

Company No. 823437K



Standard Chartered Saadiq Berhad

(Company No. 823437K)
(Incorporated in Malaysia)

**Financial statements for the financial year
ended 31 December 2014**

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Directors' report for the financial year ended 31 December 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Bank for the year ended 31 December 2014.

Principal activities

The Bank is principally engaged in the Islamic banking business and related financial services. There have been no significant changes in the principal activities during the financial year.

Results

	RM'000
Profit before taxation	14,193
Tax expense	(3,940)
Profit for the year	<u>10,253</u>

Dividends

The Directors do not recommend the payment of any dividend in respect of the current financial year under review.

Reserves and provisions

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

Bad and doubtful financing

Before the financial statements 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 financing and the making of provisions for impaired financing, and satisfied themselves that all known bad financing had been written off and adequate provisions made for impaired financing.

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

Current assets

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that the value of any current assets, other than financing, which were unlikely to be realised in the ordinary course of business, as shown in the accounting records 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 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 Bank's financial statements misleading or inappropriate.

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Contingent and other liabilities

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

- (a) any charge on the assets 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 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 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 Bank to meet its 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 Bank, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

The results of the operations 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 Bank for the current financial year in which this report is made.

Business plan and strategy

2014 Results

The Bank registered a pre-tax profit of RM14.19 million, a RM37.38 million decrease against 2013. Income derived from investment of depositors' funds and others increased by 33.68% to RM254.85 million while income derived from investment of shareholder's funds decreased 26% to RM55.48 million, in line with the lower personal financing in 2014. Provision for financing was at RM74.01 million, a 24.02% increase against last year. Higher provision was primarily due to higher collective impairment provision made during the year as a result of parameter refinement in collective impairment provision model. Meanwhile, other operating expenses increased by 11.78% against last year to RM125.93 million.

The Bank's total assets increased by 18.15% to RM9.69 billion contributed by financing growth in retail secured financing, while deposits from customers recorded a 16.33% decrease to RM 3.49 billion in 2014.

The Bank's risk-weighted capital ratio remained strong at 13.76% while Common Equity Tier 1 capital ratio was at very healthy level at 11.44%.

Strategy and Economic Environment

The global economy continues to expand at a moderate pace with some downward revision in forecasts due to weakening economic activity in a number of major economies.

Malaysia's economic growth has been moderating since third quarter through lower global demand but consumer spending remained resilient. The GDP growth for 2014 is expected to be at 6%.

The Malaysian banking system remained resilient with high quality asset, strong capital buffers, sustained profitability and ample liquidity. The OPR was revised upwards by 0.25% in July 2014 and maintained at 3.25% as at the end of the year. BNM acknowledged that the moderating trends will affect the overall growth prospect, but maintained a positive outlook that Malaysian economy will remain on a steady growth path. Inflation is projected to be above its long-term average moving into 2015.

The Bank's Corporate, Institutional and Commercial Clients business continued to build on its competitive platform through introduction of more sophisticated product suites and strategic solutions and through stronger and deeper client relationships while Retail business strategic initiatives towards enhancing customer experience and building infrastructure capability via the digital agenda continued to make good progress.

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Business plan and strategy (continued)

Strategy and Economic Environment (continued)

As the Standard Chartered PLC Group's global business hub for Islamic Retail Banking, the bank continued to drive Islamic Banking business growth.

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

Plan for 2015

At Standard Chartered, we believe that building winning partnerships means building better communities. As a partner to communities in need, Standard Chartered leads by example in Corporate Social Responsibility ("CSR"). Through our Seeing is Believing project in partnership with the Malaysian Medical Association Foundation Eye Fund, we have restored sight to over 1,000 Malaysians suffering from preventable blindness. Through our Living with HIV project in partnership with the Ministry of Health, Malaysian AIDS Council and AIESEC, we have raised awareness of HIV AIDS and safe practices to a wide cross section of the Malaysian society, our staff and our business partners. With the focus of developing a financial literate community, The Bank reached out to over 100,000 students and youth across Malaysia through the Financial Education Programme.

In line with the Standard Chartered PLC Group's refreshed and sharpened strategy, the Bank will continue to focus on sustainable and profitable growth. The Bank's Retail Banking business will focus on growing the high value segment while Commercial Clients segment will focus on increasing the depth of its customer relationships through introduction of more sophisticated product suites and strategic solutions. Meanwhile, the Corporate & Institutional Clients segment key priorities will include focusing on building up flow income across most product lines, while continuing to emphasis on client segment cross-selling.

Statement of Corporate Governance

The Bank is committed to high standards of corporate governance and strives to continually improve the governance processes and structures as articulated in the Principles and Best Practices promulgated in the Malaysian Code on Corporate Governance 2012 (the "Code") as well as in conformity with BNM Revised Guidelines on Corporate Governance for Licensed Islamic Institutions (the "BNM Guidelines") issued by BNM in June 2013. 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 2014.

Board of Directors

Composition of the Board of Directors

The Board of Directors (the "Board") bring a wealth of knowledge, experience and skills in a wide range of business management, audit and accountancy, economics, finance and Islamic banking to the Board. The Board presently has eight (8) members, of which one is the Executive Director, three (3) are Non-Independent Non-Executive Directors and the remaining four (4) are Independent Non-Executive Directors, hence fulfilling the prescribed requirements by BNM for the Board composition to comprise majority Independent Board members.

Members

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman
Osman Tarique Morad - Deputy Chairman
(appointed on 17 February 2015)
Datuk Ishak bin Imam Abas
Datuk Seri Michael Yam Kong Choy
Muhammad Afaq Khan
Adhha' Amir bin Dato' Abdullah (appointed on 28 November 2014)
Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)
Wasim Akhtar Saifi (resigned on 31 October 2014)
Neeraj Swaroop - Deputy Chairman (resigned on 17 February 2015)
Datuk Abu Hassan bin Kendut (resigned on 5 May 2015)

Status of Directorship

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

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Board of Directors (continued)

Composition of the Board of Directors (continued)

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

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

Roles and responsibilities of the Board

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

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

Appointments to the Board

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

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

Board's conduct of its affairs and Board meetings

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

A Syariah Adviser nominated by the Chairperson of the Syariah Advisory Committee together with the Secretary of the Syariah Advisory Committee are permanent invitees to the Board Meetings to advise the Board Members on Syariah related matters. Their views are sought on matters related to Syariah.

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 2014, the Board met six (6) times to deliberate on and consider a variety of significant matters that required its guidance and approval. Relevant management personnel are invited to Board meetings to report and appraise the Board on financials, operations and other developments within their respective purview. Where appropriate, decisions are taken by way of circular resolutions in between scheduled meetings.

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Board of Directors (continued)**Frequency and attendance of each director at Board meetings (continued)**

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

<u>Members</u>	<u>Attendance and Number of Board Meetings</u>
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	6/6
Osman Tarique Morad - Deputy Chairman (appointed on 17 February 2015)	6/6
Datuk Ishak bin Imam Abas	6/6
Datuk Seri Michael Yam Kong Choy	6/6
Muhammad Afaq Khan	6/6
Adhha' Amir bin Dato' Abdullah (appointed on 28 November 2014)	1/1
Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)	-
Wasim Akhtar Saifi (resigned on 31 October 2014)	5/5
Neeraj Swaroop - Deputy Chairman (resigned on 17 February 2015)	5/6
Datuk Abu Hassan bin Kendut (resigned on 5 May 2015)	6/6

Key information and background of Directors

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

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

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim was appointed to the Board as an Independent Non-Executive Director on 12 October 2008. He held various positions in Civil Service since 1963 and was appointed as the Secretary General to the Treasury in the Malaysian Ministry of Finance in 1991. He later took up the position of Managing Director in Khazanah Nasional Berhad in 1994 till 2003. He holds a Bachelor of Arts (Honours) in Economics from the University of Malaya, a Diploma in Economic Development from Oxford University in the UK and a Master of Arts (Economics) from Vanderbilt University in USA.

(b) Datuk Abu Hassan bin Kendut

Datuk Abu Hassan bin Kendut was appointed to the Board as an Independent Non-Executive Director on 12 October 2008. He is a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and the Malaysian Institute of Accountants ("MIA"). He was a past President of MICPA, and was formerly the Senior Partner of Coopers & Lybrand (now known as PricewaterhouseCoopers).

(c) Datuk Ishak bin Imam Abas

Datuk Ishak bin Imam Abas was appointed as an Independent Non-Executive Director on 3 March 2010. He held various senior positions during his 26 years career with Petroliam Nasional Berhad ("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 MIA.

(d) Datuk Seri Michael Yam Kong Choy

Datuk Seri Michael Yam Kong Choy was appointed as an Independent Non-Executive Director on 23 June 2011. He is a fellow of the Royal Institution of Chartered Surveyors and also qualified as a professional corporate member and Fellow of the Chartered Institute of Building after his graduation in building and management studies from the University of Westminster, London in 1979. He had worked in the United Kingdom for five years in various executive and managerial positions before returning to Malaysia to work 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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Board of Directors (continued)

Key information and background of Directors (continued)

(e) Datuk Khairil Anuar Abdullah

Datuk Khairil Anuar Abdullah was appointed as an Independent Non-Executive Director on 5 May 2015. He is currently the Chairman of Pantai Holdings Berhad and Vice Chairman of Parkway Pantai Limited. He also chairs Valuecap Asset Management and serves on the board of Valuecap Sdn Bhd. His career spanned a diverse range of government and corporate experience in the Economic Planning Unit of the Prime Minister's Department, the Guthrie Group of Companies, Batu Lintang Rubber Company (re-listed on the Bursa Malaysia Securities Berhad as Advance Synergy Berhad) and Arthur D Little since 1973. In 1993, he joined the Securities Commission at its inception as Director for Policy and Development. He also served on the advisory committee of the Bursa Malaysia Depository Sdn Bhd and the Board of the Labuan Offshore Financial Services Authority. He then went on to serve as Executive Chairman of Malaysian Exchange of Securities Dealing & Automated Quotation Bhd (MESDAQ). Datuk Khairil holds a Bachelor of Economics from the University of Malaya and obtained a Master of Business Administration from Harvard Business School, US. He is a Fellow of the Malaysian Institute of Banks.

(f) Osman Tarique Morad

Osman Tarique Morad was appointed to the Board on 6 January 2010 as a Non-Independent Non-Executive Director. He is currently the Managing Director and Chief Executive Officer of Standard Chartered Bank Malaysia Berhad. Prior to this, he was the Chief Executive Officer of Standard Chartered Bank in Bangladesh and Bahrain. Osman joined Standard Chartered Bank in 1993 as the Regional Head of Institutional Banking Middle East and South Asia in Dubai and was responsible for the Standard Chartered Bank Financial Institutions business teams in India, Bangladesh, Pakistan, Sri Lanka and the Middle East. He started his banking career at Bank of America as a Management Trainee in 1977 and worked in the bank's Operations, Credit and Corporate & Institutional Banking departments in the Gulf. In 1987, he joined the First Interstate Bank of California and was appointed Vice-President and Middle East Representative based in the UAE and Singapore. He graduated from the Punjab University and the Marlboro College of Vermont, U.S.A.

(g) Muhammad Afaq Khan

Muhammad Afaq Khan was appointed as a member of the Board on 12 October 2008 as a Non-Independent Non-Executive Director. He is currently the Chief Executive Officer for Islamic Banking of Standard Chartered Bank and is responsible for the Islamic Banking initiative of Standard Chartered Group. He joined Standard Chartered in June 2003 and has been involved in the Islamic banking industry for 12 years. He was involved in a number of landmark transactions including sukuks, aircraft finance and project finance. He holds an MBA from the University of Western Illinois.

(h) Neeraj Swaroop

Neeraj Swaroop was appointed to the Board as a Non-Independent Non-Executive Director and Deputy Chairman on 15 February 2012. He is currently the the Chief Executive Officer, Singapore of Standard Chartered Bank. Prior to that, he was the Regional Chief Executive Officer for South East Asia (exclude Singapore) from 2012 and Regional Chief Executive, South Asia (which includes India, Bangladesh, Sri Lanka, Nepal and Afghanistan) from 2007, both for Standard Chartered Bank. Neeraj's career spans over 30 years, with the last 21 years spent in the Indian Banking Industry. Prior to joining Standard Chartered Bank in 2005, Neeraj headed the Consumer Banking business of HDFC Bank, one of India's leading private sector banks. He has also worked with Bank of America and Unilever. Neeraj holds a MBA degree from Indian Institute of Management, Ahmedabad and is an engineering graduate from Indian Institute of Technology, New Delhi.

(i) Adhha' Amir bin Dato' Abdullah

Adhha' Amir bin Dato' Abdullah was appointed to the Board and as the Chief Executive Officer of the Bank on 28 November 2014. Prior to joining the Bank as CEO, Adhha spent 12 years in CIMB in various roles ranging from Corporate Finance, Equity Derivatives and Strategic Management Reporting in the Group CEO's Office. Subsequently, he spent 3 years at Bursa Malaysia Berhad as Head of Group Strategy. The last 5 years has been with Standard Chartered Malaysia – where he joined as Head, Investors & Intermediaries, Financial Institutions Group. His last position before moving to the Bank was Managing Director & Head, Public Sector Group reporting to the Country CIC Head of Standard Chartered Bank Malaysia Berhad. He has a Master of Philosophy from University of Cambridge, England and a Bachelor (Hons) Degree from University of Bristol, England.

Committees

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

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

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Committees (continued)

a) Syariah Advisory Committee

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

The Syariah Advisory Committee was set up as an Advisory Committee to the Board on Syariah matters.

Membership and composition

The members of the Syariah Advisory Committee ("SAC") are:-

Dr. Hikmatullah Babu Sahib - Chairperson
Dr. Wan Azhar Wan Ahmad
Prof. Madya Dr. Nurdianawati Irwani Abdullah
Ustaz Abdul Latif Ahmad Subki
Dr. Akhtarzaite Abdul Aziz (appointed on 1 June 2014)

Functions, responsibilities and terms of reference

Main Responsibilities of the Syariah Advisory Committee

An Advisory Committee to advise the Board of Standard Chartered Saadiq Berhad on Syariah matters.

Responsibilities of the Syariah Advisers

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

Syariah Compliance Review

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

Syariah Risk Management

Syariah risk arises from the Bank's failure to comply with the Syariah rules and principles as determined by the SAC and by BNM Syariah Advisory Council. Syariah non-compliance risk is managed as part of the Bank's operational risk framework and the Bank adopts the Group's operational risk management framework to monitor and manage this risk.

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Committees (continued)

a) Syariah Advisory Committee (continued)

Non-Syariah Income

Non-Syariah Income is income generated or received from events that are non-compliant to Syariah principles, for example, profit charges and income derived from non-Syariah compliant business.

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

During the financial year, there were four (2013: three) syariah non-compliant events being detected. None of the Syariah non-compliant event resulted in Syariah non-compliant income. Syariah non-compliant income in 2013 was RM65,716.

Additional control measures to prevent recurrence include enhancing staff awareness, clear documentation of processes, controls and process improvements.

Number of meetings held

<u>Members</u>	<u>Attendance and Number of Meetings</u>
Dr. Hikmatullah Babu Sahib - Lead Adviser	11/11
Prof. Madya Dr. Nurdianawati Irwani Abdullah	8/11
Ustaz Abdul Latif Ahmad Subki	11/11
Dr. Wan Azhar Wan Ahmad	9/11
Dr. Akhtarzaite Abdul Aziz (appointed on 1 June 2014)	4/6

b) Nomination Committee

The Nomination Committee ("NC") was established on 27 November 2008.

Membership and composition

The members of the Nomination Committee are:-

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman
Muhammad Afaq Khan
Adhha' Amir bin Dato' Abdullah (appointed on 28 November 2014)
Osman Tarique Morad - Deputy Chairman (appointed on 17 February 2015)
Datuk Ishak bin Imam Abas (appointed on 17 February 2015)
Wasim Akhtar Saifi (resigned on 31 October 2014)
Neeraj Swaroop - Deputy Chairman (resigned on 17 February 2015)

All of the Nomination Committee members are Non-Executive Directors except Mr. Adhha' Amir bin Dato' Abdullah.

Functions and responsibilities and terms of reference

The terms of reference of the NC was subsequently revised and approved by the Board on 20 September 2010 and 10 May 2011.

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

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

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Committees (continued)

b) Nomination Committee (continued)

In 2014, the NC has made assessment for the appointment of two (2) directors and re-appointment of four (4) directors and was convinced that both the new appointments and re-appointment of directors would assist in achieving a mix of Board members that represents a diversity of backgrounds and experiences that would best complement the current Board effectiveness.

For 2014, the Board has adopted a self-evaluation to evaluate the performance of the Board and its committees. The purpose of the evaluation is to determine whether the Board and its committees are functioning effectively and to increase the effectiveness of the Board. By including individual Directors, the evaluation is intended to capitalise on the strengths that each director brings to the Board and enhance each Director's contribution.

Number of meetings held

The Nomination Committee meets at least once a year and during the financial year 2014, the committee met five (5) times and the attendance of the members are as follows:-

<u>Members</u>	<u>Attendance and Number of Meetings</u>
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	5/5
Muhammad Afaq Khan	4/5
Adhha' Amir bin Dato' Abdullah (appointed on 2 December 2014)	1/1
Osman Tarique Morad - Deputy Chairman (appointed on 17 February 2015)	5/5
Datuk Ishak Imam Abas (appointed on 17 February 2015)	-
Wasim Akhtar Saifi (resigned on 31 October 2014)	4/4
Neeraj Swaroop - Deputy Chairman (resigned on 17 February 2015)	4/5

c) Audit Committee

The Audit Committee ("AC") was established on 27 November 2008.

Membership and composition

The members of the AC are:-

- Datuk Ishak bin Imam Abas - Chairman (appointed on 5 May 2015)
- Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)
- Datuk Seri Michael Yam Kong Choy
- Datuk Abu Hassan bin Kendut - Chairman (resigned on 5 May 2015)

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

Terms of Reference

The terms of reference of the AC was revised and approved by the Board on 22 September 2010, 31 July 2012 and 19 February 2014.

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

- review and monitor the appropriateness and completeness of statutory accounts and published financial statements of the Company and any formal announcements relating to the Company's financial performance, including significant financial reporting judgements contained in them;
- review the internal financial controls and systems as well as monitor and assess the role and effectiveness of the Company's internal audit function and to receive reports from the Head of Audit on these matters;
- consider the appointment, re-appointment, dismissal or resignation of the external auditor and make appropriate recommendations, through the board, to shareholders to consider at the annual general meeting concerning the re-appointment of the external auditor;
- review the independence and objectivity of the external auditors and develop and implement policy on the engagement of the external auditor to supply non-audit services;
- review reports from the Head of Legal and Compliance on the arrangements established by management for ensuring adherence to internal compliance policies and procedures and compliance with specific laws and regulations, as requested by the Committee or required by laws and regulations; and
- receive and review, at least annually, a report on money laundering and financial crime produced by the Company's Money Laundering Reporting Officer and any specific actions taken by senior management in relation to the report.

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Committees (continued)**c) Audit Committee (continued)****Number of meetings held**

The AC meets on a quarterly basis and during the financial year 2014, 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 bin Imam Abas - Chairman (appointed on 5 May 2015)	5/5
Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)	-
Datuk Seri Michael Yam Kong Choy	5/5
Datuk Abu Hassan bin Kendut - Chairman (resigned on 5 May 2015)	5/5

d) Board Risk Committee

The Board Risk Committee ("BRC") was established on 27 November 2008.

Membership and composition

The members of the BRC are:-

Datuk Ishak bin Imam Abas
 Datuk Seri Michael Yam Kong Choy - Chairman (appointed on 5 May 2015)
 Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)
 Datuk Abu Hassan bin Kendut (resigned on 5 May 2015)
 Osman Tarique Morad (resigned on 17 February 2015)

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

Terms of Reference

The terms of reference of BRC was subsequently revised and approved by the Board on 13 October 2009, 31 March 2010, 22 September 2010 and 31 July 2013.

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

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

Number of meetings held

The BRC meets on a quarterly basis and during the financial year 2014, 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 bin Imam Abas	5/5
Datuk Seri Michael Yam Kong Choy - Chairman (appointed on 5 May 2015)	5/5
Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)	-
Datuk Abu Hassan bin Kendut (resigned on 5 May 2015)	5/5
Osman Tarique Morad (resigned on 17 February 2015)	5/5

Risk Management

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

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

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Risk Management (continued)

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

- **Balancing risk and return:** risk is taken in support of the requirements of stakeholders, in line with the Bank's strategy and within the Bank's risk appetite;
- **Responsibility:** it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. The Bank takes account of its social responsibilities and its commitments to customers in taking risk to produce a return;
- **Accountability:** risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported;
- **Anticipation:** to anticipate future risks and ensure awareness of all known risks; and
- **Competitive advantage:** seek competitive advantage through efficient and effective risk management and control.

Risk Governance

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

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

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

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

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

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

The SAC, through the authority delegated by the Board, is responsible for assuring that all Islamic Banking products and services comply with the Syariah requirements.

Flow of Authority

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

Three Lines of Defence

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

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Risk Management (continued)

Risk Function

The role of the risk function led by the Country Chief Risk Officer is:

- To maintain the RMF, ensuring it remains appropriate to the Bank's activities, is effectively communicated and implemented across the Bank and for administering related governance and reporting processes.
- To uphold the overall integrity of the Bank's risk/return decisions, and in particular for ensuring that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and are controlled in accordance with the Group's standards and risk appetite.
- To exercise direct risk control ownership for credit, market, country cross-border, short-term liquidity and operational risk types.

Risk appetite

The Standard Chartered PLC Group's Risk Appetite Statement ("RAS") is the Standard Chartered PLC's Board of Directors' articulation of the amount of risk that the Standard Chartered PLC Group is willing to take in the pursuit of its strategic goals, reflecting its capacity to sustain losses and continue to meet its obligations arising from a range of different stress trading conditions.

At country level, a local RAS was developed and approved by the Board in April 2014. Risk appetite assessment and monitoring is performed to evidence compliance with the local RAS.

Stress Testing

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

Internal Audit and Control activities

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

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

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

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

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Related Party Transactions

There were no other significant related party transactions other than as reported in Note 24.

Management Report

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

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

Ratings Statement

RAM Rating Services Berhad had rated the long and short-term general bank ratings of Standard Chartered Saadiq Berhad to be AAA and P1, respectively, in October 2014.

Compliance with Bank Negara Malaysia's expectation on Financial Reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines in Financial Reporting for Licensed Islamic Banks and Guidelines on Classification and Impairment Provisions for Financing.

Board of Directors and their interests in shares

According to the Register of Directors' Shareholdings, the interest of directors in office at the end of the financial year in the shares of the Bank and its related corporations are as follows:-

	As at 1.1.2014	Number of shares		As at 31.12.2014
		Acquired	Disposed	
<u>In Standard Chartered PLC</u>				
<u>Ordinary shares of US\$0.50 each</u>				
Osman Tarique Morad	12,759	1,938 (A)	(5,000)	9,697
Neeraj Swaroop	97,902	13,104 (B)	(13,104)	97,902
Muhammad Afaq Khan	-	11,955 (C)	(11,955)	-
	As at 1.1.2014	Number of options		As at 31.12.2014
		Awarded/ Granted	Lapsed/ Exercised	
<u>Options Over Performance Share Plan</u>				
Neeraj Swaroop	55,054	19,389	(18,393)	56,050
<u>Deferred Restricted Share Scheme</u>				
Muhammad Afaq Khan	5,711	214	(5,925)	-
Neeraj Swaroop	12,761	5,562	(5,892)	12,431
Osman Tarique Morad	963	-	(963)	-
<u>Performance Share Award</u>				
Osman Morad	12,774	3,502	(6,404)	9,872
Muhammad Afaq Khan	3,566	4,120	-	7,686
<u>Deferred Restricted Share Award</u>				
Muhammad Afaq Khan	15,226	4,441	(6,030)	13,637
Osman Tarique Morad	2,974	1,333	(1,546)	2,761

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

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

(C) Acquired by way of the exercise of Deferred Restricted Share Scheme and Deferred Restricted Share Award.

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

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Issue of shares and debentures

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

There were no debentures issued during the financial year.

Options granted over unissued shares

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

Directors' benefits

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 Restricted Share Scheme, Options Over Performance Share Plan, Deferred Restricted Share Scheme, Performance Share Award and Deferred Restricted Share Award.

Since the end of the previous financial period, 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 21 to the financial statements or the fixed salary of a full time employee of the Bank or of related corporations) 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.

Holding companies

The Directors regard Standard Chartered Bank Malaysia Berhad ("SCBMB"), a company incorporated in Malaysia, 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.

Zakat Obligation

The Bank does not pay zakat on behalf of the shareholders or depositors.

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

.....
Adhha Abdullah

Kuala Lumpur
Date: 10 June 2015

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

**Statement by Directors pursuant to
Section 169(15) of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 20 to 88 are drawn up in accordance with the Companies Act, 1965 in Malaysia and Malaysian Financial Reporting Standards, International Financial Reporting Standards and Guidelines on Financial Reporting for Islamic Banking Institutions issued by Bank Negara Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 December 2014 and of the 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

.....
Adhha Abdullah

Kuala Lumpur
Date: 10 June 2015

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

**Statutory Declaration pursuant to
Section 169(16) of the Companies Act, 1965**

I, Mabel Lau Kit Cheng, the officer primarily responsible for the financial management of Standard Chartered Saadiq Berhad, do solemnly and sincerely declare that the financial statements set out on pages 20 to 88 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 10 June 2015.

.....
Mabel Lau Kit Cheng

Before me:

**Independent Auditors' Report to the member of
Standard Chartered Saadiq Berhad**

(Company No. 823437 K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Standard Chartered Saadiq Berhad, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 88.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose.

We do not assume responsibility to any other person for the content of this report.

KPMG

Firm Number: AF 0758
Chartered Accountants

Adrian Lee Lye Wang

Chartered Accountant
Approval Number: 2679/11/15(J)

Petaling Jaya

Date: 10 June 2015



“In the name of Allah, the Compassionate, the Merciful”

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

SYARIAH ADVISORY COMMITTEE'S REPORT

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Standard Chartered Saadiq Berhad during the year ended 31 December 2014. We have also conducted our review to form an opinion as to whether the Standard Chartered Saadiq Berhad has complied with the Syariah principles and with the Syariah rulings issued by the Syariah Advisory Council of Bank Negara Malaysia, as well as Syariah decisions made by us.

The management of Standard Chartered Saadiq Berhad is responsible for ensuring that the financial institution conducts its business in accordance with Syariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of Standard Chartered Saadiq Berhad, and to report to the Board.

We have assessed the work carried out by Syariah review and Syariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by Standard Chartered Saadiq Berhad.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Standard Chartered Saadiq Berhad has not violated the Syariah principles.

In our opinion:

1. the contracts, transactions and dealings entered into by Standard Chartered Saadiq Berhad during the year ended 31 December 2014 that we have reviewed are in compliance with the Syariah principles;
2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Syariah principles;
3. all earnings that have been realised from sources or by means prohibited by the Syariah principles have been considered for disposal to charitable causes.
4. Standard Chartered Saadiq Berhad during the year ended 31 December 2014 is not required to pay *zakat* because its shareholder is non-Muslim.

We, the members of the Syariah Advisory Committee of Standard Chartered Saadiq Berhad, do hereby confirm that the operations of Standard Chartered Saadiq Berhad for the year ended 31 December 2014 have been conducted in conformity with the Syariah principles.

On behalf of the Syariah Advisory Committee

Chairman of the Syariah Advisory Committee
Dr. Hikmatullah Babu Sahib

Syariah Advisory Committee Member
Dr. Wan Azhar Wan Ahmad

Kuala Lumpur
Date: 10 June 2015

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Note	2014 RM'000	2013 RM'000
Assets			
Cash and short term funds	3	1,119,521	1,955,600
Deposits and placements with banks and other financial institutions	4	-	-
Investment securities available-for-sale	5	98,556	99,698
Financing and advances	6	7,096,298	5,045,529
Derivative financial assets	31	100,296	11,673
Other assets	8	1,004,570	868,199
Current tax assets		13,666	11,474
Statutory deposits with Bank Negara Malaysia	9	251,450	201,317
Property, plant and equipment	10	1,877	4,375
Deferred tax assets	26	2,849	2,943
Total assets		<u>9,689,083</u>	<u>8,200,808</u>
Liabilities			
Deposits from customers	11	3,485,371	4,165,522
Deposits and placements of banks and other financial institutions	12	5,083,838	3,098,442
Derivative financial liabilities	31	103,967	8,465
Other liabilities	13	355,985	278,699
Subordinated sukuk	14	100,000	100,000
Total liabilities		<u>9,129,161</u>	<u>7,651,128</u>
Equity			
Share capital	15	102,750	102,750
Reserves	16	457,172	446,930
Total equity attributable to owner of the Bank		<u>559,922</u>	<u>549,680</u>
Total liabilities and equity		<u>9,689,083</u>	<u>8,200,808</u>
Commitments and contingencies	28	<u>6,628,189</u>	<u>5,410,438</u>

The notes set out on pages 25 to 88 form an integral part of, and should be read in conjunction with, these financial statements.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	Note	2014 RM'000	2013 RM'000
Income derived from investment of depositors' funds and others	17	254,848	190,643
Income derived from investment of shareholder's funds	19	157,774	213,254
Provisions for financing	22	(74,006)	(59,674)
Total distributable income		<u>338,616</u>	<u>344,223</u>
Income attributable to depositors	18	(198,497)	(179,995)
Total net income		<u>140,119</u>	<u>164,228</u>
Other operating expenses	20	(125,926)	(112,653)
Profit before taxation		<u>14,193</u>	<u>51,575</u>
Tax expense	25	(3,940)	(3,281)
Profit for the year		<u>10,253</u>	<u>48,294</u>
Other comprehensive (expense)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve (investment securities available-for-sale):			
Net change in fair value		(11)	64
Other comprehensive (expense)/income for the year, net of income tax		<u>(11)</u>	<u>64</u>
Total comprehensive income for the year		<u>10,242</u>	<u>48,358</u>
Basic earnings per ordinary share (sen)	27	<u>10.0</u>	<u>47.0</u>

The notes set out on pages 25 to 88 form an integral part of, and should be read in conjunction with, these financial statements.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

Note	← Non-Distributable Reserves →				Distributable Reserves	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
At 1 January 2014	102,750	308,250	102,750	(9)	35,939	549,680
Fair value reserve (investment securities available-for-sale):- Net changes in fair value	-	-	-	(11)	-	(11)
Total other comprehensive income for the year	-	-	-	(11)	-	(11)
Profit for the year	-	-	-	-	10,253	10,253
Total comprehensive (expense) / income for the year	-	-	-	(11)	10,253	10,242
At 31 December 2014	102,750	308,250	102,750	(20)	46,192	559,922
	Note 15	Note 16	Note 16	Note 16	Note 16	

The notes set out on pages 25 to 88 form an integral part of, and should be read in conjunction with, these financial statements.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

Note	← <i>Non-Distributable Reserves</i> →				<i>Distributable Reserves</i>	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
At 1 January 2013	102,750	308,250	86,017	(73)	4,378	501,322
Fair value reserve (investment securities available-for-sale):- Net changes in fair value	-	-	-	64	-	64
Total other comprehensive expense for the year	-	-	-	64	-	64
Profit for the year	-	-	-	-	48,294	48,294
Total comprehensive income for the year	-	-	-	64	48,294	48,358
Transfer to statutory reserves	-	-	16,733	-	(16,733)	-
At 31 December 2013	102,750	308,250	102,750	(9)	35,939	549,680
	Note 15	Note 16	Note 16	Note 16	Note 16	

The notes set out on pages 25 to 88 form an integral part of, and should be read in conjunction with, these financial statements.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 RM'000	2013 RM'000
Cash flows from operating activities		
Profit before taxation	14,193	51,575
Adjustments for:-		
Depreciation	2,518	3,259
Amortisation of premium less accretion of discount on investment securities available-for-sale	-	(231)
Operating profit before working capital changes	<u>16,711</u>	<u>54,603</u>
Changes in working capital:-		
Financing and advances	(2,050,769)	(1,165,239)
Derivative financial instruments	6,879	(3,034)
Other assets	(136,371)	(354,259)
Statutory deposits with Bank Negara Malaysia	(50,133)	(62,632)
Deposits from customers	(680,151)	264,719
Deposits and placements of banks and other financial institutions	1,985,397	720,916
Other liabilities	77,285	(207,179)
Cash used in operations	<u>(831,152)</u>	<u>(752,105)</u>
Income taxes paid	(6,034)	(10,416)
Net cash used in operating activities	<u>(837,186)</u>	<u>(762,521)</u>
Cash flows from investing activities		
Purchase of investment securities available-for-sale	(500,000)	(710,865)
Purchase of property, plant and equipment	(20)	(1,277)
Proceeds from disposal of investment securities available-for-sale	501,127	1,753,117
Net cash generated from investing activities	<u>1,107</u>	<u>1,040,975</u>
Cash flows from financing activity		
Proceeds from issuance of subordinated sukuk	-	100,000
Net cash generated from financing activity	<u>-</u>	<u>100,000</u>
Net (decrease) / increase in cash and cash equivalents	(836,079)	378,454
Cash and cash equivalents brought forward	1,955,600	1,577,146
Cash and cash equivalents carried forward	<u>1,119,521</u>	<u>1,955,600</u>
Cash and cash equivalents comprise:		
Cash and short term funds (Note 3)	<u>1,119,521</u>	<u>1,955,600</u>

The notes set out on pages 25 to 88 form an integral part of, and should be read in conjunction with, these financial statements.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

Notes to the financial statements

Corporate Information

Standard Chartered Saadiq 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 Bank are Islamic banking and related financial services.

The immediate and ultimate holding company of the Bank during the financial year were Standard Chartered Bank Malaysia Berhad ("SCBMB"), a company incorporated in Malaysia and Standard Chartered PLC, a company incorporated in Great Britain.

The financial statements were approved by the Board of Directors on 10 June 2015.

1. Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements of the Bank has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs"), Companies Act, 1965 in Malaysia, and Syariah requirements. The accounting policies adopted by the Bank are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2013, except for the adoption of the following MFRSs, Amendments to MFRSs and IC Interpretation during the current financial year end.

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

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

Accounting standards not yet effective

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective:

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

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

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

1. Basis of preparation of the financial statements (continued)**(a) Statement of compliance (continued)****Accounting standards not yet effective (continued)**MFRSs and Amendments to MFRSs effective for annual periods beginning on or after 1 July 2014 (continued)

- | | | |
|----|------------------------|--|
| x) | Amendments to MFRS 140 | <i>Investment Property (Annual Improvements 2011-2013 Cycle)</i> |
|----|------------------------|--|

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2016

- | | | |
|-------|------------------------|--|
| i) | Amendments to MFRS 5 | <i>Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)</i> |
| ii) | Amendments to MFRS 7 | <i>Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)</i> |
| iii) | Amendments to MFRS 10 | <i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> |
| iv) | Amendments to MFRS 11 | <i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i> |
| v) | MFRS 14 | <i>Regulatory Deferral Accounts</i> |
| vi) | Amendments to MFRS 116 | <i>Property, Plant and Equipment</i> |
| vii) | MFRS 138 | <i>Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i> |
| viii) | MFRS 141 | <i>Agriculture – Agriculture: Bearer Plants</i> |
| ix) | Amendments to MFRS 119 | <i>Employee Benefits (Annual Improvements 2012-2014 Cycle)</i> |
| x) | Amendments to MFRS 127 | <i>Separate Financial Statements – Equity Method in Separate Financial Statements</i> |
| xi) | Amendments to MFRS 134 | <i>Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)</i> |
| xii) | Amendments to MFRS 101 | <i>Presentation of Financial Statements - Disclosure Initiative</i> |
| xiii) | Amendments to MFRS 10 | <i>Consolidated Financial Statements; MFRS 12, Disclosure of Interest in Other Entities; and MFRS 128, Investment in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception</i> |

MFRSs and amendments effective for annual periods beginning on or after 1 January 2017

- | | | |
|----|---------|--|
| i) | MFRS 15 | <i>Revenue from Contracts with Customers</i> |
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MFRSs and amendments effective for annual periods beginning on or after 1 January 2018

- | | | |
|----|--------|-------------------------------------|
| i) | MFRS 9 | <i>Financial Instruments (2014)</i> |
|----|--------|-------------------------------------|

The initial application of the abovementioned accounting standards and amendments are not expected to have any material impact to the financial statements of the Bank except as mentioned below:-

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfer of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

MFRS 9, Financial Instruments

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

The Bank is currently assessing the financial impact of adopting MFRS 9 and MFRS 15.

(b) Basis of measurement

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

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in conformity with the MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank'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 Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the statement of financial position date. The estimates and assumptions used are based on historical experience and expectation of future events and are reviewed periodically. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

- i) Estimation of recoverable amounts based on the discounted cash flow methodology for impaired financing (Note 2(a)(viii)(B))
- ii) Estimation of actuarial life for recognition of financing income, financing expense and effective profit method (Note 2(h)(i) and Note 2(j) and Note 2(l))
- iii) Fair value estimation of financial assets and financial liabilities (Note 31)

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 the Bank, unless otherwise stated.

(a) Financial instruments

i) *Initial recognition and measurement*

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

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

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

ii) *Financial instrument categories and subsequent measurement*

The Bank categorise financial instruments as follows:-

Financial assets

A) Financial assets at fair value through profit or loss

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

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

Financial assets (continued)

A) Financial assets at fair value through profit or loss (continued)

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

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

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

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

B) Investment securities held-to-maturity

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturities that the Bank has 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 profit method. A gain or loss is recognised in the statement of comprehensive income when the securities are derecognised. Amortisation of premium or accretion of discount for securities are also recognised in the statement of comprehensive income.

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

C) Financing and receivables

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

Financial assets categorised as financing and receivables under various Syariah contract types (Note 6(i)), are subsequently measured at amortised cost using the effective profit method. These contracts are initially recognised at fair value, which is the cash consideration to originate or purchase the financing including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective profit method. The amortised cost of the financial asset is the amount at which the financial asset is measured at initial recognition, less principal payment, plus or less the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment. These contracts are stated net of unearned income and any amount written off and/or impaired.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

Financial assets (continued)

D) Available-for-sale financial assets

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

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

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

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

Financial liabilities

The financial liabilities of the Bank include Deposits from customers, Deposits and placements of banks and other financial institutions, Financial derivatives and Other liabilities.

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

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

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

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

iii) *Financial guarantee contracts*

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

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

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

iv) *Regular way purchase or sale of financial assets*

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

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

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

v) *Derivative financial instruments and hedge accounting*

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

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

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

Fair value hedge

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

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

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

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

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

Cash flow hedge

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

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

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

vi) *Derecognition*

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

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

vii) *Offsetting*

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

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

viii) *Impairment of financial assets*

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

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

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

viii) Impairment of financial assets (continued)

A) Securities

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

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

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

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

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

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

B) Financing and advances

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

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

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

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

viii) *Impairment of financial assets (continued)*

B) *Financing and advances (continued)*

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

For financing 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 financing (outstanding amounts of financing and advances net of individual impairment provisions) and the fair value of the debt or equity instruments will be the gain or loss from the conversion exercise.

(b) Property, plant and equipment

i) *Recognition and measurement*

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. 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 Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

iii) *Depreciation*

Depreciation on other property, plant and equipment is calculated to write off the cost of the property, plant and equipment on a straight line basis over the estimated useful lives of the assets concerned.

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

Premises, plant and equipment	3 to 10 years
Office equipment	3 to 8 years
Furniture and fittings	3 to 8 years

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

(c) 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. The unwinding of discount is recognised as finance cost.

(d) Cash and cash equivalents

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

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(e) Impairment of other assets

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

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

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

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

(f) 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 Bank has 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 Bank contributes 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 statement of comprehensive income in the year to which they relate. Once the contributions have been paid, the Bank has no further payment obligations.

(ii) Share-based compensation

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

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

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(g) Operating leases

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

(h) Income recognition

(i) *Financing income*

Financing income is recognised in the statement of comprehensive income using the effective profit method for financial assets measured at amortised cost. The effective profit rate is the rate that exactly discounts estimated future receipts through the expected life of the financial assets. The calculation of the effective profit rate includes all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate.

Financing income under various Shariah contract types (Note 6(i)) are recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding.

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

(ii) *Hibah*

Dividend income from securities portfolio and placements which includes coupons earned, accrued discount and amortisation of premium of these securities is recognised on an accrual basis applying the effective profit method in accordance to the principles of Syariah and Guidelines on Financial Reporting for Islamic Banking Institutions ("BNM/GP8-i").

(iii) *Other operating income*

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

Service charges and processing fees are recognised when earned.

(iv) *Income derived from Syariah non-compliant activities*

The Bank is required to identify any income derived from Syariah non-compliant transaction or events that is not in compliance to Syariah principles and to set aside such amount in a separate account and channel to approved charitable bodies.

(i) Tax expense

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

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

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

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(i) Tax expense (continued)

Deferred tax liability is recognised for all taxable temporary differences.

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

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

(j) Recognition of financing expense

Attributable profits on deposits and financing of the Bank are recognised on an effective profit method as described in Note 2(l). The effective profit rate is the rate that exactly discounts estimated future payments through the expected life of the financial liabilities.

(k) Foreign currency transactions and balances

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

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

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

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

(l) Effective profit rate

The effective profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the profit income or profit expense over the relevant period. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective profit rate, the Bank estimates 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 profit rate, transaction costs and all other premiums or discounts.

(m) Earnings per share

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

(n) Fair value measurements

Fair value of an asset or liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

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3. Cash and short term funds

	2014 RM'000	2013 RM'000
Cash and balances with banks and other financial institutions	13,012	14,600
Money at call and deposit placements maturing within one month	<u>1,106,509</u>	<u>1,941,000</u>
	<u><u>1,119,521</u></u>	<u><u>1,955,600</u></u>

4. Deposits and placements with banks and other financial institutions

There are no deposits and placements with banks and other financial institutions which are of a duration that is greater than one month.

5. Investment securities available-for-sale

	2014 RM'000	2013 RM'000
<u>At fair value</u>		
Bank Negara Malaysia bills	<u>98,556</u>	<u>99,698</u>
	<u><u>98,556</u></u>	<u><u>99,698</u></u>

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6. Financing and advances**(i) By type and by contract**

	Bai Bithaman Ajil (<i>deferred payment sale</i>)	Ijarah (<i>lease</i>)	Ijarah Thumma Al- Bai (<i>finance lease</i>)	Murabahah (<i>cost plus</i>)	Bai'Al Inah (<i>sale and buy- back</i>)	Diminishing Musyarakah	Others	Total financing and advances
As at 31 December 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing								
- House financing	656,797	-	-	-	-	2,325,919	3,688	2,986,404
- Hire purchase receivables	-	-	237,512	-	-	-	-	237,512
- Lease receivables	-	337,940	-	-	-	-	-	337,940
- Other term financing	79,587	-	-	1,477,702	516,661	895,074	148,671	3,117,695
Bills receivable	-	-	-	-	-	-	232,765	232,765
Trust receipts	-	-	-	284,008	-	-	-	284,008
Staff financing	1,051	-	-	118	292	-	87	1,548
Revolving credit	-	-	-	849,706	-	-	-	849,706
	737,435	337,940	237,512	2,611,534	516,953	3,220,993	385,211	8,047,578
Less: Unearned income								(808,452)
Gross financing and advances								7,239,126
Less: Impairment provisions on financing and advances:-								
- Individual impairment provisions								(23,790)
- Collective impairment provisions								(119,038)
Total net financing and advances								7,096,298

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6. Financing and advances (continued)

(i) By type and by contract (continued)

	Bai Bithaman Ajil (<i>deferred payment sale</i>)	Ijarah (<i>lease</i>)	Ijarah Thumma Al- Bai (<i>finance lease</i>)	Murabahah (<i>cost plus</i>)	Bai'Al Inah (<i>sale and buy- back</i>)	Diminishing Musyarakah	Others	Total financing and advances
As at 31 December 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing								
- House financing	725,974	-	-	-	-	557,507	759,872	2,043,353
- Hire purchase receivables	-	-	248,672	-	-	-	-	248,672
- Lease receivables	-	515,753	-	26,915	-	-	-	542,668
- Other term financing	93,559	-	-	249,466	963,651	692,138	282,836	2,281,650
Bills receivable	-	-	-	-	-	-	65,066	65,066
Trust receipts	-	-	-	101,740	-	-	906	102,646
Staff financing	1,129	-	-	-	377	-	121	1,627
Revolving credit	-	1,269	-	791,038	-	-	674	792,981
	<u>820,662</u>	<u>517,022</u>	<u>248,672</u>	<u>1,169,159</u>	<u>964,028</u>	<u>1,249,645</u>	<u>1,109,475</u>	<u>6,078,663</u>
Less: Unearned income								(913,414)
Gross financing and advances								<u>5,165,249</u>
Less: Impairment provisions on financing and advances:-								
- Individual impairment provisions								(15,783)
- Collective impairment provisions								(103,937)
Total net financing and advances								<u><u>5,045,529</u></u>

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6. Financing and advances (continued)**(ii) By type of customer**

	2014	2013
	RM'000	RM'000
Domestic non-bank financial institutions	959,735	200,450
Domestic business enterprises	2,730,915	2,185,638
<i>Small medium enterprises</i>	1,086,066	799,858
<i>Others</i>	1,644,849	1,385,780
Individuals	3,128,562	2,563,098
Foreign entities	419,914	216,063
	7,239,126	5,165,249

(iii) By profit rate sensitivity

	2014	2013
	RM'000	RM'000
Fixed rate		
- House financing	2,145	2,561
- Hire purchase receivables	216,930	248,672
- Other financing	1,920,617	1,200,690
Variable rate		
- House financing	2,620,842	1,631,982
- Revolving credit	789,098	751,340
- Other financing	1,689,494	1,330,004
	7,239,126	5,165,249

(iv) By sector

	2014	2013
	RM'000	RM'000
Agriculture	122,785	148,147
Mining and quarrying	122,048	68,883
Manufacturing	793,733	514,362
Electricity, gas and water	759	2,100
Construction	123,489	98,050
Real estate	257,211	369,542
Wholesale & retail trade and restaurants & hotels	607,977	317,197
Transport, storage and communication	113,833	232,150
Finance, takaful and business services	1,412,647	519,309
Household	3,548,476	2,779,161
Others	136,168	116,348
	7,239,126	5,165,249

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6. Financing and advances (continued)**(v) By purpose**

	2014 RM'000	2013 RM'000
Purchase of landed property		
- Residential	2,642,021	1,655,949
- Non-residential	926,396	724,191
Fixed assets excluding land and building	195,775	179,994
Personal use	670,210	928,075
Working capital	2,151,926	1,677,040
Others	652,798	-
	<u>7,239,126</u>	<u>5,165,249</u>

(vi) By maturity structure

	2014 RM'000	2013 RM'000
Maturing within one year	1,878,897	565,032
One year to three years	792,072	1,001,874
Three years to five years	689,657	831,243
Over five years	3,878,500	2,767,100
	<u>7,239,126</u>	<u>5,165,249</u>

(vii) By geographical distribution

	2014 RM'000	2013 RM'000
Within Malaysia	<u>7,239,126</u>	<u>5,165,249</u>

(viii) Analysis of foreign currency exposure

	2014 RM'000	2013 RM'000
USD	657,373	305,379
GBP	652,798	-
Other foreign currencies	401	-
	<u>1,310,572</u>	<u>305,379</u>

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7. Impaired financing and advances**(i) Movements in impaired financing and advances**

	2014	2013
	RM'000	RM'000
At 1 January	40,609	33,889
Classified as impaired during the financial year	83,084	105,163
Reclassified as performing during the financial year	(8,057)	(3,359)
Amount recovered during the financial year	(13,214)	(8,260)
Amount written off during the financial year	<u>(64,301)</u>	<u>(86,824)</u>
At 31 December	38,121	40,609
Individual impairment provisions	<u>(23,790)</u>	<u>(15,783)</u>
Net impaired financing and advances	<u>14,331</u>	<u>24,826</u>
	2014	2013
	RM'000	RM'000
Collective impairment provisions		
At 1 January	103,937	134,818
Impairment made during the financial year	35,622	3,994
Amount written back	<u>(20,521)</u>	<u>(34,875)</u>
At 31 December	<u>119,038</u>	<u>103,937</u>
As a percentage of gross financing and advances less individual impairment provisions	<u>1.65%</u>	<u>2.02%</u>
	2014	2013
	RM'000	RM'000
Individual impairment provisions		
At 1 January	15,783	3,374
Impairment made during the financial year	79,086	102,383
Amount written back	(6,969)	(3,105)
Amount written off	<u>(64,110)</u>	<u>(86,869)</u>
At 31 December	<u>23,790</u>	<u>15,783</u>

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7. Impaired financing and advances (continued)**(ii) Impaired financing and advances by sector**

	2014	2013
	RM'000	RM'000
Manufacturing	1,619	1,266
Wholesale & retail trade and restaurants & hotels	513	889
Construction	103	-
Transport, storage and communication	1,115	-
Finance, takaful and business services	-	247
Household	34,582	38,207
Others	189	-
	<u>38,121</u>	<u>40,609</u>

(iii) Impaired financing and advances by purpose

	2014	2013
	RM'000	RM'000
Purchase of landed property	5,411	2,789
- Residential	4,369	1,797
- Non-residential	1,042	992
Fixed assets excluding land and building	735	722
Personal use	29,171	35,418
Working capital	2,804	1,680
	<u>38,121</u>	<u>40,609</u>

(iv) Impaired financing and advances by geographical distribution

	2014	2013
	RM'000	RM'000
Within Malaysia	<u>38,121</u>	<u>40,609</u>

8. Other assets

	2014	2013
	RM'000	RM'000
Income receivable	97	157
Other receivables, deposits and prepayments	1,004,473	868,042
	<u>1,004,570</u>	<u>868,199</u>

9. Statutory deposits with Bank Negara Malaysia

The non-profit bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009 to satisfy the Statutory Reserve Requirement ("SRR"); the amounts of which are determined at set percentages of total eligible liabilities.

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10. Property, plant and equipment

Cost	Buildings and refurbishment RM'000	Premises, plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Total RM'000
At 1 January 2014	1,096	4,260	3,598	3,747	12,701
Additions	20	-	-	-	20
Reclassification	(1,116)	1,116	-	-	-
At 31 December 2014	<u>-</u>	<u>5,376</u>	<u>3,598</u>	<u>3,747</u>	<u>12,721</u>
Accumulated Depreciation					
At 1 January 2014	-	2,919	2,556	2,851	8,326
Charge for the year	-	1,541	513	464	2,518
At 31 December 2014	<u>-</u>	<u>4,460</u>	<u>3,069</u>	<u>3,315</u>	<u>10,844</u>
Net book value					
At 31 December 2014	<u>-</u>	<u>916</u>	<u>529</u>	<u>432</u>	<u>1,877</u>
Cost	Buildings and refurbishment RM'000	Premises, plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Total RM'000
At 1 January 2013	1,222	3,135	3,320	3,747	11,424
Additions	1,017	29	231	-	1,277
Reclassification	(1,143)	1,096	47	-	-
At 31 December 2013	<u>1,096</u>	<u>4,260</u>	<u>3,598</u>	<u>3,747</u>	<u>12,701</u>
Accumulated Depreciation					
At 1 January 2013	-	1,389	1,758	1,920	5,067
Charge for the year	-	1,530	798	931	3,259
At 31 December 2013	<u>-</u>	<u>2,919</u>	<u>2,556</u>	<u>2,851</u>	<u>8,326</u>
Net book value					
At 31 December 2013	<u>1,096</u>	<u>1,341</u>	<u>1,042</u>	<u>896</u>	<u>4,375</u>

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

	2014 RM'000	2013 RM'000
Demand deposits	1,334,194	1,203,191
- Mudharabah	977,601	931,455
- Wadiah	356,593	271,736
Savings deposits	212,100	152,070
- Mudharabah	168,493	103,189
- Wadiah	43,607	48,881
Investment deposit		
- Murabahah	18,588	18,342
Negotiable instruments of deposits		
- Bai-Inah	114,188	108,410
General investment deposits	1,806,301	2,683,509
- Mudharabah	1,148,069	2,683,509
- Murabahah	658,232	-
	<u>3,485,371</u>	<u>4,165,522</u>

(ii) By type of customers

	2014 RM'000	2013 RM'000
Government and statutory bodies	748,962	1,607,492
Business enterprises	593,266	483,728
Individuals	1,669,262	1,588,945
Others	473,881	485,357
	<u>3,485,371</u>	<u>4,165,522</u>

The maturity structure of the general investment deposits, investment deposits and negotiable instruments of deposits is as follows:-

	2014 RM'000	2013 RM'000
Due within six months	1,572,782	2,489,207
Six months to one year	206,990	182,533
One year to three years	45,117	20,775
Three years to five years	114,188	117,746
Over five years	-	-
	<u>1,939,077</u>	<u>2,810,261</u>

12. Deposits and placements of banks and other financial institutions

	2014 RM'000	2013 RM'000
Non-Mudharabah		
Licensed banks	104,232	110,808
Other financial institutions	52,676	3,639
Mudharabah		
Licensed banks	4,926,930	2,983,995
	<u>5,083,838</u>	<u>3,098,442</u>

Included in Mudharabah deposits placements of licensed banks is an amount of RM4,926,930,000 (2013 : RM 2,983,995,000) related to placement made by the Bank's immediate holding company under Profit Sharing Investment Account ("PSIA").

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13. Other liabilities

	2014 RM'000	2013 RM'000
Income payable	19,831	22,523
Other payables and accruals	336,154	256,176
	<u>355,985</u>	<u>278,699</u>

14. Subordinated sukuk

	2014 RM'000	2013 RM'000
Subordinated sukuk	<u>100,000</u>	<u>100,000</u>

On 29 March 2013, the Bank issued RM 100 million nominal value Subordinated Sukuk ("the Sukuk") at profit rate of 4.85% per annum, payable every six months period from the issue date. The rate is applicable throughout the tenure of the Sukuk. The Sukuk, with a 10-year tenor, due in March 2023, is callable after 5 years at the Bank's option, subject to consent of BNM and satisfaction of redemption conditions. The Sukuk qualifies as Tier 2 capital of the Bank.

The Bank has the option to redeem the Sukuk in whole or after the fifth anniversary date from the date of issuance of the Sukuk, subject to the prior written consent of BNM and satisfaction of the following redemption conditions:-

- (a) the Sukuk is replaced with capital of the same or better quality, and the replacement of the same capital is effected at conditions which are sustainable for the income capacity of the Issuer; or
- (b) the Bank demonstrates that its capital position is well above BNM's capital adequacy requirements and capital buffer requirements after the redemption.

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

15. Share capital

	2014		2013	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares of RM1 each				
Authorised				
At 1 January/31 December	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid				
At 1 January/31 December	<u>102,750</u>	<u>102,750</u>	<u>102,750</u>	<u>102,750</u>

16. Reserves

	2014 RM'000	2013 RM'000
<i>Non-distributable:</i>		
Share premium	308,250	308,250
Statutory reserves	102,750	102,750
AFS reserves	(20)	(9)
	<u>410,980</u>	<u>410,991</u>
<i>Distributable:</i>		
Retained profits	46,192	35,939
	<u>457,172</u>	<u>446,930</u>

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

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17. Income derived from investment of depositors' funds and others

	2014 RM'000	2013 RM'000
Income derived from investment of:-		
(i) General investment deposits	132,521	122,816
(ii) Other deposits	122,327	67,827
	<u>254,848</u>	<u>190,643</u>

(i) Income derived from investment of general investment deposits

	2014 RM'000	2013 RM'000
Finance income and hibah		
Financing and advances	105,523	83,182
Money at call and deposits with financial institutions	22,320	34,820
	127,843	118,002
Amortisation of premium less accretion of discount	(6,135)	(4,466)
Total finance income and hibah	<u>121,708</u>	<u>113,536</u>
Other operating income		
Fees and commission income:-		
- Arising from financial instruments not fair valued through profit or loss	21,899	27,217
Fees and commission expense:-		
- Arising from financial instruments not fair valued through profit or loss	(11,086)	(17,937)
	10,813	9,280
	<u>132,521</u>	<u>122,816</u>

(ii) Income derived from investment of other deposits

	2014 RM'000	2013 RM'000
Finance income and hibah		
Financing and advances	97,408	45,939
Money at call and deposits with financial institutions	20,604	19,231
	118,012	65,170
Amortisation of premium less accretion of discount	(5,664)	(2,467)
Total finance income and hibah	<u>112,348</u>	<u>62,703</u>
Other operating income		
Fees and commission income:-		
- Arising from financial instruments not fair valued through profit or loss	20,213	15,030
Fees and commission expense:-		
- Arising from financial instruments not fair valued through profit or loss	(10,234)	(9,906)
	9,979	5,124
Others	-	-
	<u>122,327</u>	<u>67,827</u>

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18. Income attributable to depositors

	2014 RM'000	2013 RM'000
Deposits from customers		
- Mudharabah fund	88,323	111,867
- Non-Mudharabah fund	21,116	3,299
Deposits and placements of banks and other financial institutions		
- Mudharabah fund	82,821	60,494
- Non-Mudharabah fund	6,237	4,335
	<u>198,497</u>	<u>179,995</u>

19. Income derived from investment of shareholder's funds

	2014 RM'000	2013 RM'000
Finance income and hibah		
Financing and advances	157,774	213,213
Investment securities available-for-sale	-	41
	<u>157,774</u>	<u>213,254</u>

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20. Other operating expenses

	2014	2013
	RM'000	RM'000
Personnel costs		
- Salaries, bonuses, wages and allowances	10,667	8,390
- Other staff related costs	1,911	1,907
	<u>12,578</u>	<u>10,297</u>
Establishment costs		
- Depreciation of property, plant and equipment	2,518	3,259
- Rental	1,985	1,963
- Information technology and project expenses	61	66
- Utilities and maintenance	1,905	1,854
	<u>6,469</u>	<u>7,142</u>
Marketing expenses		
- Advertisement and publicity	56	168
- Others	766	487
	<u>822</u>	<u>655</u>
Administration and general expenses		
- Communication expenses	311	499
- Group administration fees and business support expenses	6,164	6,751
- Management and other fee	94,659	71,382
- Others	4,923	15,927
	<u>106,057</u>	<u>94,559</u>
Total other operating expenses	<u><u>125,926</u></u>	<u><u>112,653</u></u>

The above expenditure includes the following items:-

	2014	2013
	RM'000	RM'000
Directors' remuneration, excluding benefits-in-kind (Note 21)	2,425	2,058
Auditor's remuneration:-		
- Statutory audit	100	100
- Other services	196	205
	<u>196</u>	<u>205</u>

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21. CEO, Directors' and Syariah Advisory Committee members' remuneration

	2014 RM'000	2013 RM'000
Directors		
- Fees	51	51
- Remuneration	2,374	2,007
- Other short-term employee benefits (including estimated monetary value of benefit-in-kind)	350	417
Total short-term employee benefits*	<u>2,775</u>	<u>2,475</u>
Syariah Advisory Committee members	<u>287</u>	<u>360</u>
	<u><u>3,062</u></u>	<u><u>2,835</u></u>

All other Directors' remuneration are paid by its immediate holding company, SCBMB, which in turn recharges the Bank in the form of management fees.

All other key management personnel of the Bank is similar with the key management personnel of SCBMB. Hence, the key management personnel compensation of the Bank are disclosed in the financial statements of SCBMB.

* Included in the total short term employee benefits are the Executive Director's ("ED") / Chief Executive Officer's ("CEO") remuneration and benefit-in-kind amounting to RM 2,329,679 (2013: RM 1,969,418) and RM 350,624 (2013: RM 416,943) respectively.

All ED and CEO remuneration were paid by its immediate holding company.

22. Provisions for financing

	2014 RM'000	2013 RM'000
Provisions for financing:-		
Individual impairment provisions	72,117	99,278
- Made in the financial year	79,086	102,383
- Written back	(6,969)	(3,105)
Collective impairment provisions	15,101	(30,881)
- Made in the financial year	35,622	3,994
- Written back	(20,521)	(34,875)
Bad and doubtful debts on financing and advances:-		
Recovered	(13,212)	(8,723)
	<u>74,006</u>	<u>59,674</u>

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23. Credit exposure to connected parties

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

	2014 RM'000	2013 RM'000
Aggregate value of outstanding credit exposures to connected parties	<u>144,103</u>	<u>10,772</u>
As a percentage of total credit exposures	<u>1.6%</u>	<u>0.1%</u>

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

24. 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 Bank if the Bank has 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 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 Bank are:-

(i) Immediate holding company

The immediate holding company is Standard Chartered Bank Malaysia Berhad ("SCBMB"), a company incorporated in Malaysia.

(ii) Fellow subsidiaries of Standard Chartered PLC

Entities including the immediate holding company, 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 Bank either directly or indirectly. The key management personnel of the Bank includes all the Directors and certain members of senior management of the Bank.

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

These are entities in which certain key management personnel have significant voting power.

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

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24. Significant related party transactions and balances (continued)**(a) Transactions and balances with immediate holding company**

	2014 RM'000	2013 RM'000
Transactions		
Expenditure		
Profit paid on inter-company financing	87,161	60,867
Management fee paid	94,659	71,382
	<u>181,820</u>	<u>132,249</u>
	2014 RM'000	2013 RM'000
Balances		
Amount due from immediate holding company		
Derivative financial instruments	33,863	4,794
Other balances	996,845	857,822
	<u>1,030,708</u>	<u>862,616</u>
Amount due to immediate holding company		
Inter-company financing	(4,926,930)	(2,983,995)
Derivative financial instruments	(65,601)	(4,819)
Current account	-	(32)
Other balances	(291,659)	(199,110)
	<u>(5,284,190)</u>	<u>(3,187,956)</u>

(b) Transactions and balances with fellow subsidiaries of Standard Chartered PLC (excluding immediate holding company)

	2014 RM'000	2013 RM'000
Transactions		
Income derived from depositors' funds		
FProfit received on inter-company financing	<u>1,353</u>	<u>2</u>
Expenditure		
Other operating expenses	<u>8,920</u>	<u>14,851</u>

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24. Significant related party transactions and balances (continued)**(b) Transactions and balances with fellow subsidiaries of Standard Chartered PLC (excluding immediate holding company)(continued)**

	2014 RM'000	2013 RM'000
Balances		
Amount due from fellow subsidiaries of Standard Chartered PLC		
Other balances	5,014	1,955
Amount due to fellow subsidiaries of Standard Chartered PLC		
Current accounts	-	(32)
Amount due in respect of support charges	(13,702)	(7,033)
Other balances	(298,856)	(215,026)
	<u>(312,558)</u>	<u>(222,091)</u>

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

Key management personnel compensation is disclosed in Note 21.

Transactions and balances other than compensation

	2014 RM'000	2013 RM'000
Transactions		
Income attributable to depositors		
- Directors	42	43
- Other key management personnel	3	1
	<u>45</u>	<u>44</u>
Balances		
Deposits		
- Directors	(1,433)	(1,341)
- Other key management personnel	(249)	-
	<u>(1,682)</u>	<u>(1,341)</u>

Advances made to key management personnel (including Directors) of the Bank are on similar terms and conditions generally available to other employees of the Bank.

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25. Tax expense

	2014 RM'000	2013 RM'000
Income tax expense:-		
- Current period	3,923	14,970
- Overprovision in prior years	(80)	(14,109)
	<u>3,843</u>	<u>861</u>
Deferred tax expense (Note 26):-		
- Origination and reversal of temporary differences	108	(205)
- (Over)/Under provision in prior years	(11)	2,625
	<u>97</u>	<u>2,420</u>
Total tax expense	<u>3,940</u>	<u>3,281</u>
Reconciliation of effective tax expense:-		
Profit before taxation	<u>14,193</u>	<u>51,575</u>
Income tax using Malaysian tax rates @ 25%	3,548	12,894
Non-deductible expenses	<u>483</u>	<u>1,871</u>
	<u>4,031</u>	<u>14,765</u>
(Over)/Under provision in prior years		
- Income tax	(80)	(14,109)
- Deferred tax	(11)	2,625
Total tax expense	<u>3,940</u>	<u>3,281</u>
Tax recognised directly in equity:-		
AFS reserves	<u>(3)</u>	<u>21</u>

26. Deferred tax

The recognised net deferred tax asset after offsetting are as follows:-

	2014 RM'000	2013 RM'000
Property, plant and equipment	350	272
Other temporary differences	2,493	2,668
Available-for-sale reserves	6	3
	<u>2,849</u>	<u>2,943</u>

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26. Deferred tax (continued)

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

	At 1 January 2013 RM'000	Recognised in statement of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2013 RM'000	Recognised in statement of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2014 RM'000
Property, plant and equipment	(105)	377	-	272	78	-	350
Collective impairment provision/ general allowance for bad and doubtful financing	3,164	(3,164)	-	-	-	-	-
Other temporary differences	2,301	367	-	2,668	(175)	-	2,493
Reserves							
- Investment securities available -for-sale	24	-	(21)	3	-	3	6
	<u>5,384</u>	<u>(2,420)</u>	<u>(21)</u>	<u>2,943</u>	<u>(97)</u>	<u>3</u>	<u>2,849</u>
	Note 25		Note 25		Note 25	Note 25	

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27. 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 weighted average number of ordinary shares outstanding during the financial year:-

	2014 RM'000	2013 RM'000
Net profit attributable to ordinary shareholder	<u>10,253</u>	<u>48,294</u>
Weighted average number of ordinary shares as at 31 December	<u>102,750</u>	<u>102,750</u>
Basic earnings per ordinary share (sen)	<u>10.0</u>	<u>47.0</u>

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28. Commitments and contingencies

In the normal course of business, the Bank makes various commitments and incurs 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:-

	As at 31 December 2014			As at 31 December 2013		
	Principal amount	Credit equivalent amount	Risk weighted amount	Principal amount	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	Restated RM'000	RM'000	RM'000
Direct credit substitutes	27,997	27,997	24,324	2,812	2,812	572
Transaction-related contingent items	154,144	154,144	58,183	73,090	73,090	20,747
Short-term self liquidating trade-related contingencies	103,036	103,036	27,821	66,157	66,157	31,071
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	1,625,094	312,114	124,312	3,023,038 *	1,349,596 **	441,212 **
- maturity exceeding one year	1,073,862	612,351 **	273,432 **	1,667,262 *	232,681	87,349
Foreign exchange related contracts:-						
- less than one year	1,374,936	39,770	5,184	523,528	14,406	2,152
- one year to less than five years	835,380	125,506	96,382	-	-	-
- five years and above	-	-	-	-	-	-
Profit rate related contracts:-						
- less than one year	-	-	-	-	-	-
- one year to less than five years	1,406,085	53,700 **	10,780 **	27,902	3,619	3,753
- five years and above	228	528	137	6,293	1,160	292
Miscellaneous commitments and contingencies	27,427	6,726	782	20,356	1,750	3,674
	<u>6,628,189</u>	<u>1,435,872</u>	<u>621,337</u>	<u>5,410,438</u>	<u>1,745,271</u>	<u>590,822</u>

* The comparative figures have been restated to conform with current year presentation which reflected the results of revision to the Bank's Corporate Exposure At Default model during the year.

** Excluded from the credit equivalent and risk weighted amount of the Bank are RM82.2million (2013: RM6.3million) and RM14.2million (2013: RM2.4million) respectively related to exposures funded by SIA placements from SCBMB as provided by BNM's guidelines on the Booking of General and Specific Provisions for Financing Asset Funded by Specific Investment Account. The facilities funded by the SIA is allowed to be transferred to SCBMB as the fund provider.

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

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29. Risk management policies

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

(a) Operational risk

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

BNM has formally approved the Bank's use of the The Standardised Approach ("TSA") for calculating and reporting operational risk capital requirement in May 2013. As a result, the Bank has been using TSA for calculating and reporting the operational risk capital requirement from September 2013 onwards.

Objective

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

Governance Structure

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

Roles and Responsibilities

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

Risk Management Approach

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

Assurance

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

(b) Credit risk

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

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29. Risk management policies (continued)

(b) Credit risk (continued)

Credit policies

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

Credit approval

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by Standard Chartered PLC Group's Credit Approval Committee ("CAC"). The CAC is appointed by the Standard Chartered PLC Group CRC and derives its authority from the GRC.

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

Concentration risk

Credit concentration risk is managed within concentration caps set by counterparty or groups of connected counterparties. At the portfolio level, credit concentration thresholds are set and monitored to control for concentrations, where appropriate, by country, industry, product, tenor, collateral type, collateralisation level and credit risk profile. Additional targets are set and monitored for concentrations by credit rating. Credit concentrations are monitored by the ERC.

Credit monitoring

The Bank regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are presented to ERC, containing information on key economic trends, portfolio delinquency and financing impairment performance, as well as IRB portfolio metrics including credit grade migration. Credit risk committees meet regularly to assess the impact of external events and trends on the credit risk portfolios and to define and implement response in terms of appropriate changes to portfolio shape, portfolio and underwriting standards, risk policy and procedures.

Clients or portfolios are placed on Early Alert when they display signs of weakness or financial deterioration, for example, where there is a decline in the customer's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management. Such accounts and portfolios are subjected to a dedicated process overseen by Credit Issues Committee ("CIC"). Account plans are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of GSAM, the specialist recovery unit. Typically, all Corporate, Institutional and Commercial Banking past due accounts are managed by GSAM.

For retail and small business client exposures, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and is considered in financing decisions. Accounts which are past due are subject to a collections process, managed independently by the Risk function. Charged-off accounts are managed by a specialised recovery team.

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29. Risk management policies (continued)

(b) Credit risk (continued)

Credit monitoring (continued)

(i) Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, credit insurance/takaful, credit derivatives and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

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

Where guarantees or credit derivatives are used as Credit Risk Mitigation ("CRM") the creditworthiness of the guarantor is assessed and established using the credit approval process in addition to that of the obligor or main counterparty. The main types of guarantors include bank guarantees, insurance/takaful companies, parent companies, shareholders and Credit Guarantee Corporation ("CGC"). Credit derivatives, due to their potential impact on income volatility are used in a controlled manner with reference to their expected volatility.

Collateral is valued in accordance with the risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired financing are maintained at fair value.

For further information regarding credit risk mitigation in the trading book see Note 29(b)(iii).

(ii) Problem credit management

Retail Clients

In Retail Clients, where there are large numbers of small value financing, a primary indicator of potential impairment is delinquency. However, not all delinquent financing (particularly those in the early stage of delinquency) will be impaired. Within Retail Clients an account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes the Bank measures delinquency as of 1, 30, 60, 90, 120 and 150+ days past due. Accounts that are overdue by more than 30 days are more closely monitored and subject to specific collections processes.

Provisioning within Retail Clients reflects the fact that the product portfolios consist of a large number of comparatively small exposures. A collective impairment provision ("CIP") is raised on a portfolio basis, however loss recognition / provisioning is done at account level for problem credit within each product. CIP is set using expected loss rates, based on past experience supplemented by an assessment of specific factors affecting the relevant portfolio. These include an assessment of the impact of economic conditions, regulatory changes and portfolio characteristics such as delinquency trends and early alert trends. The CIP methodology provides for accounts for which an individual impairment provision ("IIP") has not been raised.

For unsecured products, the entire outstanding amount is generally written off at 150 days past due. IIP for secured financing are raised at 150 days past due.

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29. Risk management policies (continued)

(b) Credit risk (continued)

Credit monitoring (continued)

(ii) Problem credit management (continued)

Retail Clients (continued)

The provisions are based on the estimated present values of future cash flows, in particular those resulting from the realisation of security. Following such realisations any remaining amount will be written off. The days past due used to trigger write offs and IIP are broadly driven by past experience, which shows that once an account reaches the relevant number of days past due, the probability of recovery (other than by realising security where appropriate) is low. For all products, there are certain situations where the individual impairment provisioning or write off process is accelerated, such as in cases involving bankruptcy, fraud and death. Write off is accelerated for all restructured accounts to 90 days past due (unsecured) and 120 days past due (secured), respectively.

Corporate, Institutional and Commercial Clients

Financing are classified as impaired where analysis and review indicates that full payment of either profit or principal is questionable, or as soon as payment of profit or principal is 90 days overdue. Impaired accounts are managed by our specialist recovery unit, GSAM, which is separate from the main businesses. Where any amount is considered irrecoverable, an IIP is raised. This provision is the difference between the financing carrying amount and the present value of estimated future cash flows.

The individual circumstances of each customer are taken into account when GSAM estimates future cash flow. All available sources, such as cash flow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees, are considered. In any decision relating to the raising of provisions, the Bank attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews. Where it is considered that there is no realistic prospect of recovering a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

(iii) Counterparty credit risk in the trading book

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

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

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

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

Note 30 provides further analysis on the Bank's exposure to credit risk.

(c) Market risk

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

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

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

The Bank has adopted the Standardised approach for market risk.

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29. Risk management policies (continued)

(c) Market risk (continued)

Market Risk Governance

The Board approves the Bank's market risk appetite taking account of market volatility, the range of traded products and asset classes, the business volumes and transaction sizes. Market risk appetite has remained broadly stable in 2014.

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

Market & Traded Credit Risk ("MTCR") monitors exposures against these limits.

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

Value at Risk

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

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

The Bank applies two VaR methodologies:-

- Historical simulation: involves the revaluation of all existing positions to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This approach is applied for general market risk factors and from the fourth quarter of 2012 has been extended to also cover the majority of specific (credit spread) risk VaR.
- Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is now applied for some of the specific (credit spread) risk VaR in relation to idiosyncratic exposures in credit markets.

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

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

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29. Risk management policies (continued)

(c) Market risk (continued)

Back testing

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

Stress testing

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

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

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

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

Regular stress test scenarios are applied to interest rates which influence profit rates, credit spreads and exchange rates. This covers all major asset classes in the Financial Market banking and trading books.

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

Valuation framework

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

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

Market risk VaR coverage

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

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

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

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29. Risk management policies (continued)**(c) Market risk (continued)****Market risk VaR coverage (continued)**

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

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

	←	2014	→	
	Average	High	Low	Actual
	RM'000	RM'000	RM'000	31 December 2014
				RM'000
Non-trading	171	253	125	181
	←	2013	→	
	Average	High	Low	Actual
	RM'000	RM'000	RM'000	31 December 2013
				RM'000
Non-trading	233	318	193	252

Note 30 provides further analysis on the Bank's exposure to market risk.

(d) Liquidity risk

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

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

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

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

Note 30 provides further analysis on the Bank's exposure to liquidity risk.

(e) Business risk

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

(f) Compliance risk

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

(g) Legal risk

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

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30. Financial instruments**Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:-

- (a) Financing and receivables ("F&R")
- (b) Fair value through profit or loss ("FVTPL")
 - Held for trading ("HFT")
 - Designated upon initial recognition ("DUIR")
- (c) Available-for-sale financial assets ("AFS")
- (d) Other liabilities ("OL")

2014	Carrying amount RM'000	F&R / OL RM'000	FVTPL HFT/ DUIR RM'000	AFS RM'000
<u>Financial assets</u>				
Cash and short term funds	1,119,521	1,119,521	-	-
Investment securities				
available-for-sale	98,556	-	-	98,556
Financing and advances	7,096,298	7,096,298	-	-
Derivative financial assets	100,296	-	100,296	-
Other balances	1,256,020	1,256,020	-	-
Total financial assets	9,670,691	9,471,839	100,296	98,556
<u>Financial liabilities</u>				
Deposits from customers	3,485,371	3,466,783	18,588	-
Deposits and placements of banks and other financial institutions	5,083,838	5,080,222	3,616	-
Derivative financial liabilities	103,967	-	103,967	-
Subordinated Sukuk	100,000	100,000	-	-
Other balances	355,985	355,985	-	-
Total financial liabilities	9,129,161	9,002,990	126,171	-

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30. Financial instruments (continued)

2013	Carrying amount RM'000	F&R / OL RM'000	FVTPL HFT/ DUIR RM'000	AFS RM'000
<u>Financial assets</u>				
Cash and short term funds	1,955,600	1,955,600	-	-
Investment securities				
available-for-sale	99,698	-	-	99,698
Financing and advances	5,045,529	5,045,529	-	-
Derivative financial assets	11,673	-	11,673	-
Other balances	1,069,516	1,069,516	-	-
Total financial assets	<u>8,182,016</u>	<u>8,070,645</u>	<u>11,673</u>	<u>99,698</u>
<u>Financial liabilities</u>				
Deposits from customers	4,165,522	4,147,180	18,342	-
Deposits and placements of banks and other financial institutions	3,098,442	3,094,837	3,605	-
Derivative financial liabilities	8,465	-	8,465	-
Other balances	100,000	100,000	-	-
Subordinated debts	278,699	278,699	-	-
Total financial liabilities	<u>7,651,128</u>	<u>7,620,716</u>	<u>30,412</u>	<u>-</u>

Net gains and losses arising from financial instruments

	2014 RM'000	2013 RM'000
Investment securities available-for-sale	(11,810)	(6,828)
- recognised in other comprehensive income	(11)	64
- reclassified from equity to profit or loss	(11,799)	(6,892)
Financing and receivables	424,419	410,789
Financial liabilities measured at amortised cost	(198,497)	(179,995)
	<u>214,112</u>	<u>223,966</u>

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30. Financial instruments (continued)**Credit risk****(i) Maximum exposure to credit risk**

The following tables present the Bank's maximum exposure to credit risk of their on-balance sheet and off-balance sheet financial instruments at 31 December 2014 and 31 December 2013, and credit exposures covered by collaterals and other credit enhancements. For on-balance sheet and other financial instruments, the maximum exposure to credit risk is the carrying amount reported on the statement of financial position. For off-balance sheet financial instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

	Maximum exposures to credit risk	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures to credit risk	Credit exposures covered by collaterals and other credit enhancements
	2014		2013	
	RM'000		RM'000	
On-balance sheet assets				
Money at call and deposits placements				
maturing within one month	1,106,509	-	1,941,000	-
Investment securities available-for-sale	98,556	-	99,698	-
Financing and advances	7,096,298	2,735,122	5,045,529	1,929,524
Derivative financial assets	100,296	-	11,673	-
Income receivable	97	-	157	-
Statutory deposits with Bank Negara Malaysia	251,450	-	201,317	-
	<u>8,653,206</u>	<u>2,735,122</u>	<u>7,299,374</u>	<u>1,929,524</u>
Off-balance sheet items				
Contingent commitments	285,177	9,997	142,059	5,254
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	2,698,956	137,942	4,690,300	430,276
	<u>2,984,133</u>	<u>147,939</u>	<u>4,832,359</u>	<u>435,530</u>

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30. Financial instruments (continued)

Credit risk (continued)

(ii) Offsetting financial assets and financial liabilities

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

	Carrying amounts of recognised financial instruments in the statement of financial position RM'000	Related financial instruments that are not offset in the statement of financial position RM'000	Net amount RM'000
2014			
Derivative financial assets	<u>100,296</u>	<u>(29,366)</u>	<u>70,930</u>
Derivative financial liabilities	<u>(103,967)</u>	<u>29,366</u>	<u>(74,601)</u>
2013			
Derivative financial assets	<u>11,673</u>	<u>(3,678)</u>	<u>7,995</u>
Derivative financial liabilities	<u>(8,465)</u>	<u>3,678</u>	<u>(4,787)</u>

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30. Financial instruments (continued)**Credit risk (continued)****(iii) Summary analysis of financing and advances**

	2014 RM'000	2013 RM'000
Individually impaired financing and advances *	14,331	24,826
Past due but not impaired financing and advances	466,713	452,729
Neither past due nor impaired financing and advances	6,734,292	4,671,911
Total financing and advances	<u>7,215,336</u>	<u>5,149,466</u>
Collective impairment provisions	<u>(119,038)</u>	<u>(103,937)</u>
	<u><u>7,096,298</u></u>	<u><u>5,045,529</u></u>

* Included in the balance is RM 12,221,000 (2013: RM 16,062,000) in respect of financing and advances where no individual impairment provisions were made as the recoverable amounts are in excess of the carrying amounts for secured financing. For unsecured financing, collective impairment provisions were made for financing for which an individual impairment provision has not been raised.

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30. Financial instruments (continued)**Credit risk (continued)****(iii) Summary analysis of financing and advances (continued)****Credit quality****Financing and advances neither past due nor impaired**

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

	2014	2013
	RM'000	RM'000
Neither past due nor individually impaired		
- Grades 1-5	1,797,885	796,079
- Grades 6-7	2,861,927	1,472,848
- Grades 8-9	1,430,366	1,660,066
- Grades 10-12	644,114	742,918
	<u>6,734,292</u>	<u>4,671,911</u>

Financing and advances past due but not individually impaired

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

	2014	2013
	RM'000	RM'000
Up to 30 days past due	395,008	382,543
Between 31 - 60 days past due	47,904	50,407
Between 61 - 90 days past due	23,801	19,779
	<u>466,713</u>	<u>452,729</u>

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30. Financial instruments (continued)**Liquidity risk**

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

As at 31 December 2014	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial assets					
Cash and short term funds	1,122,506	-	-	-	1,122,506
Investment securities available-for-sale	-	100,256	-	-	100,256
Financing and advances					
- Performing	1,156,067	1,064,819	1,487,537	6,876,753	10,585,176
- Impaired	-	-	-	14,331	14,331
Derivative financial assets	6,120	9,897	83,763	516	100,296
Other balances	1,256,020	-	-	-	1,256,020
	3,540,713	1,174,972	1,571,300	6,891,600	13,178,585
Financial liabilities					
Deposits from customers	2,527,025	831,171	163,252	-	3,521,448
Deposits and placements of banks and other financial institutions	2,929,037	2,192,563	3,945	-	5,125,545
Derivative financial liabilities	8,628	10,087	84,736	516	103,967
Subordinated sukuk	-	-	-	129,100	129,100
Other balances	354,734	1,251	-	-	355,985
	5,819,424	3,035,072	251,933	129,616	9,236,045
Net liquidity gap	(2,278,711)	(1,860,100)	1,319,367	6,761,984	3,942,540
Gross financing commitments	420,454	1,975,540	261,361	326,778	2,984,133

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30. Financial instruments (continued)**Liquidity risk (continued)**

As at 31 December 2013	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial assets					
Cash and short term funds	1,960,408	-	-	-	1,960,408
Investment securities available-for-sale	100,195	-	-	-	100,195
Financing and advances					
- Performing	802,942	404,526	1,529,788	4,900,337	7,637,593
- Impaired	-	-	-	24,826	24,826
Derivative financial assets	7,970	78	2,782	843	11,673
Other balances	1,069,516	-	-	-	1,069,516
	3,941,031	404,604	1,532,570	4,926,006	10,804,211
Financial liabilities					
Deposits from customers	2,803,061	1,266,867	142,226	5,708	4,217,862
Deposits and placements of banks and other financial institutions	2,168,857	950,606	-	4,306	3,123,769
Derivative financial liabilities	3,582	78	2,782	2,023	8,465
Subordinated sukuk	-	-	-	129,100	129,100
Other balances	269,280	9,419	-	-	278,699
	5,244,780	2,226,970	145,008	141,137	7,757,895
Net liquidity gap	(1,303,749)	(1,822,366)	1,387,562	4,784,869	3,046,316
Gross financing commitments	1,057,811	1,833,532	228,534	409,054	3,528,931

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30. Financial instruments (continued)**Market risk**

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

Profit rate risk

As at 31 December 2014	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000	Effective profit rate (%)
Financial assets							
Cash and short term funds	1,105,000	-	-	-	14,521	1,119,521	3.20
Investment securities available-for-sale	98,556	-	-	-	-	98,556	3.45
Financing and advances							
- Performing	4,186,531	807,281	1,449,689	638,466	-	7,081,967	5.98
- Impaired	-	-	-	-	14,331	14,331	
Derivative financial assets	6,121	9,897	83,762	516	-	100,296	
Other balances	-	-	-	-	1,256,020	1,256,020	
	5,396,208	817,178	1,533,451	638,982	1,284,872	9,670,691	
Financial liabilities							
Deposits from customers	2,516,380	820,353	148,638	-	-	3,485,371	2.62
Deposits and placements of banks and other financial institutions	2,916,764	2,163,458	-	3,616	-	5,083,838	2.95
Derivative financial liabilities	8,628	10,087	84,736	516	-	103,967	
Other balances	-	-	-	-	355,985	355,985	
Subordinated sukuk	-	-	-	100,000	-	100,000	4.85
	5,441,772	2,993,898	233,374	104,132	355,985	9,129,161	
On-balance sheet profit sensitivity gap	(45,564)	(2,176,720)	1,300,077	534,850	928,887		
Total profit sensitivity gap	(45,564)	(2,176,720)	1,300,077	534,850	928,887		

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30. Financial instruments (continued)**Market risk (continued)****Profit rate risk (continued)**

As at 31 December 2013	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000	Effective profit rate (%)
Financial assets							
Cash and short term funds	1,941,000	-	-	-	14,600	1,955,600	2.95
Investment securities available-for-sale	99,698	-	-	-	-	99,698	2.99
Financing and advances							
- Performing	2,718,108	113,640	1,544,574	644,381	-	5,020,703	6.51
- Impaired	-	-	-	-	24,826	24,826	
Derivative financial assets	7,970	78	2,782	843	-	11,673	
Other balances	-	-	-	-	1,069,516	1,069,516	
	4,766,776	113,718	1,547,356	645,224	1,108,942	8,182,016	
Financial liabilities							
Deposits from customers	2,793,443	1,243,513	123,795	4,771	-	4,165,522	3.03
Deposits and placements of banks and other financial institutions	2,159,496	935,341	-	3,605	-	3,098,442	2.97
Derivative financial liabilities	3,582	78	2,782	2,023	-	8,465	
Other balances	-	-	-	-	278,699	278,699	
Subordinated sukuk	-	-	-	100,000	-	100,000	4.85
	4,956,521	2,178,932	126,577	110,399	278,699	7,651,128	
On-balance sheet profit sensitivity gap	(189,745)	(2,065,214)	1,420,779	534,825	830,243		
Total profit sensitivity gap	(189,745)	(2,065,214)	1,420,779	534,825	830,243		

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30. Financial instruments (continued)**Market risk (continued)**

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

Type of Currency	Impact on Positions as at Reporting Period (200 basis points) Parallel Shift		Impact on Positions as at Reporting Period (200 basis points) Parallel Shift	
	Increase/(Decline)	Increase/(Decline)	Increase/(Decline)	Increase/(Decline)
	in profit before taxation	in equity	in profit before taxation	in equity
	2014	2014	2013	2013
	RM'000	RM'000	RM'000	RM'000
MYR	(3,864)	(2,898)	(33,296)	(24,972)
USD	(2,161)	(1,621)	(1,796)	(1,347)
GBP	(1)	(1)	-	-

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30. Financial instruments (continued)**Market risk (continued)****Foreign currency risk**

The table below summarises the Bank's foreign exchange position by major currencies. "Others" include mainly Australian Dollar, Euro, Japanese Yen and Hong Kong Dollar.

As at 31 December 2014	MYR RM'000	USD RM'000	GBP RM'000	SGD RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short term funds	1,119,521	-	-	-	-	1,119,521
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Investment securities available-for-sale	98,556	-	-	-	-	98,556
Financing and advances	5,785,726 *	657,373	652,798	-	401	7,096,298
Other balances	(109,914)	1,018,816	-	(52,193)	399,311	1,256,020
Derivative financial assets	51,131	49,097	68	-	-	100,296
	6,945,020	1,725,286	652,866	(52,193)	399,712	9,670,691
Financial liabilities						
Deposits from customers	3,364,548	14,574	-	53	106,196	3,485,371
Deposits and placements of banks and other financial institutions	3,705,350	725,328	-	-	653,160	5,083,838
Other balances	238,545	78,846	-	45,447	(6,853) **	355,985
Derivative financial liabilities	16,357	83,275	888	914	2,533	103,967
Subordinated sukuk	100,000	-	-	-	-	100,000
	7,424,800	902,023	888	46,414	755,036	9,129,161
Total foreign currency sensitivity gap	(479,780)	823,263	651,978	(98,607)	(355,324)	541,530

* Included in other balances is a payable to the immediate holding company amounted to MYR 369,241,000, which will be settled in net together with balances in other currencies.

** Included in other balances is a past due receivable amounted to EUR 5,646,000 and other balances of EUR 808,000, which will be settled in net together with balances in other currencies.

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30. Financial instruments (continued)**Market risk (continued)****Foreign currency risk (continued)**

As at 31 December 2013	MYR RM'000	USD RM'000	GBP RM'000	SGD RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short term funds	1,955,600	-	-	-	-	1,955,600
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Investment securities available-for-sale	99,698	-	-	-	-	99,698
Financing and advances	4,740,157	305,372	-	-	-	5,045,529
Other balances	6,741	721,444	318,888	(43,252) *	65,695	1,069,516
Derivative financial assets	2,038	1,960	3,270	-	4,405	11,673
	6,804,234	1,028,776	322,158	(43,252)	70,100	8,182,016
Financial liabilities						
Deposits from customers	4,163,877	1,619	-	26	-	4,165,522
Deposits and placements of banks and other financial institutions	2,691,373	296,262	-	-	110,807 **	3,098,442
Other balances	198,778	33,647	163	52,369	(6,258)	278,699
Derivative financial liabilities	6,717	1,669	-	79	-	8,465
Subordinated sukuk	100,000	-	-	-	-	100,000
	7,160,745	333,197	163	52,474	104,549	7,651,128
Total foreign currency sensitivity gap	(356,511)	695,579	321,995	(95,726)	(34,449)	530,888

* Included in other balances is a payable to the immediate holding company amounted to SGD 43,252,000, which will be settled in net together with balances in other currencies.

** Included in other balances is a past due receivable amounted to EUR 5,618,000 and other balances of EUR 808,000, which will be settled in net together with balances in other currencies.

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31. 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:-

	Carrying value		Fair Value	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financial assets				
Cash and short term funds	1,119,521	1,955,600	1,119,521	1,955,600
Investment securities available-for-sale	98,556	99,698	98,556	99,698
Financing and advances *	7,215,336	5,149,466	7,226,958	4,995,094
Derivative financial assets	100,296	11,673	100,296	11,673
Financial liabilities				
Deposits from customers	3,485,371	4,165,522	3,494,768	4,176,499
Deposits and placements of banks and other financial institutions	5,083,838	3,098,442	5,083,838	3,098,442
Derivative financial liabilities	103,967	8,465	103,967	8,465
Subordinated sukuk	100,000	100,000	100,000	100,000

Note:

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

* The collective impairment provision of the Bank of RM119,038,000 (31 December 2013: RM103,937,000) is not included in the carrying value.

Methods and Assumptions**a) Financial Assets****(i) Cash and short term funds, deposits and placements with banks and other financial institutions**

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

(ii) Investment securities available-for-sale

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

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

Methods and assumptions (continued)

a) Financial assets (continued)

(iii) Financing and advances

The fair values of profit rate financing with remaining maturity of less than one year and variable profit rate financing are estimated to approximate their carrying values. For fixed rate financing 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 statement of financial position date offered for similar financing to new customers with similar credit profiles, where applicable. In respect of impaired financing, the fair values are deemed to approximate the carrying values, net of individual impairment provision.

(iv) Derivative financial instruments

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

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

(ii) Derivative financial instruments

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

(iii) Subordinated sukuk

The fair value of subordinated sukuk 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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31. Fair values of financial assets and liabilities (continued)**Methods and assumptions (continued)****c) Fair value hierarchy**

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

	Level 1	Level 2	Level 3
Fair value determined using	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Type of financial assets	Actively traded government and agency securities	Corporate and other government sukuk and financings Over-the-counter (OTC) derivatives Cash and short term funds Other assets	Private debt equity investments Corporate sukuk with illiquid markets Financing and advances
Type of financial liabilities	-	OTC derivatives Deposits from customers Deposits and placements of banks and other financial institutions Other liabilities Subordinated sukuk	-

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

Methods and assumptions (continued)

c) Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
2014										
Assets										
Cash and short term funds	-	-	-	-	-	1,119,521	-	1,119,521	1,119,521	1,119,521
Financing and advances	-	-	-	-	-	-	7,226,958	7,226,958	7,226,958	7,215,336
Investment securities available-for-sale										
Malaysian Government / Bank Negara Bills	98,556	-	-	98,556	-	-	-	-	98,556	98,556
Derivative financial instruments	-	100,296	-	100,296	-	-	-	-	100,296	100,296
Other assets	-	-	-	-	-	1,004,570	-	1,004,570	1,004,570	1,004,570
At 31 December 2014	98,556	100,296	-	198,852	-	2,124,091	7,226,958	9,351,049	9,549,901	9,538,279
Liabilities										
Deposits from customers	-	18,588	-	18,588	-	3,476,180	-	3,476,180	3,494,768	3,485,371
Deposits and placements of banks and other financial institutions	-	3,616	-	3,616	-	5,080,222	-	5,080,222	5,083,838	5,083,838
Derivative financial instruments	-	103,967	-	103,967	-	-	-	-	103,967	103,967
Other liabilities	-	-	-	-	-	355,985	-	355,985	355,985	355,985
Subordinated sukuk	-	-	-	-	-	100,000	-	100,000	100,000	100,000
At 31 December 2014	-	126,171	-	126,171	-	9,012,387	-	9,012,387	9,138,558	9,129,161

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

Methods and assumptions (continued)

c) Fair value hierarchy (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
2013										
Assets										
Cash and short term funds	-	-	-	-	-	1,955,600	-	1,955,600	1,955,600	1,955,600
Financing and advances	-	-	-	-	-	-	4,995,094	4,995,094	4,995,094	5,149,466
Investment securities available-for-sale										
Malaysian Government / Bank Negara Bills	99,698	-	-	99,698	-	-	-	-	99,698	99,698
Derivative financial instruments	-	11,673	-	11,673	-	-	-	-	11,673	11,673
Other assets	-	-	-	-	-	868,199	-	868,199	868,199	868,199
At 31 December 2013	99,698	11,673	-	111,371	-	2,823,799	4,995,094	7,818,893	7,930,264	8,084,636
Liabilities										
Deposits from customers	-	18,588	-	18,588	-	4,157,911	-	4,157,911	4,176,499	4,165,522
Deposits and placements of banks and other financial institutions	-	3,616	-	3,616	-	3,094,826	-	3,094,826	3,098,442	3,098,442
Derivative financial instruments	-	8,465	-	8,465	-	-	-	-	8,465	8,465
Other liabilities	-	-	-	-	-	278,699	-	278,699	278,699	278,699
Subordinated sukuk	-	-	-	-	-	100,000	-	100,000	100,000	100,000
At 31 December 2013	-	30,669	-	30,669	-	7,631,436	-	7,631,436	7,662,105	7,651,128

There were no transfers between Level 1 and Level 2 in 2014.

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31. Fair values of financial assets and liabilities (continued)**Methods and assumptions (continued)****d) Derivative financial instruments****Derivatives held for trading**

	31 December 2014			31 December 2013		
	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	1,374,936	17,461	20,159	523,528	8,048	3,660
- Currency swaps	835,380	48,547	48,547	-	-	-
Profit rate derivative contracts:-						
- Swaps	896,041	29,262	30,235	54,551	3,625	4,805
- Options purchased	255,136	1,591	-	-	-	-
- Options sold	255,136	-	1,591	-	-	-
Commodity derivative contracts:-						
- Forward rate agreements and options	27,427	3,435	3,435	-	-	-
Total derivatives held for trading	3,644,056	100,296	103,967	578,079	11,673	8,465

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31. Fair values of financial assets and liabilities (continued)**Methods and assumptions (continued)****d) Derivative financial instruments (continued)****Derivative financial instruments by sector**

	31 December 2014			31 December 2013		
	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	845	-	18	1,757	18	-
Mining and quarrying	21,699	1,260	2,930	20,356	1,686	1,619
Manufacturing	19,908	519	5	14,408	222	32
Real estate	-	-	-	-	-	-
Transportation, storage and communication	-	-	-	-	-	-
Finance, takaful and business services	3,601,604	98,517	101,014	541,558	9,747	6,814
	3,644,056	100,296	103,967	578,079	11,673	8,465

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32. Lease commitments

The Bank has 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 is as follows:-

	2014	2013
	RM'000	RM'000
Less than one year	1,918	1,728
Between one and five years	1,978	1,831
	<u>3,896</u>	<u>3,559</u>

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

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

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

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

The capital plan takes the following into account:-

- current regulatory capital requirements and assessment of future standards;
- demand for capital due to business growth, forecasts, financing impairment outlook and market shocks or stresses; and
- available supply of capital and capital raising options.

The Bank formulates a capital plan with the help of internal models and other quantitative techniques. The Bank uses model to assess the capital demand for material risks and supports this with its internal capital adequacy assessment. Other internal models help to estimate potential future losses arising from credit, market and other risks and using regulatory formulae, the amount of capital required to support them. In addition, the models enable the Bank to gain an enhanced understanding of its risk profile, for example by identifying potential concentrations and assessing the impact of portfolio management actions. Stress testing and scenario analysis are an integral part of capital planning, and are used to ensure the Bank's internal capital adequacy assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events and how these could be mitigated through appropriate management actions.

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

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

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

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33. Capital management (continued)

(i) Capital management approach (continued)

The Bank's (Internal Capital Adequacy Assessment Process ("ICAAP")) closely integrates the risk and capital assessment processes, and ensures that adequate levels of capital are maintained to support the Bank's current and projected demand for capital under expected and stressed conditions. The Bank's ICAAP, including methodologies in use for stress testing and economic capital calculations are aligned with those established at the Standard Chartered PLC Group ("SCB Group") level and has been designed to be applied consistently across the Bank to meet the Pillar 2 requirements of BNM.

Details of regulatory capital structure of the Bank are disclosed in Note 34. All ordinary shares in issue confer identical rights in respect of capital, dividends and voting.

(ii) Basel II

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

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

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

In Malaysia, the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) came into effect on 1 January 2008, last updated on 27 June 2013. The framework (previously known as Capital Adequacy Framework for Islamic Banks) sets out the approaches for the computation of Risk Weighted Asset (RWA) for Islamic banking institutions. The framework forms part of the overall capital adequacy framework for Islamic banking institutions, hence should be read alongside: Capital Adequacy Framework for Islamic Banks (Capital Components); and Guidelines on Recognition and Measurement of Profit Sharing Investment Account as Risk Absorbent.

BNM has formally approved Standard Chartered Saadiq Berhad ("SCSB" or "the Bank") to use the AIRB approach for calculating and reporting credit risk regulatory capital in June 2010. As a result, since July 2010 regulatory capital submission, the Bank has been using AIRB approach for calculating and reporting the credit risk capital requirement. Formal approval was obtained from BNM in May 2013 for the use of TSA approach for calculating and reporting operational risk. Effective September 2013, the Bank commenced the use of TSA approach for calculating and reporting operational risk capital requirement.

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34. Capital adequacy

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

	2014	2013
	RM'000	RM'000
Tier 1 Capital		
Paid-up ordinary share capital	102,750	102,750
Share premium	308,250	308,250
Other reserves	148,942	138,689
Less: Deferred tax asset	(2,843)	(2,940)
Excess of Expected Loss over Eligible Provisions under AIRB approach	(17,405)	(54,996)
Unrealised gains and losses on 'available-for-sale' financial instruments	(20)	(9)
CET 1 and Eligible Tier 1 capital	<u>539,674</u>	<u>491,744</u>
Tier 2 Capital		
Islamic subordinated sukuk	100,000	100,000
Collective impairment provisions	9,270	4,560
Eligible Tier 2 capital	<u>109,270</u>	<u>104,560</u>
Total Capital Base	<u><u>648,944</u></u>	<u><u>596,304</u></u>

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

	2014	2013
	RM'000	RM'000
Total risk-weighted assets		
- credit risk	4,333,866	3,979,258
- operational risk	383,234	367,218
	<u><u>4,717,100</u></u>	<u><u>4,346,476</u></u>
	2014	2013
CET 1 capital ratio	11.441%	11.314%
Tier 1 capital ratio	11.441%	11.314%
Risk-weighted capital ratio	13.757%	13.719%