			As at 31 December 2008		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000
Direct credit substitutes	1,391,319	1,391,319	1,073,254	939,093	939,093	801,697
Transaction-related contingent items	3,375,057	1,687,529	1,588,568	2,947,907	1,473,954	1,325,170
Short-term self liquidating trade-related contingencies	187,256	37,451	35,886	111,852	22,370	21,542
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	12,007,178	-	-	9,376,773	-	-
- maturity exceeding one year	4,315,234	2,157,617	1,348,447	2,590,767	1,295,384	801,654
Foreign exchange related contracts:-						
- less than one year	31,814,682	696,810	205,346	48,090,999	1,148,429	376,314
- one year to less than five years	9,978,585	885,488	249,265	16,132,696	1,110,193	359,055
- five years and above	4,853,126	712,878	164,879	5,494,202	1,098,023	232,465
Interest rate related contracts						
- less than one year	26,198,589	171,045	35,817	45,503,529	173,784	34,983
- one year to less than five years	47,997,956	1,491,016	361,692	58,559,749	1,985,350	470,080
- five years and above	8,228,711	791,844	213,728	8,559,229	1,081,285	288,121
Miscellaneous commitments and contingencies	9,853,317	-	-	3,381,316	-	-
	<u>160,201,010</u>	<u>10,022,997</u>	<u>5,276,882</u>	<u>201,688,112</u>	<u>10,327,865</u>	<u>4,711,081</u>

* The credit equivalent amount and the risk weighted amount are arrived at using the credit conversion factor and risk weights respectively, as per Bank Negara Malaysia guidelines.

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

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37. Commitments and contingencies (continued)

	As at 31 December 2009			As at 31 December 2008		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000
Bank						
Direct credit substitutes	1,355,116	1,355,116	1,037,938	919,474	919,474	782,078
Transaction-related contingent items	3,357,216	1,678,608	1,581,064	2,943,400	1,471,700	1,323,544
Short-term self liquidating trade-related contingencies	133,153	26,631	24,997	105,785	21,157	20,832
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	11,289,837	-	-	9,197,474	-	-
- maturity exceeding one year	4,262,887	2,131,444	1,327,437	2,554,831	1,277,416	789,010
Foreign exchange related contracts:-						
- less than one year	32,160,314	705,814	206,926	48,090,999	1,148,488	376,327
- one year to less than five years	9,918,775	880,441	247,373	16,072,971	1,103,036	356,205
- five years and above	4,853,126	712,878	164,879	5,494,202	1,098,023	232,465
Interest rate related contracts						
- less than one year	26,198,589	171,045	35,817	45,503,529	173,784	34,983
- one year to less than five years	47,997,956	1,491,016	361,692	58,559,749	1,989,625	470,424
- five years and above	8,228,711	791,844	203,398	8,559,229	1,078,731	288,121
Miscellaneous commitments and contingencies	9,853,317	-	-	3,381,316	-	-
	<u>159,608,997</u>	<u>9,944,837</u>	<u>5,191,521</u>	<u>201,382,959</u>	<u>10,281,434</u>	<u>4,673,989</u>

* The credit equivalent amount and the risk weighted amount are arrived at using the credit conversion factor and risk weights respectively, as per Bank Negara Malaysia guidelines.

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

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37. Commitments and contingencies (continued)**Market Risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2009, the amount of contracts which were not hedged and hence, exposed to market risk was RM 1,260 million (2008 - RM 1,905 million) for the Group and the Bank.

Credit Risk

Credit risk arises from the possibility that a counterparty (excluding related party) may be unable to meet the terms of a contract in which the Bank has a gain position. As at end of 31 December 2009, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM 1,593 million (2008 - RM 2,630 million) and RM 1,581 million (2008 - RM 2,626 million) for the Group and the Bank respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Details of the Group and the Bank's foreign exchange related contracts and interest rate related contracts as at 31 December are as follows:-

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Foreign exchange contracts				
- forward and futures contracts	26,203,278	28,063,817	26,548,910	28,063,817
- cross-currency interest rate swaps	17,049,090	17,517,871	16,989,280	17,458,146
- options purchased	1,886,634	11,646,810	1,886,634	11,646,810
- options written	1,507,391	12,489,399	1,507,391	12,489,399
	<u>46,646,393</u>	<u>69,717,897</u>	<u>46,932,215</u>	<u>69,658,172</u>
Interest rate contracts				
- forward and future contracts	13,380,000	19,706,247	13,380,000	19,706,247
- swaps	66,292,408	89,296,586	66,292,408	89,296,586
- options purchased	1,474,582	2,188,605	1,627,471	2,188,605
- options written	1,278,266	1,431,069	1,125,377	1,431,069
	<u>82,425,256</u>	<u>112,622,507</u>	<u>82,425,256</u>	<u>112,622,507</u>

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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 a direct or indirect loss being incurred due to an event or action arising from the failure of technology, processes, infrastructure, personnel and other risks having operational risk impact.

The Country Operational Risk Group ("CORG") has been established to ensure that an appropriate risk management framework is in place and to monitor and manage operational, social, ethical and environmental risk. The CORG is chaired by the Country Chief Executive Officer.

Business units within the Bank monitor their operational risks using set standards and indicators. Significant issues and exceptions are reported to the CORG. Disaster recovery procedures, business contingency planning, self-compliance audits and internal audits also form an integral part of the operational risk management process.

(b) **Credit risk**

Credit risk is the risk that a counter party will not settle its obligations in accordance with agreed terms. Credit exposures may arise from lending, trade finance, securities and derivative exposures.

Policies for managing credit risk are determined by the Group Risk Committee which also delegates credit authorities to independent Risk Officers. Specific procedures for managing credit risk are determined at the business levels with specific policies and procedures being adapted to different risk environment and business goals. Credit analysis includes review of facility details, credit grade determination and financial spreading/ratio analysis. Origination and approval roles are clearly segregated. Significant exposures and specific local credit underwriting standards are reviewed and approved through the Malaysia's Credit Risk and Policy Committee.

(c) **Market risk**

The Bank recognises market risk as the exposures created by potential changes in market prices and rates. Market risk exposures arise primarily from interest rate and foreign exchange related contracts. The Bank has no significant exposure to equity and commodity price risk.

Market risk is managed through the Group Risk Committee, which agrees policies and procedures and levels of risk appetite in terms of Value at Risk ("VaR"). Limits are then proposed by the business within the terms of agreed policy. These are agreed and monitored by Group Risk and an independent risk management function within the business. Policies cover both the trading and non-trading books.

In addition to market risk policies, VaR and limits, independent stress testing of portfolios, factor sensitivity measures and derivatives are also employed as additional risk management tools to manage and hedge market risk exposures. Risk models are periodically back tested against actual results to ensure pre-determined levels of accuracy are maintained.

(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.

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38. Risk management policies (continued)

(d) **Liquidity risk (continued)**

Liquidity risk is managed through the Asset and Liability Committee ("ALCO"). This committee, chaired by the Country Chief Executive Officer, is responsible for both statutory and prudential liquidity.

Liquidity risk is monitored through the Bank Negara Malaysia'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.

(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 Group policies, local policies and regulatory requirements in the country 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.

39. Interest rate risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following table indicates the effective interest rates on classes of financial assets and financial liabilities, and the periods of repricing or maturity, whichever is earlier.

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39. Interest rate risk (continued)

Group As at 31 December 2009	← Non Trading books →									Trading books RM'000	Total RM'000	Effective interest rate (%)
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000			
Assets												
Cash and short term funds	8,717,467	-	-	-	-	-	-	-	153,483	-	8,870,950	2.00
Deposits and placements with banks and other financial institutions	-	950,000	-	-	-	-	-	-	-	-	950,000	2.13
Securities purchased under resale agreements	14,199	-	-	-	-	-	-	-	-	-	14,199	1.60
Securities held for trading	-	-	-	-	-	-	-	-	-	1,930,498	1,930,498	2.93
Securities available-for-sale	803,744	2,067,502	447,412	1,141,427	964,211	40,050	5,031	243	36,333	-	5,505,953	2.38
Loans, advances and financing												
- Performing	16,350,381	2,207,812	2,535,811	228,766	357,126	307,724	498,818	390,209	1,410	-	22,878,057	5.04
- Non performing	-	-	-	-	-	-	-	-	179,210	-	179,210	
Other balances	-	-	-	-	-	-	-	-	557,749	1,866,349	2,424,098	
Total assets	25,885,791	5,225,314	2,983,223	1,370,193	1,321,337	347,774	503,849	390,452	928,185	3,796,847	42,752,965	
Liabilities and shareholder's equity												
Deposits from customers	17,579,804	2,634,365	4,801,196	225,910	25,874	73,898	586,611	386,192	6,606,375	-	32,920,225	1.64
Deposits and placements of banks and other financial institutions	2,817,626	93,260	685,594	-	-	-	7,270	-	-	-	3,603,750	2.55
Bills and acceptances payable	11,388	-	-	-	-	-	-	-	-	-	11,388	2.60
Recourse obligations on loans sold to Cagamas	-	7,486	51,722	79,225	-	-	-	-	-	-	138,433	4.48
Subordinated debts	-	-	-	380,000	511,208	-	-	-	-	-	891,208	5.44
Other balances	-	-	-	-	-	-	-	-	1,164,112	1,719,290	2,883,402	
Total liabilities	20,408,818	2,735,111	5,538,512	685,135	537,082	73,898	593,881	386,192	7,770,487	1,719,290	40,448,406	
Shareholder's equity	-	-	-	-	-	-	-	-	2,304,559	-	2,304,559	
Total liabilities and shareholder's equity	20,408,818	2,735,111	5,538,512	685,135	537,082	73,898	593,881	386,192	10,075,046	1,719,290	42,752,965	
On-balance sheet interest sensitivity	5,476,973	2,490,203	(2,555,289)	685,058	784,255	273,876	(90,032)	4,260	(9,146,861)	2,077,557		
Off-balance sheet interest sensitivity	(2,097,762)	(1,779,420)	4,010,059	(746,770)	63,180	59,884	(16,612)	(647,534)	-	-		
Total interest sensitivity gap	3,379,211	710,783	1,454,770	(61,712)	847,435	333,760	(106,644)	(643,274)	(9,146,861)	2,077,557		

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39. Interest rate risk (continued)

Group As at 31 December 2008	← Non Trading books →								Non interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate (%)
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Over 5 years RM'000				
Assets												
Cash and short term funds	3,958,447	-	-	-	-	-	-	-	165,805	-	4,124,252	3.00
Deposits and placements with banks and other financial institutions	-	985,270	-	-	-	-	-	-	-	-	985,270	3.31
Securities purchased under resale agreements	3,495,149	-	-	-	-	-	-	-	-	-	3,495,149	2.95
Securities held for trading	-	-	-	-	-	-	-	-	-	3,676,856	3,676,856	3.70
Securities available-for-sale	1,314,523	1,892,804	1,245,773	129,716	1,998,782	213	74,880	243	47,347	-	6,704,281	3.23
Loans, advances and financing												
- Performing	14,847,866	1,894,467	2,241,870	187,030	198,669	138,043	342,042	364,238	16,477	-	20,230,702	6.18
- Non performing	-	-	-	-	-	-	-	-	348,578	-	348,578	
Other balances	-	-	-	-	-	-	-	-	1,229,197	3,261,233	4,490,430	
Total assets	23,615,985	4,772,541	3,487,643	316,746	2,197,451	138,256	416,922	364,481	1,807,404	6,938,089	44,055,518	
Liabilities and shareholder's equity												
Deposits from customers	17,392,077	3,683,622	4,757,904	497,382	478,671	19,862	234,877	379,015	5,566,663	-	33,010,073	2.30
Deposits and placements of banks and other financial institutions	2,981,915	20,823	271,497	11,652	-	-	7,010	-	-	-	3,292,897	2.70
Bills and acceptances payable	135,181	-	-	-	-	-	-	-	-	-	135,181	3.89
Recourse obligations on loans sold to Cagamas	-	11,002	-	64,693	86,203	-	-	-	-	-	161,898	4.47
Subordinated debts	-	-	-	-	380,000	520,058	-	-	-	-	900,058	5.43
Redeemable preference shares	-	-	-	-	-	-	-	-	-	-	-	
Other balances	-	-	-	-	-	-	-	-	1,553,961	2,911,142	4,465,103	
Total liabilities	20,509,173	3,715,447	5,029,401	573,727	944,874	539,920	241,887	379,015	7,120,624	2,911,142	41,965,210	
Shareholder's equity	-	-	-	-	-	-	-	-	2,090,308	-	2,090,308	
Total liabilities and shareholder's equity	20,509,173	3,715,447	5,029,401	573,727	944,874	539,920	241,887	379,015	9,210,932	2,911,142	44,055,518	
On-balance sheet interest sensitivity	3,106,812	1,057,094	(1,541,758)	(256,981)	1,252,577	(401,664)	175,035	(14,534)	(7,403,528)	4,026,947		
Off-balance sheet interest sensitivity	(3,120,705)	89,130	(1,100,934)	3,307,698	1,272,391	(370,015)	364,100	(441,665)	-	-		
Total interest sensitivity gap	(13,893)	1,146,224	(2,642,692)	3,050,717	2,524,968	(771,679)	539,135	(456,199)	(7,403,528)	4,026,947		

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39. Interest rate risk (continued)

Bank As at 31 December 2009	← Non Trading books →								Non interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate (%)
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Over 5 years RM'000				
Assets												
Cash and short term funds	7,445,243	-	-	-	-	-	-	-	141,666	-	7,586,909	2.00
Deposits and placements with banks and other financial institutions	-	1,550,000	500,000	-	-	-	-	163,924	-	-	2,213,924	2.00
Securities purchased under resale agreements	14,199	-	-	-	-	-	-	-	-	-	14,199	1.60
Securities held for trading	-	-	-	-	-	-	-	-	-	1,930,498	1,930,498	2.93
Securities available-for-sale	768,752	2,042,430	336,719	1,136,395	959,165	40,050	-	243	36,333	-	5,320,087	2.36
Loans, advances and financing												
- Performing	15,872,667	2,116,614	2,289,856	120,661	200,874	79,658	138,152	160,989	-	-	20,979,471	4.71
- Non performing	-	-	-	-	-	-	-	-	166,526	-	166,526	
Other balances	-	-	-	-	-	-	-	-	992,795	1,869,308	2,862,103	
Total assets	24,100,861	5,709,044	3,126,575	1,257,056	1,160,039	119,708	138,152	325,156	1,337,320	3,799,806	41,073,717	
Liabilities and shareholder's equity												
Deposits from customers	16,872,246	2,426,434	4,447,759	143,503	18,686	55,000	586,611	304,074	6,606,375	-	31,460,688	1.53
Deposits and placements of banks and other financial institutions	2,630,382	93,260	685,594	-	-	-	-	-	-	-	3,409,236	2.71
Bills and acceptances payable	11,388	-	-	-	-	-	-	-	-	-	11,388	2.60
Recourse obligations on loans sold to Cagamas	-	7,486	51,722	79,225	-	-	-	-	-	-	138,433	4.48
Subordinated debts	-	-	-	380,000	511,208	-	-	-	-	-	891,208	5.44
Other balances	-	-	-	-	-	-	-	-	1,157,168	1,722,482	2,879,650	
Total liabilities	19,514,016	2,527,180	5,185,075	602,728	529,894	55,000	586,611	304,074	7,763,543	1,722,482	38,790,603	
Shareholder's equity	-	-	-	-	-	-	-	-	2,283,114	-	2,283,114	
Total liabilities and shareholder's equity	19,514,016	2,527,180	5,185,075	602,728	529,894	55,000	586,611	304,074	10,046,657	1,722,482	41,073,717	
On-balance sheet interest sensitivity gap	4,586,845	3,181,864	(2,058,500)	654,328	630,145	64,708	(448,459)	21,082	(8,709,337)	2,077,324		
Off-balance sheet interest sensitivity gap	(2,097,762)	(1,779,420)	4,010,059	(746,770)	63,180	59,884	(16,612)	(647,534)	-	-		
Total interest sensitivity gap	2,489,083	1,402,444	1,951,559	(92,442)	693,325	124,592	(465,071)	(626,452)	(8,709,337)	2,077,324		

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39. Interest rate risk (continued)

Bank As at 31 December 2008	← Non Trading books →								Non interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate (%)
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Over 5 years RM'000				
Assets												
Cash and short term funds	1,759,311	-	-	-	-	-	-	-	159,465	-	1,918,776	2.70
Deposits and placements with banks and other financial institutions	-	785,000	200,000	-	-	-	-	-	-	-	985,000	3.40
Securities purchased under resale agreements	3,495,149	-	-	-	-	-	-	-	-	-	3,495,149	2.95
Securities held for trading	-	-	-	-	-	-	-	-	-	3,676,856	3,676,856	3.70
Securities available-for-sale	1,299,526	1,844,800	1,220,656	15,083	1,993,841	213	40,500	243	47,347	-	6,462,209	3.19
Loans, advances and financing												
- Performing	14,816,679	1,833,114	1,811,991	97,562	64,291	50,920	51,474	145,036	-	-	18,871,067	5.90
- Non performing	-	-	-	-	-	-	-	-	340,173	-	340,173	
Other balances	-	-	-	-	-	-	-	-	1,309,839	3,258,632	4,568,471	
Total assets	21,370,665	4,462,914	3,232,647	112,645	2,058,132	51,133	91,974	145,279	1,856,824	6,935,488	40,317,701	
Liabilities and shareholder's equity												
Deposits from customers	15,128,301	2,283,536	4,441,539	497,331	133,278	12,932	222,890	300,313	5,566,663	-	28,586,783	2.39
Deposits and placements of banks and other financial institutions	2,953,399	20,823	271,497	-	-	-	-	-	-	-	3,245,719	2.72
Bills and acceptances payable	106,239	-	-	-	-	-	-	-	-	-	106,239	3.89
Recourse obligations on loans sold to Cagamas	-	11,002	-	64,693	86,203	-	-	-	-	-	161,898	4.47
Subordinated debts	-	-	-	-	380,000	520,058	-	-	-	-	900,058	5.43
Other balances	-	-	-	-	-	-	-	-	2,326,239	2,908,821	5,235,060	
Total liabilities	18,187,939	2,315,361	4,713,036	562,024	599,481	532,990	222,890	300,313	7,892,902	2,908,821	38,235,757	
Shareholder's equity	-	-	-	-	-	-	-	-	2,081,944	-	2,081,944	
Total liabilities and shareholder's equity	18,187,939	2,315,361	4,713,036	562,024	599,481	532,990	222,890	300,313	9,974,846	2,908,821	40,317,701	
On-balance sheet interest sensitivity gap	3,182,726	2,147,553	(1,480,389)	(449,379)	1,458,651	(481,857)	(130,916)	(155,034)	(8,118,022)	4,026,667		
Off-balance sheet interest sensitivity gap	(3,120,705)	89,130	(1,100,934)	3,307,698	1,272,391	(370,015)	364,100	(441,665)	-	-		
Total interest sensitivity gap	62,021	2,236,683	(2,581,323)	2,858,319	2,731,042	(851,872)	233,184	(596,699)	(8,118,022)	4,026,667		

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40. 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Financial assets				
Cash and short term funds	8,870,950	4,124,252	8,870,950	4,124,252
Deposits and placements with banks and other financial institutions	950,000	985,270	950,000	985,270
Securities purchased under resale agreement	14,199	3,495,149	14,199	3,495,149
Securities held-for-trading	1,930,498	3,676,856	1,930,498	3,676,856
Securities available-for-sale	5,505,953	6,704,281	5,505,953	6,704,281
Loans, advances and financing *	23,410,098	20,894,551	23,088,709	20,587,062
Financial liabilities				
Deposits from customers	32,920,225	33,010,073	32,936,095	33,102,027
Deposits and placements of banks and other financial institutions	3,603,750	3,292,897	3,603,934	3,293,636
Bills and acceptances payable	11,388	135,181	11,388	135,181
Recourse obligations on loans sold to Cagamas	138,433	161,898	139,424	162,885
Subordinated debts	891,208	900,058	875,924	896,646

Note:

Other receivables, other payables and tax payable are considered short term in nature. The fair values are estimated to be approximately their carrying values.

* The general allowance of the Group of RM 352,831,000 (2008 - RM 315,271,000) is not included in the carrying amount.

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

	Carrying value		Bank	
			Fair value	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Financial assets				
Cash and short term funds	7,586,909	1,918,776	7,586,909	1,918,776
Deposits and placements with banks and other financial institutions	2,213,924	985,000	2,189,474	985,000
Securities purchased under resale agreement	14,199	3,495,149	14,199	3,495,149
Securities held-for-trading	1,930,498	3,676,856	1,930,498	3,676,856
Securities available-for-sale	5,320,087	6,462,209	5,320,087	6,462,209
Loans, advances and financing *	21,475,087	19,505,630	21,143,236	19,205,515
Financial liabilities				
Deposits from customers	31,460,688	28,586,783	31,458,581	28,651,818
Deposits and placements of banks and other financial institutions	3,409,236	3,245,719	3,409,236	3,246,168
Bills and acceptances payable	11,388	106,239	11,388	106,239
Recourse obligations on loans sold to Cagamas	138,433	161,898	139,424	162,885
Subordinated debts	891,208	900,058	875,924	896,646

Note:

Other receivables, other payables and tax payable are considered short term in nature. The fair values are estimated to be approximately their carrying values.

* The general allowance of the Bank of RM 329,090,000 (2008 - RM 294,390,000) is not included in the carrying amount.

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40. 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 balance sheet date.

- (ii) Securities held for trading and available-for-sale

The estimated fair value is based on quoted or observable market prices at the balance sheet 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 balance sheet 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 balance sheet date offered for similar loans to new borrowers with similar credit profiles, where applicable. In respect of non-performing loans, the fair values are deemed to approximate the carrying values, net of interest-in-suspense/profit-in-suspense and specific allowance for bad and doubtful debts and financing.

- (iv) Securities purchased under resale agreement

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

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40. 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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet 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.

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

	31 December 2009			31 December 2008		
	Notional principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Notional principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Foreign exchange derivative contracts:-						
- Forward foreign exchange contracts	26,203,278	203,772	157,829	28,063,817	598,171	483,298
- Currency swaps and options	20,443,115	511,430	230,360	41,654,080	1,170,008	522,399
Interest rate derivative contracts:-						
- Swaps	59,933,032	779,771	979,367	86,068,659	1,225,704	1,670,958
- Forward rate agreements and options	2,752,848	29,749	10,107	3,647,921	39,233	6,370
- Exchange traded futures	13,380,000	-	-	19,678,000	-	-
Equity derivative contracts:-						
- Equity swaps and forwards	171,148	4,456	4,456	68,060	1,006	1,006
Commodity derivative contracts:-						
- Forward rate agreements and options	7,872,504	337,171	337,171	2,231,096	227,111	227,111
Total derivatives held for trading	130,755,925	1,866,349	1,719,290	181,411,633	3,261,233	2,911,142

(ii) Derivatives held-for-hedging

	31 December 2009			31 December 2008		
	Notional principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Notional principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Derivatives designated as fair value hedges:-						
- Swaps	2,219,376	152,476	17,451	2,622,927	193,639	20,955
Derivatives designated as cash flow hedges:-						
- Swaps	4,140,000	5,170	1,533	605,000	6,415	-
Total derivatives held-for-hedging	6,359,376	157,646	18,984	3,227,927	200,054	20,955
	137,115,301	2,023,995	1,738,274	184,639,560	3,461,287	2,932,097
		Note 9	Note 16		Note 9	Note 16

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

	31 December 2009			31 December 2008		
	Notional principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Notional principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
	Foreign exchange derivative contracts:-					
- Forward foreign exchange contracts	26,548,910	207,591	161,648	28,063,817	598,170	483,298
- Currency swaps and options	20,383,305	510,569	229,499	41,594,355	1,167,687	520,078
Interest rate derivative contracts:-						
- Swaps	59,933,032	779,772	979,602	86,068,659	1,225,425	1,670,958
- Forward rate agreements and options	2,752,848	29,749	10,106	3,647,921	39,233	6,370
- Exchange traded futures	13,380,000	-	-	19,678,000	-	-
Equity derivative contracts:-						
- Equity swaps and forwards	171,148	4,456	4,456	68,060	1,006	1,006
Commodity derivative contracts:-						
- Forward rate agreements and options	7,872,504	337,171	337,171	2,231,096	227,111	227,111
Total derivatives held for trading	131,041,747	1,869,308	1,722,482	181,351,908	3,258,632	2,908,821

(ii) Derivatives held-for-hedging

	31 December 2009			31 December 2008		
	Notional principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Notional principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
	Derivatives designated as fair value hedges:-					
- Swaps	2,219,376	152,476	17,451	2,622,927	193,639	20,955
Derivatives designated as cash flow hedges:-						
- Swaps	4,140,000	5,170	1,533	605,000	6,415	-
Total derivatives held-for-hedging	6,359,376	157,646	18,984	3,227,927	200,054	20,955
	137,401,123	2,026,954	1,741,466	184,579,835	3,458,686	2,929,776
		Note 9	Note 16		Note 9	Note 16

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40. Fair values of financial assets and liabilities (continued)**Derivative financial instruments (continued)****Methods and assumptions**

Fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) 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.

41. 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	
	2009	2008
	RM'000	RM'000
Less than one year	21,357	20,829
Between one and five years	49,495	44,887
More than five years	20,803	22,971
	<u>91,655</u>	<u>88,687</u>

The leases typically run for an initial period of 2 years to 10 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 between 2010 to 2011. Sublease payments of RM 183,000 (2008: RM 799,000) are expected to be received over the sublease tenure.

42. Capital commitments

	Group and Bank	
	2009	2008
	RM'000	RM'000
Capital expenditure:-		
- authorised and contracted for	678	827
- authorised but not contracted for	3,877	225
	<u>4,555</u>	<u>1,052</u>

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43. Capital adequacy

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 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	1,805,789	1,586,646	1,784,915	1,577,378
Less: Deferred tax assets	(100,559)	(103,834)	(93,993)	(97,178)
Total Tier 1 Capital	<u>2,205,230</u>	<u>1,982,812</u>	<u>2,190,922</u>	<u>1,980,200</u>
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	315,271	329,090	294,390
Total Tier 2 Capital	<u>1,232,831</u>	<u>1,195,271</u>	<u>1,209,090</u>	<u>1,174,390</u>
Total capital	3,438,061	3,178,083	3,400,012	3,154,590
Less : Investment in subsidiaries	-	-	(300,022)	(200,022)
Total Capital Base	<u>3,438,061</u>	<u>3,178,083</u>	<u>3,099,990</u>	<u>2,954,568</u>

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

	Group			
	2009		2008	
	Principal amount RM'000	Risk weight amount RM'000	Principal amount RM'000	Risk weight amount RM'000
0%	12,549,248	-	13,228,567	-
10%	-	-	-	-
20%	9,613,527	1,922,705	8,957,912	1,791,582
50%	11,163,914	5,581,957	12,652,897	6,326,449
100%	14,191,298	14,191,298	12,952,557	12,952,557
	<u>47,517,987</u>	<u>21,695,960</u>	<u>47,791,933</u>	<u>21,070,588</u>
		2009 RM'000		2008 RM'000
Total risk-weighted assets		21,695,960		21,070,588
- credit risk (as above)		1,260,063		1,905,438
- market risk		<u>22,956,023</u>		<u>22,976,026</u>

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43. Capital adequacy (continued)

	Bank			
	2009		2008	
	Principal amount RM'000	Risk weight amount RM'000	Principal amount RM'000	Risk weight amount RM'000
0%	9,931,615	-	10,294,384	-
10%	-	-	-	-
20%	11,286,145	2,257,229	9,217,374	1,843,475
50%	10,969,120	5,484,560	12,540,344	6,270,172
100%	13,182,566	13,182,566	11,737,069	11,737,069
	<u>45,369,446</u>	<u>20,924,355</u>	<u>43,789,171</u>	<u>19,850,716</u>
		2009		2008
		RM'000		RM'000
Total risk-weighted assets				
- credit risk (as above)		20,924,355		19,850,716
- market risk		<u>1,260,063</u>		<u>1,905,438</u>
		<u>22,184,418</u>		<u>21,756,154</u>
Capital Ratios	Group		Bank	
<u>Before proposed dividend:-</u>	2009	2008	2009	2008
Core capital ratio	9.61%	8.63%	9.88%	9.10%
Risk-weighted capital ratio	14.98%	13.83%	13.97%	13.58%
<u>After proposed dividend:-</u>				
Core capital ratio	9.61%	8.30%	9.88%	8.76%
Risk-weighted capital ratio	14.98%	13.51%	13.97%	13.24%

44. 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 terms are as follows:-

	Group and Bank	
	2009 RM'000	2008 RM'000
Balance Sheet - Asset		
Securities and collateral which can be re-pledged or sold (at fair value)	<u>14,199</u>	<u>3,495,149</u>
Balance Sheet - Liabilities		
Recourse obligations on loans sold to Cagamas	138,433	161,898
Collateral on loans sold	<u>167,465</u>	<u>186,348</u>

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.