



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

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

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

**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 Group and of the Bank for the year ended 31 December 2014.

**Principal activities**

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

**Results**

	<b>Group RM'000</b>	<b>Bank RM'000</b>
Profit before taxation	526,348	500,423
Tax expense	<u>(132,315)</u>	<u>(123,203)</u>
Profit for the year	<u>394,033</u>	<u>377,220</u>
Profit for the year attributable to:		
Owners of the Bank	392,001	377,220
Non-controlling interest	<u>2,032</u>	<u>-</u>
	<u>394,033</u>	<u>377,220</u>

**Dividends**

Since the end of the previous financial year, the Bank paid an interim single tier dividend of 80 sen per ordinary share totalling RM100,000,000 in respect of the financial year ended 31 December 2014 on 15 October 2014.

The Directors recommend the payment of a semi-annual net cash dividend of 6.75% (on issue price) amounting to RM12,825,000 to the Irredeemable Convertible Preference shareholder and a final single tier dividend of 19.44 sen per ordinary share totalling RM24,300,000 to the ordinary shareholders in respect of the current financial year.

**Reserves and provisions**

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

**Bad and doubtful debts and financing**

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

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

**Current assets**

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

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

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**Valuation methods**

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

**Contingent and other liabilities**

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

- (a) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (b) any contingent liabilities in respect of the Group and of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

**Change of circumstances**

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

**Items of an unusual nature**

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

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

**Business plan and strategy**

**2014 Results**

Against the backdrop of moderate growth sentiments in Malaysia, the Group registered a profit before taxation of RM 526.35 million, a 27.57% decline against 2013. Net interest income declined by 5.12% against 2013 to RM 1.03 billion, while other operating income decreased by 15.61% to RM 552.64 million largely due to less favourable trading environment. Islamic Banking income however increased 4.74% to RM 301.28 million. Meanwhile, operating expenses decreased by 0.34% to RM 971.38 million while provision for loans, advances and financing was at RM 384.16 million, a 18.40% increase against last year.

The Group's total assets declined by 0.58% to RM 54.04 billion as loan growth moderated during the year while customer deposits declined by 5.36% to RM 36.52 billion.

The Group remains well capitalised with Common Equity Tier 1 and Risk-weighted capital ratio of 10.85% and 15.22%, respectively before proposed dividend.

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**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 the 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 Group'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.

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

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

**Plan for 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 Group will continue to focus on sustainable and profitable growth. The Group'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 emphasise on client segment cross-selling.

**Statement of Corporate Governance**

The Group and the Bank is committed to high standards of corporate governance and strives to continually improve the governance processes and structures as articulated in the Principles and Best Practices promulgated in the Malaysian Code of Corporate Governance 2012 (the "Code") as well as in conformity with the BNM Revised Guidelines on Corporate Governance for Licensed Institutions (the "BNM Guidelines") issued by BNM in June 2013. The Board is pleased to set out below how the Group and the Bank has adhered to the aforesaid principles of the Code and the extent to which the Group and the Bank has complied in all material aspects with the best practices of the Code and BNM Guidelines during the financial year ended 31 December 2014.

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**Board of Directors**

**Composition of the Board of Directors**

The Board of Directors (the "Board") brings a wealth of knowledge, experience and skills in a wide range of business management, audit and accountancy, economics, finance, risk management and international banking to the Board. The Board presently has six (6) members, of which one (1) is the Executive Director, one (1) is Non-Executive Director 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. The Directors who served since the date of the last report are:-

Members

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman  
Datuk Abu Hassan bin Kendut  
Datuk Ishak bin Imam Abas  
Datuk Seri Michael Yam Kong Choy  
Judy Hsu Chung Wei  
Mahendra Gursahani (appointed on 17 February 2015)  
Lim Cheng Teck - Deputy Chairman (appointed on 17 February 2015)  
Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)  
Edward Martin Jake Williams (resigned on 19 September 2014)  
Neeraj Swaroop - Deputy Chairman (resigned on 17 February 2015)  
Osman Tarique Morad (resigned on 17 February 2015)  
Datuk Abu Hassan bin Kendut (resigned on 5 May 2015)  
Judy Hsu Chung Wei (resigned on 14 May 2015)

Status of Directorship

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

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

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

**Roles and responsibilities of the Board**

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

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

**Appointments to the Board**

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

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

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**Board of Directors (continued)**

**Board's conduct of its affairs and board meetings**

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

**Frequency and attendance of each Director at Board meetings**

The Board meets regularly and has a formal schedule of matters specifically reserved for its decision. Meetings for the year are scheduled early in the year with due notice given for all scheduled meetings. During the financial year 2014, the Board met seven (7) times to deliberate on and consider a variety of significant matters that required its guidance and approval. Relevant management personnel are invited to Board meetings to report and appraise the Board on financials, operations and other developments within their respective purview. Where appropriate, decisions are taken by way of circular resolutions in between scheduled meetings.

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

<u>Members</u>	<u>Attendance and Number of Board Meetings</u>
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	7/7
Datuk Abu Hassan bin Kendut	6/7
Datuk Ishak bin Imam Abas	7/7
Datuk Seri Michael Yam Kong Choy	7/7
Judy Hsu Chung Wei	6/7
Lim Cheng Teck - Deputy Chairman (appointed on 17 February 2015)	-
Mahendra Gursahani (appointed on 17 February 2015)	-
Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)	-
Edward Martin Jake Williams (resigned on 19 September 2014)	3/4
Neeraj Swaroop - Deputy Chairman (resigned on 17 February 2015)	6/7
Osman Tarique Morad (resigned on 17 February 2015)	7/7
Datuk Abu Hassan bin Kendut (resigned on 5 May 2015)	6/7
Judy Hsu Chung Wei (resigned on 14 May 2015)	6/7

**Key information and background of Directors**

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

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

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

**(b) Datuk Abu Hassan bin Kendut**

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

**(c) Datuk Ishak bin Imam Abas**

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

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**Board of Directors (continued)**

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

**(d) Datuk Seri Michael Yam Kong Choy**

Datuk Seri Michael Yam Kong Choy was appointed as an Independent Non-Executive Director on 15 June 2009. He is a Fellow of the Royal Institution of Chartered Surveyors and also qualified as a professional corporate member and Fellow of the Chartered Institute of Building after his graduation in building and management studies from the University of Westminster, London in 1979. He had worked in the United Kingdom for five years in various executive and managerial positions 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.

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

**(g) Neeraj Swaroop**

Neeraj Swaroop was appointed to the Board as a Non-Independent Non-Executive Director and Deputy Chairman on 15 February 2012. He is currently the 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.

**(h) Judy Hsu Chung Wei**

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

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**Board of Directors (continued)**

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

**(i) Lim Cheng Teck**

Lim Cheng Teck was appointed to the Board of SCBMB as a Non-Independent Non-Executive Director and Deputy Chairman on 17 February 2015. He is currently the Regional Chief Executive Officer, ASEAN for Standard Chartered Bank. Prior to that, he was the Chief Executive Officer and Executive Vice Chairman of Standard Chartered Bank (China) Limited. Cheng Teck joined Standard Chartered Bank, Singapore in 1988 and held various roles within Corporate and Institutional Banking and was the Head of the Large Asian Corporate unit. He was then appointed Programme Director, Customer Management Process of Standard Chartered Bank, Singapore in 2000. In 2001, Cheng Teck relocated to China and was appointed Head of Global Corporate and later, Head of Client Relationships. He held this position until 2005 when he assumed the role of Chief Operating Officer of Standard Chartered Bank, China. In 2006, Cheng Teck was appointed Chief Executive Officer of Standard Chartered Bank, Singapore. He returned to China in 2009 as Chief Executive Officer and Executive Vice Chairman of Standard Chartered Bank (China) Limited. He has previously served on the Board of Singapore National Employers' Federation, Singapore International Foundation and the council of the Association of Banks in Singapore. Cheng Teck holds a MBA degree from Brunel University, United Kingdom.

**(j) Mahendra Gursahani**

Mahendra Gursahani was appointed to the Board on 17 February 2015 as the Managing Director and Chief Executive Officer. Prior to this, he was the Chief Executive Officer of Standard Chartered Bank, Philippines. He started his career as an auditor in Hacker Young & Co and Arthur Andersen & Co in London from 1978 to 1985 before he joined American Express Bank in India in 1985. He then joined Standard Chartered Bank, India in 1987 in Credit Risk Management and was based in Sydney from 1989 to 1993 as Credit Risk Manager and Manager Special Asset Management. He moved to Singapore to take on the role as the Head of Audit, South East Asia prior to his appointments as Chief Financial Officer, Singapore in 1995. Since then, he assumed various key roles from Group Chief Financial Officer, Support Functions (1997), Chief Financial Officer, UK and Americas in London (1999-2001), Group BASEL Programme Director in London and Singapore (2001-2003) to Chief Financial Officer in Dubai (2003-2010). Mahendra is a Chartered Accountant (ACA), having qualified in London with the Institute of Chartered Accountants in England and Wales and he has a Bachelor of Commerce degree from Bombay University.

**Committees**

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

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

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

**a) Nomination Committee**

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

**Membership and composition**

The members of the NC are:-  
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman  
Datuk Ishak bin Imam Abas  
Datuk Seri Michael Yam Kong Choy (appointed on 15 October 2014)  
Lim Cheng Teck (appointed on 17 February 2015)  
Mahendra Gursahani (appointed on 17 February 2015)  
Neeraj Swaroop - Deputy Chairman (resigned on 17 February 2015)  
Osman Tarique Morad (resigned on 17 February 2015)

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



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**Committees (continued)**

**a) Nomination Committee (continued)**

**Functions, responsibilities and terms of reference (continued)**

**Functions, responsibilities and terms of reference**

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

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

- To bring to the Board recommendations as to the minimum requirements (including skills, experience, qualifications and competencies) for appointees to the Board and for the Chief Executive Officer.
- To regularly review the overall structure, size and composition (including the skills, knowledge, experience and compliance with corporate governance best practice) of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary.
- To identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise as well as the re-appointment of Directors, subject to 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.

In 2014, the NC has made assessment for the appointment of two (2) directors and re-appointment of one (1) director 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, individual Directors and its committees. The purpose of the evaluation is to determine whether the Board, individual Directors and its committees are functioning effectively and to increase the effectiveness of the Board. By including individual Directors, the evaluation is intended to capitalise on the strengths that each Director brings to the Board and enhance each Director's contribution.

**Number of meetings held**

The Nomination Committee meets at least once a year and during the financial year 2014, the committee met four (4) times and the attendance of the members are as follows:-

<u>Members</u>	<u>Attendance and Number of Meetings</u>
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	4/4
Datuk Ishak bin Imam Abas	4/4
Datuk Seri Michael Yam Kong Choy (appointed on 15 October 2014)	2/2
Lim Cheng Teck - Deputy Chairman (appointed on 17 February 2015)	-
Mahendra Gursahani (appointed on 17 February 2015)	-
Neeraj Swaroop - Deputy Chairman (resigned on 17 February 2015)	4/4
Osman Tarique Morad (resigned on 17 February 2015)	4/4

**b) Audit Committee**

The Audit Committee was established on 6 February 2006.

**Membership and composition**

The members of the Audit Committee ("AC") are:-

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

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

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**Committees (continued)**

**b) Audit Committee (continued)**

**Terms of Reference (continued)**

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

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

- review and monitor the appropriateness and completeness of statutory accounts and published financial statements of the Bank and any formal announcements relating to the Bank'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 Bank'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 auditors and make appropriate recommendations, through the board, to shareholders to consider at the annual general meeting concerning the re-appointment of the external auditors;
- 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.

**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

**c) Board Risk Committee**

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

**Membership and composition**

The members of the BRC are:-

- Datuk Seri Michael Yam Kong Choy - Chairman (appointed on 5 May 2015)
- Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)
- Datuk Ishak bin Imam Abas
- Edward Martin Jake Williams (resigned on 19 September 2014)
- Datuk Abu Hassan bin Kendut (resigned on 5 May 2015)

**Terms of Reference**

The Terms of reference of BRC was 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.

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**Committees (continued)**

**c) Board Risk Committee**

**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 Seri Michael Yam Kong Choy - Chairman (appointed on 5 May 2015)	5/5
Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)	-
Datuk Ishak bin Imam Abas	5/5
Edward Martin Jake Williams (resigned on 19 September 2014)	4/4
Datuk Abu Hassan bin Kendut (resigned on 5 May 2015)	5/5

**d) Syariah Advisory Committee**

**Membership and composition**

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

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

**Main Responsibilities of the Syariah Advisory Committee and its Advisers**

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

**Responsibilities of the Syariah Advisory Committee and its Advisers**

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

**Syariah Compliance Review**

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

**Syariah Risk Management**

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

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**Committees (continued)**

**d) Syariah Advisory Committee (continued)**

**Non-Syariah Income**

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

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

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 RM67,516.

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

**Risk Management**

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

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

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

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

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**Risk Management (continued)**

Risk Governance (continued)

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 requirement.

ERC ensures the effective management of risk throughout the subsidiary and other Bank's non banking entities incorporated and domiciled in Malaysia in support of business strategy. The ERC must ensure that risks within the country entities are managed effectively with the constraints set by Group Risk Committee. In addition, ERC has risk management oversight over entities and branch of Standard Chartered Bank, UK incorporated and domiciled in Malaysia.

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 organisational levels.

Three Lines of Defence

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

Risk Function

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

- To maintain the Risk Management Framework, ensuring it remains appropriate to the Group's activities, is effectively communicated and implemented across the Group and for administering related governance and reporting processes.
- To uphold the overall integrity of the Group'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.

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**Risk Management (continued)**

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 losses or reputational damage, ensure compliance with applicable laws and regulations, and enhance resilience to external events. This is supported by the RMF described earlier, which is underpinned by policy statements, written procedures and control manuals.

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

The effectiveness of the Bank's internal control system is reviewed regularly by the ultimate holding company's Internal Audit who are independent from the business operations. Group Internal Audit ("GIA") monitors compliance with policies and standards and the effectiveness of internal control structures of the Group and highlights significant findings in respect of any non-compliance. The work of GIA is focused on areas of greatest risk as determined by a risk assessment approach and reports regularly to the AC. The AC reviewed the annual confirmation from the Senior Management that throughout 2014, significant risks had been regularly assessed and monitored and all major systems of internal control had been operating effectively. All material risks and losses received adequate management attention and were reported on a regular basis to the relevant committees and the Board.

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

**Related Party Transactions**

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

**Management Report**

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

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

**Ratings Statement**

RAM Rating Services Berhad had reaffirmed the long and short-term general bank ratings of Standard Chartered Bank Malaysia Berhad to be AAA and P1, respectively, in 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 BNM's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Banking Institutions and Guidelines on Classification and Impairment Provision for Loans/Financing.

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**Board of Directors and their interests in shares**

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

In Standard Chartered PLC Ordinary shares of US\$0.50 each	As at	Number of shares		As at
	1.1.2014	Acquired	Disposed	31.12.2014
Osman Tarique Morad	12,759	1,938 (A)	(5,000)	9,697
Neeraj Swaroop	97,902	13,104 (B)	(13,104)	97,902
Judy Hsu Chung Wei	-	16,678 (C)	(16,678)	-
		Number of options		
	As at	Awarded/ Granted	Lapsed/ Exercised	As at
	1.1.2014			31.12.2014
<u>International Sharesave Scheme</u>				
Judy Hsu Chung Wei	1,039	-	-	1,039
<u>Options Over Performance Share Plan</u>				
Neeraj Swaroop	55,054	19,389	(18,393)	56,050
<u>Deferred Restricted Share Scheme</u>				
Neeraj Swaroop	12,761	5,562	(5,892)	12,431
Osman Tarique Morad	963	-	(963)	-
<u>Performance Share Award</u>				
Osman Tarique Morad	12,774	3,502	(6,404)	9,872
Judy Hsu Chung Wei	49,148	14,542	(6,130)	57,560
<u>Deferred Restricted Share Award</u>				
Osman Tarique Morad	2,974	1,333	(1,546)	2,761
Judy Hsu Chung Wei	19,373	10,993	(10,548)	19,818

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

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

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

**Issue of shares and debentures**

During the financial year, the Bank has increased its authorised share capital of RM1,038,000,000 comprising 700,000,000 ordinary shares of RM1.00 each, 300,000,000 Redeemable Preference Shares of RM1.00 each and 380,000,000 Irredeemable Non-Cumulative Preference Shares ("Musyarakah INPS") of RM0.10 each to RM1,076,000,000 comprising 700,000,000 ordinary shares of RM1.00 each, 300,000,000 Redeemable Preference Shares of RM1.00 each, 380,000,000 Irredeemable Non-Cumulative Preference Shares of RM0.10 each and 380,000,000 Irredeemable Convertible Preference Shares ("ICPS") of RM0.10 each.

The Bank has issued 380,000,000 ICPS at the issue price of RM1.00 each comprising par value of RM0.10 and premium of RM0.90 for each ICPS to Standard Chartered Holdings (Asia Pacific) B.V. pursuant to the conversion of the Musyarakah INPS to ICPS during the financial year.

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**Issue of shares and debentures (continued)**

Following the conversion of the Musyarakah INPS to ICPS, the total issued capital of the Bank now stands at 125,000,000 ordinary shares of RM1.00 each and 380,000,000 Irredeemable Convertible Preference Shares of RM0.10 at a premium of RM0.90 per Irredeemable Convertible Preference Shares and there was no change to the paid-up capital of RM163,000,000.

There were no other changes to the authorised, issued and paid-up capital of the Bank during the year.

There were no debentures issued during the financial year.

**Options granted over unissued shares**

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

**Directors' benefits**

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

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

**Holding companies**

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

**Auditors**

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

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

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

.....  
Mahendra Gursahani

Kuala Lumpur  
Date: 10 June 2015



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

In the opinion of the Directors, the financial statements set out on pages 20 to 140 are drawn up in accordance with the Companies Act, 1965 in Malaysia and Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and Guidelines on Financial Reporting issued by Bank Negara Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2014 and of their financial performance and cash flows for the year then ended on that date.

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

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

.....  
Mahendra Gursahani

Kuala Lumpur  
Date: 10 June 2015

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**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 Bank Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 20 to 140 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 members of  
Standard Chartered Bank Malaysia Berhad**  
(Company No. 115793 P)  
(Incorporated in Malaysia)

**Report on the Financial Statements**

We have audited the financial statements of Standard Chartered Bank Malaysia Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Bank, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 140.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

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

### **Report on Other Legal and Regulatory Requirements**

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### **Other Matters**

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

#### **KPMG**

Firm Number: AF 0758  
Chartered Accountants

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

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

Petaling Jaya

Date: 10 June 2015

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2014**

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Assets</b>					
Cash and short term funds	3	5,825,358	8,143,220	6,013,052	6,794,448
Deposits and placements with banks and other financial institutions	4	68,524	12,590	3,675,437	2,389,694
Securities purchased under resale agreements	5	551,077	291,261	551,077	291,261
Financial assets held for trading	6	3,534,095	2,918,194	3,534,095	2,918,194
Investment securities available-for-sale	7	5,366,299	4,648,145	5,266,339	4,522,205
Loans, advances and financing	8	33,802,679	34,209,142	26,706,380	29,163,612
Derivative financial assets	42	2,867,619	2,096,671	2,869,041	2,096,231
Other assets	10	703,907	702,619	1,083,501	989,697
Current tax assets		30,884	64,624	17,218	53,150
Statutory deposits with Bank Negara Malaysia	11	1,152,691	1,153,509	901,241	952,192
Investments in subsidiaries	12	-	-	411,522	411,522
Property, plant and equipment	13	71,302	65,741	69,425	61,366
Deferred tax assets	32	61,106	43,373	54,287	38,533
<b>Total assets</b>		<b>54,035,541</b>	<b>54,349,089</b>	<b>51,152,615</b>	<b>50,682,105</b>
<b>Liabilities</b>					
Deposits from customers	14	36,524,580	38,594,479	33,056,211	34,452,038
Deposits and placements of banks and other financial institutions	15	7,340,284	7,170,856	7,183,376	7,056,409
Obligations on securities sold under repurchase agreements	5	497,384	-	497,384	-
Derivative financial liabilities	42	2,715,041	1,754,037	2,712,792	1,756,805
Other liabilities	16	1,736,783	1,887,018	2,654,147	2,638,024
Current tax liabilities		1,968	1,476	-	-
Subordinated debts	17	1,000,000	1,000,000	1,000,000	1,000,000
<b>Total liabilities</b>		<b>49,816,040</b>	<b>50,407,866</b>	<b>47,103,910</b>	<b>46,903,276</b>
<b>Equity</b>					
Share capital	19	163,000	163,000	163,000	163,000
Reserves	20	4,053,617	3,768,971	3,885,705	3,615,829
<b>Total equity attributable to owners of the Bank</b>		<b>4,216,617</b>	<b>3,931,971</b>	<b>4,048,705</b>	<b>3,778,829</b>
Non-controlling interest		2,884	9,252	-	-
<b>Total equity</b>		<b>4,219,501</b>	<b>3,941,223</b>	<b>4,048,705</b>	<b>3,778,829</b>
<b>Total liabilities and equity</b>		<b>54,035,541</b>	<b>54,349,089</b>	<b>51,152,615</b>	<b>50,682,105</b>
<b>Commitments and contingencies</b>	36	<b>176,587,251</b>	<b>179,152,250</b>	<b>176,088,705</b>	<b>178,081,931</b>

The notes set out on pages 28 to 140 form an integral part of, and should be read in conjunction with these financial statements.

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

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income	22	1,788,037	1,863,997	1,854,423	1,892,673
Interest expense	23	(760,079)	(780,548)	(760,427)	(780,454)
<b>Net interest income</b>		<b>1,027,958</b>	<b>1,083,449</b>	<b>1,093,996</b>	<b>1,112,219</b>
Net income from Islamic Banking operations	24	301,286	287,659	-	-
		1,329,244	1,371,108	1,093,996	1,112,219
Other operating income	25	552,643	654,843	647,302	732,387
Total net income		1,881,887	2,025,951	1,741,298	1,844,606
Other operating expenses	26	(971,382)	(974,741)	(930,724)	(932,069)
<b>Operating profit</b>		<b>910,505</b>	<b>1,051,210</b>	<b>810,574</b>	<b>912,537</b>
Provisions for loans, advances and financing	28	(384,157)	(324,463)	(310,151)	(264,789)
<b>Profit before taxation</b>		<b>526,348</b>	<b>726,747</b>	<b>500,423</b>	<b>647,748</b>
Tax expense	31	(132,315)	(165,220)	(123,203)	(156,172)
<b>Profit for the year</b>		<b>394,033</b>	<b>561,527</b>	<b>377,220</b>	<b>491,576</b>
<b>Other comprehensive (expense)/income, net of income tax</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Fair value reserve (investment securities available-for-sale):-					
Net changes in fair value		(4,300)	(3,386)	(4,289)	(3,449)
Net amount transferred to profit or loss		(2,401)	(1,307)	(2,401)	(1,307)
Cash flow hedges:-					
Effective portion of changes in fair value		40	(8,403)	40	(8,403)
Net amount transferred to profit or loss		(1,141)	(1,583)	(1,141)	(1,583)
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Actuarial gains from defined benefit plan		447	4	447	4
<b>Other comprehensive expense for the year, net of income tax</b>		<b>(7,355)</b>	<b>(14,675)</b>	<b>(7,344)</b>	<b>(14,738)</b>
<b>Total comprehensive income for the year</b>		<b>386,678</b>	<b>546,852</b>	<b>369,876</b>	<b>476,838</b>
<b>Profit attributable to:</b>					
Owners of the Bank		392,001	554,805	377,220	491,576
Non-controlling interests		2,032	6,722	-	-
		<b>394,033</b>	<b>561,527</b>	<b>377,220</b>	<b>491,576</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Bank		384,646	540,130	369,876	476,838
Non-controlling interest		2,032	6,722	-	-
		<b>386,678</b>	<b>546,852</b>	<b>369,876</b>	<b>476,838</b>
Basic earnings per ordinary share (sen)	35	314	444		
Diluted earnings per ordinary share (sen)	35	264	-		

The notes set out on pages 28 to 140 form an integral part of, and should be read in conjunction with these financial statements.

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**AND ITS SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

GROUP	← Attributable to owners of the Bank →											
	Note	← Non-Distributable Reserves →						Distributable Reserves		Total RM'000	Non- controlling interest RM'000	Total RM'000
Share capital RM'000		Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Capital redemption reserves RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000				
<b>At 1 January 2014</b>		163,000	717,000	265,750	219,000	190	(3,115)	(7,594)	2,577,740	3,931,971	9,252	3,941,223
Fair value reserve (investment securities available-for-sale):-												
Net changes in fair value		-	-	-	-	-	(4,300)	-	-	(4,300)	-	(4,300)
Net amount transferred to profit or loss		-	-	-	-	-	(2,401)	-	-	(2,401)	-	(2,401)
Cash flow hedges:-												
Effective portion of changes in fair value		-	-	-	-	-	-	40	-	40	-	40
Net amount transferred to profit or loss		-	-	-	-	-	-	(1,141)	-	(1,141)	-	(1,141)
Actuarial gains from defined benefit plan		-	-	-	-	-	-	-	447	447	-	447
Total other comprehensive (expense)/income for the year		-	-	-	-	-	(6,701)	(1,101)	447	(7,355)	-	(7,355)
Profit for the year		-	-	-	-	-	-	-	392,001	392,001	2,032	394,033
<b>Total comprehensive (expense)/income for the year</b>		-	-	-	-	-	(6,701)	(1,101)	392,448	384,646	2,032	386,678
<b>Transactions with owners of the Bank/ other equity movements</b>												
Transfer to regulatory reserves		-	-	-	41,000	-	-	-	(41,000)	-	-	-
Dividends (ordinary shares) - 2014 interim	21	-	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	-	(8,400)	(8,400)
<b>At 31 December 2014</b>		<b>163,000</b>	<b>717,000</b>	<b>265,750</b>	<b>260,000</b>	<b>190</b>	<b>(9,816)</b>	<b>(8,695)</b>	<b>2,829,188</b>	<b>4,216,617</b>	<b>2,884</b>	<b>4,219,501</b>
		Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20			

The notes set out on pages 28 to 140 form an integral part of, and should be read in conjunction with these financial statements.

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

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

The notes set out on pages 28 to 140 form an integral part of, and should be read in conjunction with these financial statements.



**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
(Incorporated in Malaysia)  
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**STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

BANK	Note	← Non-Distributable Reserves →					→ Distributable Reserves ←		Total RM'000	
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Capital redemption reserves RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000		Retained profits RM'000
<b>At 1 January 2014</b>		163,000	717,000	163,000	219,000	190	(3,105)	(7,594)	2,527,338	3,778,829
Fair value reserve (investment securities available-for-sale):-										
Net changes in fair value		-	-	-	-	-	(4,289)	-	-	(4,289)
Net amount transferred to profit or loss		-	-	-	-	-	(2,401)	-	-	(2,401)
Cash flow hedges:-										
Effective portion of changes in fair value		-	-	-	-	-	-	40	-	40
Net amount transferred to profit or loss		-	-	-	-	-	-	(1,141)	-	(1,141)
Actuarial gains from defined benefit plan		-	-	-	-	-	-	-	447	447
Total other comprehensive (expense)/income for the year		-	-	-	-	-	(6,690)	(1,101)	447	(7,344)
Profit for the year		-	-	-	-	-	-	-	377,220	377,220
<b>Total comprehensive (expense)/ income for the year</b>		-	-	-	-	-	(6,690)	(1,101)	377,667	369,876
<b>Transactions with owners of the Bank/ other equity movements</b>										
Transfer to regulatory reserves		-	-	-	41,000	-	-	-	(41,000)	-
Dividends (ordinary shares) - 2014 interim	21	-	-	-	-	-	-	-	(100,000)	(100,000)
<b>At 31 December 2014</b>		<b>163,000</b>	<b>717,000</b>	<b>163,000</b>	<b>260,000</b>	<b>190</b>	<b>(9,795)</b>	<b>(8,695)</b>	<b>2,764,005</b>	<b>4,048,705</b>
		Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	

The notes set out on pages 28 to 140 form an integral part of, and should be read in conjunction with these financial statements.

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

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

The notes set out on pages 28 to 140 form an integral part of, and should be read in conjunction with these financial statements.

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	526,348	726,747	500,423	647,748
Adjustments for:-				
Dividend income	(21,236)	(36,633)	(21,236)	(36,633)
Depreciation	28,261	29,104	25,743	25,845
Gain on disposal of property, plant and equipment	(2,461)	(92)	(2,461)	(92)
Gain on disposal of investment securities available-for-sale	(235)	(3,686)	(235)	(3,686)
Amortisation of premium less accretion of discount on investment securities available-for-sale	(15,428)	(54,898)	(40,266)	(57,813)
Operating profit before working capital changes	515,249	660,542	461,968	575,369
Changes in working capital:-				
Deposits and placements with banks and other financial institutions	(55,934)	175,616	(1,285,743)	(336,042)
Securities purchased under resale agreement	(259,816)	(143,120)	(259,816)	(143,120)
Financial assets held for trading	(615,901)	472,998	(615,901)	472,998
Loans, advances and financing	406,464	(1,481,745)	2,457,232	(316,508)
Derivative financial instruments	190,056	(139,387)	183,177	(136,353)
Other assets	(2,754)	126,442	(95,272)	220,104
Statutory deposits with Bank Negara Malaysia	818	(49,917)	50,951	12,715
Deposits from customers	(2,069,899)	3,029,993	(1,395,827)	2,787,855
Deposits and placements of banks and other financial institutions	169,428	(1,143,800)	126,967	(1,155,834)
Obligations on securities sold under repurchase agreements	497,384	-	497,384	-
Other liabilities	(149,643)	(160,212)	16,719	199,236
Cash (used in) / generated from operations	(1,374,548)	1,347,410	141,839	2,180,420
Income taxes paid	(113,361)	(259,584)	(100,577)	(244,547)
<b>Net cash (used in) / generated from operating activities</b>	<b>(1,487,909)</b>	<b>1,087,826</b>	<b>41,262</b>	<b>1,935,873</b>
<b>Cash flows from investing activities</b>				
Dividends received	21,236	36,633	21,236	36,633
Purchase of property, plant and equipment	(35,124)	(24,616)	(35,104)	(23,339)
Proceeds from disposal of property, plant and equipment	3,763	92	3,763	92
Purchase of investment securities available-for-sale	(11,399,999)	(11,526,699)	(10,899,999)	(10,815,834)
Proceeds from disposal of investment securities available-for-sale	10,688,571	13,075,069	10,187,446	11,321,952
Investment in a subsidiary	-	(8,880)	-	-
<b>Net cash (used in) / generated from investing activities</b>	<b>(721,553)</b>	<b>1,551,599</b>	<b>(722,658)</b>	<b>519,504</b>

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Cash flows from financing activities</b>				
Proceeds from issuance of subordinated bonds	-	500,000	-	500,000
Dividends paid (Note 21)	(100,000)	(300,000)	(100,000)	(300,000)
Dividend paid to non-controlling interest	(8,400)	(9,000)	-	-
Issuance of notes payable	-	27,246	-	-
Repayment of notes payable	-	(21,000)	-	-
<b>Net cash (used in) / generated from financing activities</b>	<b>(108,400)</b>	<b>197,246</b>	<b>(100,000)</b>	<b>200,000</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,317,862)</b>	<b>2,836,671</b>	<b>(781,396)</b>	<b>2,655,377</b>
<b>Cash and cash equivalents brought forward</b>	<b>8,143,220</b>	<b>5,306,549</b>	<b>6,794,448</b>	<b>4,139,071</b>
<b>Cash and cash equivalents carried forward</b>	<b>5,825,358</b>	<b>8,143,220</b>	<b>6,013,052</b>	<b>6,794,448</b>
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds (Note 3)	<b>5,825,358</b>	<b>8,143,220</b>	<b>6,013,052</b>	<b>6,794,448</b>

The notes set out on pages 28 to 140 form an integral part of, and should be read in conjunction with these financial statements.

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

**Corporate Information**

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

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

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

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

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

**1. Basis of preparation of the financial statements**

**(a) Statement of compliance**

The financial statements of the Group and of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act, 1965 in Malaysia. The financial statements also incorporate those activities relating to Islamic Banking which have been undertaken by the Group. Islamic Banking refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2013, except for the adoption of the following 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 f \ 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 to MFRSs and IC Interpretation do not have any material impacts on the financial statements of the Group and the Bank.

**Accounting standards not yet effective**

The following MFRSs and Amendments to MFRS 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 2010-2012 Cycle and 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>                                              |
| x)    | Amendments to MFRS 140 | <i>Investment Properties (Annual Improvements 2011-2013 Cycle)</i>                                          |

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

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

MFRSs and Amendments to MFRSs 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 to MFRSs 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 to MFRSs effective for annual periods beginning on or after 1 January 2018

i)	MFRS 9	<i>Financial Instruments (2014)</i>
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The initial application of the abovementioned accounting standards and amendments are not expected to have any material impact to the financial statements of the Group and 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.

The Group and the Bank are currently assessing the financial impact that may arise from the adoption of MFRS 15.

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

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

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

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

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

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

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

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

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

**2. Significant accounting policies**

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

**(a) Basis of consolidation**

The consolidated financial statements as at and for the financial year ended 31 December 2014 comprise the financial statements of the Bank and its subsidiaries made up to the end of the financial year.

*i) Subsidiaries*

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

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

*ii) Non-controlling interest*

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

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

*iii) Transactions eliminated on consolidation*

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

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

**(b) Financial instruments**

*i) Initial recognition and measurement*

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

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

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

*ii) Financial instrument categories and subsequent measurement*

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

Financial assets

A) Financial assets at fair value through profit or loss

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

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

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

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

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

B) Investment securities held-to-maturity

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

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



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

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

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

Financial assets (continued)

C) Loans and receivables

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

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

D) Available-for-sale financial assets

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

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

Interest from investment securities available-for-sale (including zero coupon debt instruments), calculated using the effective interest/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(b)(viii) to the financial statements.

Financial liabilities

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

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

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

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

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

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

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

*iii) Financial guarantee contracts*

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

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 statement of comprehensive income upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

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

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

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

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

*v) Derivative financial instruments and hedge accounting*

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

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

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

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

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

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

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

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

Fair value hedge

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

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

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

Cash flow hedge

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

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

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

vi) *Derecognition*

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

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

vii) *Offsetting*

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

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

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

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

*viii) Impairment of financial assets*

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

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

A) Securities

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

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

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

- *Securities carried at cost*  
The amount of impairment loss is measured as the difference between the carrying amount of unquoted equity securities and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment loss shall not be reversed.
- *Investment securities available-for-sale*  
The cumulative loss that had been recognised directly in other comprehensive income shall be removed from other comprehensive income and recognised in the statement of comprehensive income even though the securities have not been derecognised. The amount of cumulative loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that securities previously recognised in the statement of comprehensive income.

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

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

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

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

*viii) Impairment of financial assets (continued)*

**B) Loans, advances and financing**

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

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

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

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

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

**(c) Property, plant and equipment**

*i) Recognition and measurement*

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is stated at cost. Cost includes expenditure that are 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 is recognised in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

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

**(c) Property, plant and equipment (continued)**

*iii) Depreciation*

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

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

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

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

**(d) Repurchase and resale agreements**

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

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

**(e) Provisions**

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

**(f) Subordinated debts**

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

**(g) Cash and cash equivalents**

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

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

**(h) Impairment of other assets**

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

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

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

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

**(i) Staff retirement and service benefits**

*i) Short term employee benefits*

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

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

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

*ii) Defined benefit plans*

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

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

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

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

**(i) Staff retirement and service benefits (continued)**

*iii) Share-based compensation*

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

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

*iv) Termination benefits*

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

**(j) Operating leases**

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

**(k) Recognition of interest/profit income**

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

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

**(l) Recognition of fees and other income**

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

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

Service charges and processing fees are recognised when earned.

**(m) Tax expense**

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

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



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

**(m) Tax expense (continued)**

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

Deferred tax liability is recognised for all taxable temporary differences.

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

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

**(n) Recognition of interest and financing expense**

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

**(o) Foreign currency transactions and balances**

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

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

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

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

**(p) Effective interest/profit rate**

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

**(q) Earnings per share**

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

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**2. Significant accounting policies (continued)****(r) Fair value measurements**

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

**3. Cash and short term funds**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and balances with banks and other financial institutions	155,542	207,768	112,726	170,023
Money at call and deposit placements maturing within one month	5,669,816	7,935,452	5,900,326	6,624,425
	<u>5,825,358</u>	<u>8,143,220</u>	<u>6,013,052</u>	<u>6,794,448</u>

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Licensed banks	-	-	3,606,913	2,377,104
Other financial institutions	68,524	12,590	68,524	12,590
	<u>68,524</u>	<u>12,590</u>	<u>3,675,437</u>	<u>2,389,694</u>

**5. Repurchase and reverse repurchase agreements and collateral**

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

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

	Group and Bank	
	2014 RM'000	2013 RM'000
<b>Statement of Financial Position - Assets</b>		
Securities and collaterals which can be re-pledged or sold	<u>551,077</u>	<u>291,261</u>
<b>Statement of Financial Position - Liabilities</b>		
Obligations on securities sold under repurchase agreements	<u>497,384</u>	<u>-</u>

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**6. Financial assets held for trading**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<u>At fair value</u>				
Malaysian Government treasury bills	9,657	160,593	9,657	160,593
Malaysian Government bonds/securities	2,560,224	979,398	2,560,224	979,398
Government Islamic bonds	28,359	9,985	28,359	9,985
Bank Negara Malaysia bills	801,732	1,558,607	801,732	1,558,607
Private debt securities	134,123	209,611	134,123	209,611
	<u>3,534,095</u>	<u>2,918,194</u>	<u>3,534,095</u>	<u>2,918,194</u>

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<u>At fair value</u>				
Malaysian Government bonds/securities	3,018,396	2,038,391	3,018,396	2,038,391
Bank Negara Malaysia bills	98,556	746,173	-	646,475
Bankers' acceptances and Islamic acceptance bills	533,502	722,539	533,502	722,539
Negotiable instruments of deposit	1,555,023	1,104,836	1,555,023	1,104,836
Private debt securities	149,452	-	149,452	-
	<u>5,354,929</u>	<u>4,611,939</u>	<u>5,256,373</u>	<u>4,512,241</u>
Unquoted securities:-				
Equity shares, at cost	9,723	9,721	9,723	9,721
Private debt securities, at fair value	1,647	26,485	243	243
	<u>5,366,299</u>	<u>4,648,145</u>	<u>5,266,339</u>	<u>4,522,205</u>

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<u>At amortised cost</u>				
Overdrafts	617,491	620,665	617,491	620,665
Term loans/financing				
- Housing loans/financing	13,916,126	13,610,278	10,929,722	11,566,925
- Syndicated term loan/financing	188,715	50,643	188,715	50,643
- Hire purchase receivables	237,512	248,672	-	-
- Lease receivables	337,940	542,668	-	-
- Other term loans/financing	10,673,176	11,004,065	7,555,481	8,722,415
Bills receivable	3,171,528	3,255,142	2,938,763	3,190,076
Trust receipts	1,181,800	1,448,438	897,792	1,345,792
Staff loans/financing	48,100	54,951	46,552	53,324
Loans/financing to banks and other financial institutions	459,298	268,738	459,298	268,738
Credit card receivables	2,221,093	2,357,202	2,221,093	2,357,202
Revolving credit	2,323,703	2,302,691	1,473,997	1,509,710
	35,376,482	35,764,153	27,328,904	29,685,490
Less: Unearned interest and income	(812,643)	(943,945)	(4,191)	(30,531)
Gross loans, advances and financing	34,563,839	34,820,208	27,324,713	29,654,959
Less: Impairment provisions on loans, advances and financing:-				
- Individual impairment provisions	(406,631)	(263,135)	(382,841)	(247,352)
- Collective impairment provisions	(354,529)	(347,931)	(235,492)	(243,995)
Total net loans, advances and financing	33,802,679	34,209,142	26,706,380	29,163,612

**(ii) By type of customer**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Domestic banking institutions	200,985	10,344	200,985	10,344
Domestic non-bank financial institutions	1,141,563	544,943	181,828	344,493
Domestic business enterprises	12,906,558	13,578,097	10,175,643	11,392,459
<i>Small medium enterprises</i>	4,544,730	4,644,283	3,458,664	3,844,425
<i>Others</i>	8,361,828	8,933,814	6,716,979	7,548,034
Individuals	17,294,426	18,232,044	14,165,864	15,668,946
Other domestic entities	413	643	413	643
Foreign entities	3,019,894	2,454,137	2,599,980	2,238,074
	34,563,839	34,820,208	27,324,713	29,654,959

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate				
Housing loans/financing	23,804	29,900	21,659	27,339
Other fixed rate loans/financing	5,254,517	5,150,392	3,116,970	3,701,030
Variable rate				
BLR plus	17,186,635	17,110,006	14,565,793	15,478,024
Cost plus	9,861,411	10,735,593	9,072,313	9,984,253
Other variable rates	2,237,472	1,794,317	547,978	464,313
	34,563,839	34,820,208	27,324,713	29,654,959

**(iv) By sector**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Agriculture	209,338	690,739	86,553	542,592
Mining and quarrying	175,049	170,400	53,001	101,517
Manufacturing	5,414,204	5,026,833	4,620,471	4,512,471
Electricity, gas and water	120,149	97,180	119,390	95,080
Construction	477,453	732,672	353,964	634,622
Real estate	1,489,664	1,303,978	1,232,453	934,436
Wholesale & retail trade and restaurants & hotels	2,837,380	3,276,282	2,229,403	2,959,085
Transportation, storage and communication	384,489	568,422	270,656	336,272
Finance, insurance and business services	3,272,988	2,123,872	1,860,341	1,604,563
Household	19,208,176	19,688,548	15,659,700	16,909,387
Others	974,949	1,141,282	838,781	1,024,934
	34,563,839	34,820,208	27,324,713	29,654,959

**(v) By purpose**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Purchase of securities	-	8,633	-	8,633
Purchase of landed property	17,459,697	17,094,064	13,891,280	14,713,924
- Residential	13,740,694	13,432,237	11,098,673	11,776,288
- Non-residential	3,719,003	3,661,827	2,792,607	2,937,636
Fixed assets excluding land & building	195,775	179,994	-	-
Personal use	1,827,189	2,460,613	1,156,979	1,532,538
Credit cards	2,221,093	2,357,202	2,221,093	2,357,202
Working capital	11,751,508	12,466,562	9,599,582	10,789,522
Others	1,108,577	253,140	455,779	253,140
	34,563,839	34,820,208	27,324,713	29,654,959

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Maturing within one year	12,157,584	9,612,015	10,278,687	9,046,983
One year to three years	2,509,295	4,273,050	1,717,223	3,271,176
Three years to five years	1,731,070	2,946,266	1,041,413	2,115,023
Over five years	18,165,890	17,988,877	14,287,390	15,221,777
	<u>34,563,839</u>	<u>34,820,208</u>	<u>27,324,713</u>	<u>29,654,959</u>

**(vii) By geographical distribution**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Within Malaysia	34,091,317	34,488,375	26,852,191	29,323,126
Outside Malaysia	472,522	331,833	472,522	331,833
	<u>34,563,839</u>	<u>34,820,208</u>	<u>27,324,713</u>	<u>29,654,959</u>

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
USD	3,676,469	3,083,275	3,019,096	2,777,896
GBP	1,313,026	669,076	660,228	669,076
Other foreign currencies	27,246	106,711	26,845	106,711
	<u>27,246</u>	<u>106,711</u>	<u>26,845</u>	<u>106,711</u>

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

	<b>Group</b>		<b>Bank</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
At 1 January	1,088,877	424,940	1,048,268	391,051
Classified as impaired during the financial year	784,166	1,355,589	701,082	1,250,426
Reclassified as performing during the financial year	(176,530)	(227,567)	(168,473)	(224,208)
Amount recovered during the financial year	(272,318)	(160,456)	(259,104)	(152,196)
Amount written off during the financial year	(299,763)	(303,629)	(235,462)	(216,805)
At 31 December	<u>1,124,432</u>	<u>1,088,877</u>	<u>1,086,311</u>	<u>1,048,268</u>
Individual impairment provisions	<u>(406,631)</u>	<u>(263,135)</u>	<u>(382,841)</u>	<u>(247,352)</u>
Net impaired loans, advances and financing	<u>717,801</u>	<u>825,742</u>	<u>703,470</u>	<u>800,916</u>
	<b>Group</b>		<b>Bank</b>	
	<b>2014 RM'000</b>	<b>2013 RM'000</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
<b>Collective impairment provisions</b>				
At 1 January	347,931	360,752	243,995	225,935
Impairment made during the financial year	79,076	49,097	43,454	45,103
Amount written back	(72,478)	(61,918)	(51,957)	(27,043)
At 31 December	<u>354,529</u>	<u>347,931</u>	<u>235,492</u>	<u>243,995</u>
As a percentage of gross loans, advances and financing less individual impairment provisions	<u>1.04%</u>	<u>1.01%</u>	<u>0.87%</u>	<u>0.83%</u>
<b>Individual impairment provisions</b>				
At 1 January	263,135	218,584	247,352	215,210
Impairment made during the financial year	351,278	302,261	272,192	199,878
Amount written back	(66,561)	(78,782)	(59,592)	(75,677)
Amount written off	(141,221)	(178,928)	(77,111)	(92,059)
At 31 December	<u>406,631</u>	<u>263,135</u>	<u>382,841</u>	<u>247,352</u>

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Agriculture	15,834	14,803	15,834	14,803
Mining and quarrying	-	9,221	-	9,221
Manufacturing	644,464	675,054	642,845	673,788
Construction	68,374	92,852	68,271	92,852
Wholesale & retail trade and restaurants & hotels	104,610	49,249	104,097	48,360
Transportation, storage and communication	2,239	238	1,124	238
Finance, insurance and business services	2,061	1,403	2,061	1,156
Real estate	35,309	-	35,309	-
Household	249,546	242,100	214,964	203,893
Others	1,995	3,957	1,806	3,957
	<u>1,124,432</u>	<u>1,088,877</u>	<u>1,086,311</u>	<u>1,048,268</u>

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Purchase of landed property	137,328	125,175	131,917	122,386
- Residential	<u>130,731</u>	<u>116,275</u>	<u>126,362</u>	<u>114,478</u>
- Non-residential	<u>6,597</u>	<u>8,900</u>	<u>5,555</u>	<u>7,908</u>
Fixed assets excluding land & building	735	722	-	-
Personal use	109,511	98,152	80,340	62,734
Credit cards	22,550	25,155	22,550	25,155
Working capital	854,308	839,673	851,504	837,993
	<u>1,124,432</u>	<u>1,088,877</u>	<u>1,086,311</u>	<u>1,048,268</u>

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Within Malaysia	1,123,925	1,088,614	1,085,804	1,048,005
Outside Malaysia	507	263	507	263
	<u>1,124,432</u>	<u>1,088,877</u>	<u>1,086,311</u>	<u>1,048,268</u>

**10. Other assets**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest/Income receivable	95,991	52,627	104,747	60,442
Unquoted Subordinated Sukuk of a subsidiary company	-	-	100,000	100,000
Other receivables, deposits and prepayments	607,916	649,992	878,754	829,255
	<u>703,907</u>	<u>702,619</u>	<u>1,083,501</u>	<u>989,697</u>



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**11. Statutory deposits with Bank Negara Malaysia**

The non-interest 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.

**12. Investments in subsidiaries**

	Bank	
	2014 RM'000	2013 RM'000
Unquoted shares, at cost	411,522	411,522

The subsidiaries of the Bank are as follows:-

Name	Principal activities	Country of incorporation	Effective equity interest	
			2014	2013
Standard Chartered Saadiq Berhad	Islamic banking business	Malaysia	100%	100%
Cartaban (Malaya) Nominees Sdn. Bhd. #	Nominee services	Malaysia	100%	100%
Cartaban Nominees (Tempatan) Sdn. Bhd. #	Nominee services	Malaysia	100%	100%
Cartaban Nominees (Asing) Sdn. Bhd. #	Nominee services	Malaysia	100%	100%
Golden Maestro Sdn. Bhd. #	Investment holding company	Malaysia	100%	100%
SCBMB Trustee Berhad #	Trustee services	Malaysia	100%	100%
Resolution Alliance Sdn. Bhd. +	Special purpose vehicle ("SPV") established to undertake the purchase of non-performing loans.	Malaysia	70%	70%
Popular Ambience Sdn. Bhd. +	SPV established to undertake the purchase of non-performing loans.	Malaysia	100%	100%

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

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

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**13. Property, plant and equipment**

Group	Short term leasehold land RM'000	Buildings and refurbishment RM'000	Premises, plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>							
At 1 January 2014	936	73,938	19,976	249,770	52,011	5,150	401,781
Additions	-	452	260	34,394	18	-	35,124
Reclassification	-	(312)	1,730	(1,461)	43	-	-
Disposal	-	-	(4,488)	-	-	-	(4,488)
At 31 December 2014	<u>936</u>	<u>74,078</u>	<u>17,478</u>	<u>282,703</u>	<u>52,072</u>	<u>5,150</u>	<u>432,417</u>
<b>Accumulated Depreciation</b>							
At 1 January 2014	164	67,750	15,274	198,307	50,106	4,439	336,040
Charge for the year	16	73	4,397	21,898	1,370	507	28,261
Disposal	-	-	(3,186)	-	-	-	(3,186)
At 31 December 2014	<u>180</u>	<u>67,823</u>	<u>16,485</u>	<u>220,205</u>	<u>51,476</u>	<u>4,946</u>	<u>361,115</u>
<b>Net book value</b>							
At 31 December 2014	<u>756</u>	<u>6,255</u>	<u>993</u>	<u>62,498</u>	<u>596</u>	<u>204</u>	<u>71,302</u>

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

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

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

<b>Bank</b>	<b>Short term leasehold land RM'000</b>	<b>Buildings and refurbishment RM'000</b>	<b>Premises, plant and equipment RM'000</b>	<b>Office equipment RM'000</b>	<b>Furniture and fittings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>							
At 1 January 2014	936	72,844	15,711	245,525	47,043	5,150	387,209
Additions	-	434	260	34,392	18	-	35,104
Reclassification	-	802	616	(1,461)	43	-	-
Disposal	-	-	(4,488)	-	-	-	(4,488)
At 31 December 2014	<u>936</u>	<u>74,080</u>	<u>12,099</u>	<u>278,456</u>	<u>47,104</u>	<u>5,150</u>	<u>417,825</u>
<b>Accumulated Depreciation</b>							
At 1 January 2014	164	67,750	12,350	195,107	46,032	4,440	325,843
Charge for the year	19	73	2,856	21,382	906	507	25,743
Disposal	-	-	(3,186)	-	-	-	(3,186)
At 31 December 2014	<u>183</u>	<u>67,823</u>	<u>12,020</u>	<u>216,489</u>	<u>46,938</u>	<u>4,947</u>	<u>348,400</u>
<b>Net book value</b>							
At 31 December 2014	<u>753</u>	<u>6,257</u>	<u>79</u>	<u>61,967</u>	<u>166</u>	<u>203</u>	<u>69,425</u>

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

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

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Demand deposits	13,948,840	15,228,387	12,631,138	14,047,772
Savings deposits	3,569,196	3,468,707	3,357,096	3,316,637
Fixed/Investment deposits	18,572,862	19,466,074	16,748,483	16,764,728
Negotiable instruments of deposits	433,682	431,311	319,494	322,901
	<u>36,524,580</u>	<u>38,594,479</u>	<u>33,056,211</u>	<u>34,452,038</u>

**(ii) By type of customers**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Government and statutory bodies	825,898	1,624,930	76,936	17,438
Business enterprises	14,892,893	16,108,625	14,299,627	15,624,897
Individuals	16,439,579	17,152,027	14,770,317	15,563,082
Others	4,366,210	3,708,897	3,909,331	3,246,621
	<u>36,524,580</u>	<u>38,594,479</u>	<u>33,056,211</u>	<u>34,452,038</u>

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Due within six months	14,450,471	16,253,618	12,877,689	13,764,411
Six months to one year	2,991,370	2,749,099	2,784,380	2,566,566
One year to three years	721,058	247,951	676,451	227,681
Three years to five years	787,304	597,037	673,116	479,291
Over five years	56,341	49,680	56,341	49,680
	<u>19,006,544</u>	<u>19,897,385</u>	<u>17,067,977</u>	<u>17,087,629</u>

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Licensed banks	3,041,055	2,139,485	2,936,823	2,139,485
Bank Negara Malaysia	259,333	31,050	259,333	31,050
Other financial institutions	4,039,896	5,000,321	3,987,220	4,885,874
	<u>7,340,284</u>	<u>7,170,856</u>	<u>7,183,376</u>	<u>7,056,409</u>

**16. Other liabilities**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest/Income payable	213,069	200,004	202,089	184,911
Provision for retirement benefit scheme (Note 33)	-	491	-	491
Amount owing to subsidiaries	-	-	22	22
Other payables and accruals	1,523,714	1,686,523	2,452,036	2,452,600
	<u>1,736,783</u>	<u>1,887,018</u>	<u>2,654,147</u>	<u>2,638,024</u>

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**17. Subordinated debts**

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>At cost</u>		
Subordinated bond	<u>1,000,000</u>	<u>1,000,000</u>

On 11 October 2012 and 28 August 2013, the Bank issued 2 tranches of RM 500 million nominal value Subordinated Bond ("the Bonds") which borne interest equal to KLIBOR plus 1.51% per annum and 1.20% per annum respectively, payable semi-annually in April and October as well as February and August of each year. The Bonds have a 10-years tenor and are due in 2022 and 2023 respectively. The Bank has the option to redeem the Bonds in whole or in part after the fifth anniversary date from the date of issuance of the Bonds, subject to the prior written consent of BNM and satisfaction of the following redemption conditions:-

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

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

**18. Redeemable preference shares**

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Authorised</b>		
Redeemable preference shares of RM1.00 each	<u>300,000</u>	<u>300,000</u>

The Bank had in prior years fully redeemed 190,000 cumulative Redeemable Preference Shares ("RPS") of RM1.00 each. The redemption of the RPS had resulted in an amount of RM190,000 in respect of the nominal value of the RPS being transferred to a capital redemption reserve (Note 20).



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**19. Share capital**

	Group and Bank			
	2014	2014	2013	2013
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
<b>Authorised</b>				
Ordinary shares of RM1.00 each	700,000	700,000	700,000	700,000
Musyarakah Irredeemable Non-Cumulative Preference Shares of RM0.10 each	38,000	380,000	38,000	380,000
Irredeemable Convertible Preference Shares of RM0.10 each	38,000	380,000	-	-
	<u>776,000</u>	<u>1,460,000</u>	<u>738,000</u>	<u>1,080,000</u>
<b>Issued and fully paid</b>				
Ordinary shares of RM1.00 each				
At 1 January/ 31 December	125,000	125,000	125,000	125,000
Musyarakah Irredeemable Non-Cumulative Preference Shares ("INPS") of RM0.10 each				
At 1 January	38,000	380,000	38,000	380,000
Converted to Irredeemable Convertible Preference Shares	(38,000)	(380,000)	-	-
At 31 December	-	-	38,000	380,000
Irredeemable Convertible Preference Shares ("ICPS") of RM0.10 each				
At 1 January	-	-	-	-
Converted from INPS	38,000	380,000	-	-
At 31 December	38,000	380,000	-	-
	<u>163,000</u>	<u>505,000</u>	<u>163,000</u>	<u>505,000</u>

On 29 September 2014, the Bank converted INPS into 380,000,000 ICPS at issue price of RM1.00 each comprising par value of RM0.10 and share premium of RM0.90 each. The ICPS is Basel III compliant and is recognised as the Bank's Tier 1 capital.

The main features of the ICPS are as follows:

- Each ICPS shareholder confer, until the conversion date, the right to receive a non-cumulative preferential dividend at the rate of 6.75% or any other rate to be determined by the Board and in priority to any payment of dividends in respect of the ordinary shares in the capital of the Bank. The declaration and payment of dividends shall be on a semi-annual basis or such other frequency as may be determined by the Board, subject always to the full discretion of the Board and the availability of profit;
- The ICPS shall confer on the holder thereof, the rights on winding-up or other return of capital, to repayment of such amount paid up on the ICPS in priority to any payment to the holder of ordinary shares on the share capital of the Company. The holder of ICPS shall not be entitled to participate in the surplus assets of the Company upon winding-up;
- The ICPS are not redeemable;
- The ICPS shall be automatically converted into new ordinary shares at the rate of (4) ICPS for every (1) new ordinary share in the Bank with par value of RM1.00 each and issued for a premium of RM3.00 each if the consolidated or entity level CET1 Capital Ratio of the Bank falls below 5.125% or if the Bank reaches a Point of Non-Viability subject to some conditions; and
- The ICPS are transferable and shall not be listed on Bursa Malaysia Securities Berhad or any other stock exchange.

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**20. Reserves**

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<i>Non-distributable :</i>					
Share premium		717,000	717,000	717,000	717,000
Statutory reserves	(i)	265,750	265,750	163,000	163,000
Capital redemption reserve (Note 18)		190	190	190	190
AFS reserves	(ii)	(9,816)	(3,115)	(9,795)	(3,105)
Regulatory reserves	(iii)	260,000	219,000	260,000	219,000
Cash flow hedge reserves	(iv)	(8,695)	(7,594)	(8,695)	(7,594)
		<u>1,224,429</u>	<u>1,191,231</u>	<u>1,121,700</u>	<u>1,088,491</u>
<i>Distributable :</i>					
Retained profits	(v)	<u>2,829,188</u>	<u>2,577,740</u>	<u>2,764,005</u>	<u>2,527,338</u>
		<u><u>4,053,617</u></u>	<u><u>3,768,971</u></u>	<u><u>3,885,705</u></u>	<u><u>3,615,829</u></u>

- (i) The statutory reserves are maintained in compliance with Section 12 of the Financial Services Act, 2013 and Section 12 of the Islamic Financial Services Act, 2013, and are not distributable as cash dividends.
- (ii) AFS reserves relate to the fair valuation of financial assets categorised as available-for-sale.
- (iii) Regulatory reserves relate to the reserve set aside by the Bank to meet BNM's required level of impairment provisions in excess of the impairment provisions required under MFRSs. Regulatory reserves are therefore set aside from retained profits to satisfy local regulatory requirements.
- (iv) Cash flow hedge reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.
- (v) Under the single-tier tax system, dividends paid are tax exempt in the hands of shareholders. Subject to approval by Bank Negara Malaysia, there is no restriction for the Bank to declare payment of dividends out of its entire retained earnings as at the end of the financial year.

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**21. Dividends**

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

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Ordinary:-		
Final paid:-		
160 sen per ordinary share less tax in respect of year ended 2013	-	150,000
Interim paid:-		
80 sen per ordinary share in respect of year ended 2014 (2013: 160 sen per ordinary share less tax)	100,000	150,000
	100,000	300,000

The Directors recommend the payment of a semi-annual net cash dividend of 6.75% (on issue price) amounting to RM12,825,000 to the Irredeemable Convertible Preference shareholder and a final single tier dividend of 19.44 sen per ordinary share totalling RM24,300,000 to the ordinary shareholder in respect of the current financial year. The proposed ordinary dividend will be recognised in subsequent financial year upon approval by the shareholder at the forthcoming Annual General Meeting.

**22. Interest income**

	<b>Group</b>		<b>Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Loans and advances				
- Interest income other than recoveries				
from impaired loans	1,415,330	1,508,900	1,415,330	1,508,900
- Recoveries from impaired loans	21,299	24,490	21,299	24,490
Money at call and deposit placements				
with banks and other financial institutions	97,883	81,877	185,041	145,628
Financial assets held for trading	62,044	90,526	62,044	90,526
Investment securities available-for-sale	191,481	158,204	170,709	123,129
	1,788,037	1,863,997	1,854,423	1,892,673

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**23. Interest expense**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits and placements of banks and other financial institutions	88,338	83,373	88,686	83,279
Deposits from customers	622,512	665,683	622,512	665,683
Subordinated debts	49,229	31,492	49,229	31,492
	<u>760,079</u>	<u>780,548</u>	<u>760,427</u>	<u>780,454</u>

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

	Group	
	2014 RM'000	2013 RM'000
Income derived from investment of depositors' funds and others / Total distributable income	254,848	190,643
Income attributable to depositors	<u>(111,336)</u>	<u>(116,238)</u>
Income attributable to the equity holders of the Bank	143,512	74,405
Income derived from investment of Islamic banking capital funds and shareholder's funds	157,774	213,254
	<u>301,286</u>	<u>287,659</u>

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**25. Other operating income**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Fee and commission</b>				
Fee and commission income:-				
Arising from financial instruments not fair valued through profit or loss	326,959	331,789	326,959	331,789
- <i>Commission income</i>	188,018	197,411	188,018	197,411
- <i>Service fees</i>	95,052	100,981	95,052	100,981
- <i>Guarantee fees</i>	43,889	33,397	43,889	33,397
Fee and commission expense:-				
Arising from financial instruments not fair valued through profit or loss	(66,598)	(64,757)	(66,598)	(64,757)
- <i>Commission charges</i>	(25,110)	(28,611)	(25,110)	(28,611)
- <i>Service charges</i>	(41,488)	(36,146)	(41,488)	(36,146)
	<u>260,361</u>	<u>267,032</u>	<u>260,361</u>	<u>267,032</u>
<b>Net trading income</b>				
Gain from sale of financial assets held for trading and derivative financial instruments	140,382	31,166	140,382	31,166
Unrealised (loss)/gain on revaluation of financial assets held for trading and other financial instruments	(125,736)	25,226	(125,736)	25,226
Foreign exchange currency				
- Gain from dealing in foreign currency	173,173	161,117	173,173	161,117
- Unrealised gain from foreign exchange translation	80,465	128,827	80,465	128,827
	<u>268,284</u>	<u>346,336</u>	<u>268,284</u>	<u>346,336</u>
<b>Other income</b>				
Gains on disposal of investment securities available-for-sale	235	3,686	235	3,686
Gross dividends from unquoted investments	21,236	36,633	21,236	36,633
Rental income	30	15	30	15
Gain on disposal of property, plant and equipment	2,461	92	2,461	92
Others	36	1,049	94,695	78,593
	<u>23,998</u>	<u>41,475</u>	<u>118,657</u>	<u>119,019</u>
<b>Total other operating income</b>	<u><u>552,643</u></u>	<u><u>654,843</u></u>	<u><u>647,302</u></u>	<u><u>732,387</u></u>

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**26. Other operating expenses**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Personnel costs</b>				
- Salaries, bonuses, wages and allowances	332,513	312,256	321,931	303,776
- Pension fund contributions	36,943	33,314	36,943	33,314
- Other staff related cost	69,389	34,104	66,923	31,736
	<u>438,845</u>	<u>379,674</u>	<u>425,797</u>	<u>368,826</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	28,261	29,104	25,743	25,845
- Rental	27,816	27,652	25,564	25,529
- Information technology and project expenses	106,807	106,565	106,626	106,429
- Others	52,181	47,200	50,240	45,213
	<u>215,065</u>	<u>210,521</u>	<u>208,173</u>	<u>203,016</u>
<b>Marketing expenses</b>				
- Advertisement and publicity	19,104	20,220	19,048	20,052
- Others	13,668	14,784	12,836	14,253
	<u>32,772</u>	<u>35,004</u>	<u>31,884</u>	<u>34,305</u>
<b>Administration and general expenses</b>				
- Communication expenses	14,349	13,076	14,020	12,560
- Group administration and business support expenses	81,633	140,990	75,469	134,239
- Outsourcing expenses	98,974	96,696	98,974	96,696
- Others	89,744	98,780	76,407	82,427
	<u>284,700</u>	<u>349,542</u>	<u>264,870</u>	<u>325,922</u>
<b>Total other operating expenses</b>	<u><b>971,382</b></u>	<u><b>974,741</b></u>	<u><b>930,724</b></u>	<u><b>932,069</b></u>

The above expenditure includes the following items:-

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Directors' remuneration, excluding benefits-in-kind (Note 27):-				
- Directors of the Bank	2,128	2,088	2,077	2,037
- Directors of the subsidiaries	2,374	2,007	-	-
Share-based payments	3,524	5,787	3,524	5,787
Defined benefit obligations cost (Note 33)	115	124	115	124
Contributions to defined contribution plan (included in personnel costs)	36,828	33,190	36,828	33,190
Hire of equipment	1,817	1,893	1,817	1,893
Auditor's remuneration:-				
- Statutory audit	678	678	492	492
- Other services	587	587	382	382
Rental of premises	27,763	27,892	27,763	27,892

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**27. Key management personnel compensation**

The key management personnel compensation are as follows:-

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Directors of the Bank:-				
- Fees	459	443	408	392
- Remuneration	1,669	1,645	1,669	1,645
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	604	554	604	554
Total short-term employee benefits*	<u>2,732</u>	<u>2,642</u>	<u>2,681</u>	<u>2,591</u>
Directors of the subsidiaries:-				
- Remuneration	2,374	2,007	-	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	350	417	-	-
Total short-term employee benefits	<u>2,724</u>	<u>2,424</u>	<u>-</u>	<u>-</u>
- Share-based payments	-	-	-	-
	<u>2,724</u>	<u>2,424</u>	<u>-</u>	<u>-</u>
Syariah Advisory Committee members	<u>287</u>	<u>360</u>	<u>-</u>	<u>-</u>
	<u>5,743</u>	<u>5,426</u>	<u>2,681</u>	<u>2,591</u>
Other key management personnel:-				
- Short-term employee benefits	13,261	12,734	15,985	15,158
- Share-based payments	301	1,478	301	1,478
	<u>13,562</u>	<u>14,212</u>	<u>16,286</u>	<u>16,636</u>

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

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

	Salary and other remuneration, including meeting allowance			Benefits-in- kind RM'000	Total RM'000
	2014 RM'000	Fees RM'000	RM'000		
Executive Directors and Chief Executive Officers:-					
Osman Tarique Morad	1,578	-	604	2,182	
Non-executive Directors:-					
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	12	140	-	152	
Datuk Abu Hassan bin Kendut	25	92	-	117	
Datuk Ishak bin Imam Abas	31	88	-	119	
Datuk Seri Michael Yam Kong Choy	23	88	-	111	
	<u>1,669</u>	<u>408</u>	<u>604</u>	<u>2,681</u>	

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

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

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Provisions for loans, advances and financing:-				
Individual impairment provisions	298,549	230,589	226,432	131,311
- Made in the financial year	222,683	231,033	143,597	128,650
- Discounting of collaterals	128,595	71,228	128,595	71,228
- Written back	(52,729)	(71,672)	(45,760)	(68,567)
Collective impairment provisions	6,598	(12,821)	(8,503)	18,060
- Made in the financial year	79,076	49,097	43,454	45,103
- Written back	(72,478)	(61,918)	(51,957)	(27,043)
Bad and doubtful debts on loans, advances and financing:-				
Written off	157,220	160,307	157,220	160,307
Recovered	(78,210)	(53,612)	(64,998)	(44,889)
	<u>384,157</u>	<u>324,463</u>	<u>310,151</u>	<u>264,789</u>

**29. Credit exposure to connected parties**

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Aggregate value of outstanding credit exposures to connected parties	2,438,409	3,390,236	2,558,003	3,401,445
As a percentage of total credit exposures	4.1%	5.4%	5.0%	6.1%

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



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**30. Significant related party transactions and balances****Identity of related parties**

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

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

**(i) Subsidiaries of the Bank**

Subsidiaries which are shown in Note 12.

**(ii) Fellow subsidiaries of Standard Chartered PLC**

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

**(iii) Key management personnel**

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

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

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

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

**(a) Transactions and balances with subsidiaries of the Bank**

	<b>Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Transactions</b>		
<b>Income</b>		
Interest on placements or loans	87,649	61,313
Management fee	94,659	71,382
	<u>182,308</u>	<u>132,695</u>
	<b>Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Balances</b>		
<b>Amount due from subsidiaries</b>		
Inter-company placements	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>Amount due to subsidiaries</b>		
Derivative financial instruments	(33,863)	(4,794)
Current account	(16,492)	(22,576)
Other balances	(996,845)	(857,822)
	<u>(1,047,200)</u>	<u>(885,192)</u>

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Transactions</b>				
<b>Income</b>				
Interest on placements or loans	4,377	100,972	4,377	100,972
Interest on deposits	1,943	311	590	309
	<u>6,320</u>	<u>101,283</u>	<u>4,967</u>	<u>101,281</u>
<b>Expenditure</b>				
Interest on borrowings	41,195	36,892	41,195	36,892
Interest on deposits	3,810	1,414	3,810	1,414
Other operating expenses	245,716	239,001	236,796	224,150
	<u>290,721</u>	<u>277,307</u>	<u>281,801</u>	<u>262,456</u>
	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Balances</b>				
<b>Amount due from fellow subsidiaries of Standard Chartered PLC</b>				
Inter-company loans	1,002,602	494,763	1,002,602	494,763
Current accounts	791,302	470,039	791,302	470,039
Derivative financial instruments	934,182	896,416	934,182	896,416
Other balances	431,034	421,612	426,020	419,657
	<u>3,159,120</u>	<u>2,282,830</u>	<u>3,154,106</u>	<u>2,280,875</u>
<b>Amount due to fellow subsidiaries of Standard Chartered PLC</b>				
Inter-company deposits	(2,373,621)	(1,664,882)	(2,373,621)	(1,664,882)
Current accounts	(573,489)	(1,653,837)	(573,489)	(1,653,805)
Derivative financial instruments	(975,320)	(426,307)	(975,320)	(426,307)
Amount due in respect of support charges	(122,835)	(64,838)	(109,133)	(57,805)
Other balances	(541,833)	(385,781)	(242,977)	(170,755)
	<u>(4,587,098)</u>	<u>(4,195,645)</u>	<u>(4,274,540)</u>	<u>(3,973,554)</u>

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**30. Significant related party transactions and balances (continued)****(c) Transactions and balances with key management personnel and companies under control or significant influence of key management personnel****Key management personnel compensation**

Key management personnel compensation is disclosed in Note 27.

**Transactions and balances other than compensation**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Transactions</b>				
<b>Income</b>				
Interest on loans, advances and financing				
- Directors	63	81	63	81
- Other key management personnel	339	303	339	303
- Companies under control or significant influence of key management personnel	2,778	2,584	2,778	2,584
	<u>3,180</u>	<u>2,968</u>	<u>3,180</u>	<u>2,968</u>
<b>Expenditure</b>				
Interest on deposits				
- Directors	68	142	26	99
- Other key management personnel	20	20	17	19
	<u>88</u>	<u>162</u>	<u>43</u>	<u>118</u>
<b>Balances</b>				
Loans, advances and financing				
- Directors	1,375	1,659	1,375	1,659
- Other key management personnel	7,999	8,188	7,999	8,188
- Companies under control or significant influence of key management personnel	222,180	334,108	222,180	334,108
Deposits				
- Directors	(3,643)	(4,819)	(2,210)	(3,478)
- Other key management personnel	(1,824)	(1,628)	(1,575)	(1,628)
- Companies under control or significant influence of key management personnel	<u>(25,182)</u>	<u>(10,294)</u>	<u>(25,182)</u>	<u>(10,294)</u>

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

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**31. Tax expense**

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Income tax expense:-				
- Current year	145,677	171,097	135,783	151,627
- Under/(Over) provision in prior years	1,918	(9,477)	725	4,620
	<u>147,595</u>	<u>161,620</u>	<u>136,508</u>	<u>156,247</u>
Deferred tax expense (Note 32):-				
- Origination/reversal of temporary differences	(15,082)	8,286	(12,216)	5,929
- Overprovision in prior years	(198)	(4,686)	(1,089)	(6,004)
	<u>(15,280)</u>	<u>3,600</u>	<u>(13,305)</u>	<u>(75)</u>
Total tax expense	<u>132,315</u>	<u>165,220</u>	<u>123,203</u>	<u>156,172</u>
Reconciliation of effective tax expense:-				
Profit before taxation	<u>526,348</u>	<u>726,747</u>	<u>500,423</u>	<u>647,748</u>
Income tax using Malaysian tax rates @ 25%	131,587	181,687	125,106	161,937
Non-deductible expenses	9,690	6,833	4,073	4,756
Non-taxable income	(10,682)	(9,137)	(5,612)	(9,137)
	<u>130,595</u>	<u>179,383</u>	<u>123,567</u>	<u>157,556</u>
Under/(Over) provision in prior years				
- Income tax	1,918	(9,477)	725	4,620
- Deferred tax	(198)	(4,686)	(1,089)	(6,004)
Total tax expense	<u>132,315</u>	<u>165,220</u>	<u>123,203</u>	<u>156,172</u>
Tax recognised directly in equity:-				
AFS reserves	(2,235)	(1,564)	(2,231)	(1,585)
Cash flow hedge reserves	(367)	(3,328)	(367)	(3,328)
Actuarial gains or losses	149	-	149	-
Total tax recognised directly in equity (Note 32)	<u>(2,453)</u>	<u>(4,892)</u>	<u>(2,449)</u>	<u>(4,913)</u>

**32. Deferred tax**

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Property, plant and equipment	(8,496)	(10,137)	(8,846)	(10,409)
Other temporary differences	64,625	50,990	58,287	46,545
Tax losses carried forward	124	120	-	-
Actuarial gains or losses	(1,317)	(1,168)	(1,317)	(1,168)
Reserves				
- Available-for-sale	3,272	1,037	3,265	1,034
- Cash flow hedge	2,898	2,531	2,898	2,531
	<u>61,106</u>	<u>43,373</u>	<u>54,287</u>	<u>38,533</u>

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**32. Deferred tax (continued)**

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

	At 1 January 2013 RM'000	Acquisition during the year RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2013 RM'000	Acquisition during the year RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2014 RM'000
<b>Group</b>									
Property, plant and equipment	(4,804)	-	(5,333)	-	(10,137)	-	1,641	-	(8,496)
Collective impairment provisions for bad and doubtful debts and financing	6,005	-	(6,005)	-	-	-	-	-	-
Other temporary differences	40,250	3,059	7,681	-	50,990	-	13,635	-	64,625
Tax losses carried forward	63	-	57	-	120	-	4	-	124
Actuarial gains or losses	(1,168)	-	-	-	(1,168)	-	-	(149)	(1,317)
Reserves									
- Available-for-sale	(527)	-	-	1,564	1,037	-	-	2,235	3,272
- Cash flow hedge	(797)	-	-	3,328	2,531	-	-	367	2,898
	<u>39,022</u>	<u>3,059</u>	<u>(3,600)</u>	<u>4,892</u>	<u>43,373</u>	<u>-</u>	<u>15,280</u>	<u>2,453</u>	<u>61,106</u>
			Note 31	Note 31			Note 31	Note 31	

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**32. Deferred tax (continued)**

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

	At 1 January 2013 RM'000	Acquisition during the year RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2013 RM'000	Acquisition during the year RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2014 RM'000
<b>Bank</b>									
Property, plant and equipment	(4,699)	-	(5,710)	-	(10,409)	-	1,563	-	(8,846)
Collective impairment provisions for bad and doubtful debts and financing	2,841	-	(2,841)	-	-	-	-	-	-
Other temporary differences	37,919	-	8,626	-	46,545	-	11,742	-	58,287
Actuarial gains or losses	(1,168)	-	-	-	(1,168)	-	-	(149)	(1,317)
Reserves									
- Available-for-sale	(551)	-	-	1,585	1,034	-	-	2,231	3,265
- Cash flow hedge	(797)	-	-	3,328	2,531	-	-	367	2,898
	<u>33,545</u>	<u>-</u>	<u>75</u>	<u>4,913</u>	<u>38,533</u>	<u>-</u>	<u>13,305</u>	<u>2,449</u>	<u>54,287</u>
			Note 31	Note 31			Note 31	Note 31	

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

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

**SCB Retirement Benefit Scheme**

	<b>Group and Bank</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Amounts of net liabilities recognised in the statement of financial position</b>		
Present value of defined benefit obligations (funded)	575	1,060
Fair value of plan assets	(575)	(569)
Recognised liability for defined benefit obligations (Note 16)	<u>-</u>	<u>491</u>
<b>Movement in present value of defined benefit obligations</b>		
Benefit obligation at 1 January	1,060	1,589
Current service cost	94	93
Interest cost	33	31
Actuarial gain recognised in equity	(590)	-
Benefits paid	(22)	(653)
Benefit obligation at 31 December	<u>575</u>	<u>1,060</u>
<b>Movement in present value of plan assets</b>		
Fair value at 1 January	569	1,151
Expected return on plan assets	12	-
Actuarial gain recognised in equity	6	4
Employer contributions	-	-
Benefits paid	(12)	(586)
Fair value at 31 December	<u>575</u>	<u>569</u>
<b>Group and Bank</b>		
<b>2014</b>		
<b>2013</b>		
<b>RM'000</b>		
<b>RM'000</b>		
<b>Components of pension cost</b>		
Amount recognised in statements of comprehensive income		
Current service cost	94	93
Interest cost	33	31
Expected return on plan assets	(12)	-
Total pension cost recognised in statements of comprehensive income (Note 26)	<u>115</u>	<u>124</u>
<b>Actual return on assets</b>		
Actual return on plan assets	<u>18</u>	<u>4</u>
<b>2014</b>		
<b>2013</b>		
<b>RM'000</b>		
<b>RM'000</b>		
<b>Actuarial gains recognised directly in equity</b>		
Cumulative amount at 1 January	4,675	4,671
Recognised during the year	596	4
Cumulative amount at 31 December	<u>5,271</u>	<u>4,675</u>

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

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

	<b>2014</b>	<b>2013</b>
	<b>Rate per</b>	<b>Rate per</b>
	<b>annum</b>	<b>annum</b>
Discount rate	3.0%	4.3%
Expected rate of future salary increases	-	3.3%
Inflation	-	3.0%
	<b>Funded Scheme</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Plan assets comprise:-</b>		
Short term money market instruments and cash	575	569
Total fair value of assets	<u>575</u>	<u>569</u>



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

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Present value of defined benefit obligations	575	1,060	1,589	4,110	4,314
Fair value of plan assets	(575)	(569)	(1,151)	(2,425)	(2,257)
Deficit in the plan recognised as liabilities of the Bank	<u>-</u>	<u>491</u>	<u>438</u>	<u>1,685</u>	<u>2,057</u>
Experience adjustments arising on plan liabilities	590	-	-	(3,126)	-
Experience adjustments arising on plan assets	6	4	-	63	-

The Group expects to pay RM 19,942 (2014: RM 21,124) in contributions to defined benefit plans in 2015.

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**34. Equity Compensation Benefits**

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

**i) International Sharesave Scheme and Sharesave Schemes**

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

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

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

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

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

	<b>2014</b>	<b>2013</b>
Grant date	8 October	9 October
Share price at grant date	£11.12	£14.36
Exercise price	£9.85	£11.78
Shares granted ('000)	51	43
Vesting period (years)	3	3
Expected volatility (%)	25	26.8
Expected option life (years)	3.33	3.33
Risk free rate (%)	1.2	0.8
Expected dividends (yield) (%)	5.8	4.3
Fair value (£)	<u>1.61</u>	<u>3.30</u>

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**34. Equity Compensation Benefits (continued)****i) International Sharesave Scheme and Sharesave Schemes (continued)**

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

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

	<b>2014</b>	Weighted average exercise price	<b>2013</b>	Weighted average exercise price		
	<u>Number ('000)</u>		<u>Number ('000)</u>			
At 1 January	154	£11.70	164	£11.81		
Granted during the year	51	£9.85	43	£11.78		
Additional shares for rights issue	-	-	-	-		
Exercised during the year	(7)	£12.20	(25)	£11.66		
Lapsed during the year	(56)	£12.31	(28)	£12.41		
At 31 December	<u>142</u>	£11.15	<u>154</u>	£11.70		
Exercisable at 31 December	<u>23</u>	£10.66	<u>24</u>	£14.10		
	<b>2014</b>		<b>2013</b>			
	Weighted average remaining life		Weighted average remaining life			
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ( '000)	Contractual years	Weighted average exercise price	No. of shares ( '000)	Contractual years
£9.80 / £14.63	£11.15	142	3.33	£11.70	154	3.33
			1.03			1.58

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

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

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

	<b>2014</b>	Weighted average exercise price	<b>2013</b>	Weighted average exercise price
	<u>Number ('000)</u>		<u>Number ('000)</u>	
At 1 January	29	-	109	-
Granted during the year	-	-	-	-
Notional dividend	1	-	1	-
Exercised during the year	(15)	-	(68)	-
Lapsed during the year	(1)	-	(13)	-
At 31 December	<u>14</u>	-	<u>29</u>	-
Exercisable at 31 December	<u>14</u>	-	<u>14</u>	-

Range of exercise price for options outstanding	<b>2014</b>				<b>2013</b>			
	Weighted average exercise price	No. of shares ( <u>'000</u> )	Expected years	Contractual years	Weighted average exercise price	No. of shares ( <u>'000</u> )	Expected years	Contractual years
N/A	-	14	-	2.37	-	29	-	3.55

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**34. Equity Compensation Benefits (continued)****iii) Executive Share Option Scheme ("ESOS")**

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

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

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

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

	<b>2014</b>	Weighted average exercise price	<b>2013</b>	Weighted average exercise price
	<u>Number ('000)</u>		<u>Number ('000)</u>	
At 1 January	6	£7.89	6	£7.89
Additional shares for rights issue	-	-	-	-
Exercised during the year	(6)	£7.89	-	-
Lapsed during the year	-	-	-	-
At 31 December	<u>-</u>	-	<u>6</u>	£7.89
Exercisable at 31 December	<u>-</u>	-	<u>6</u>	£7.89

  

	<b>2014</b>				<b>2013</b>			
	Weighted average remaining life				Weighted average remaining life			
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years
£0.00	£0.00	-	-	0.00	£7.89	6	5	0.17

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**34. Equity Compensation Benefits (continued)****iv) Performance Share Plan ("PSP")**

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

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

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

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

	<b>2014</b>	Weighted average exercise price	<b>2013</b>	Weighted average exercise price
	<u>Number ('000)</u>		<u>Number ('000)</u>	
At 1 January	1	-	11	-
Additional shares for rights issue	-	-	-	-
Granted during the year	-	-	-	-
Exercised during the year	-	-	(10)	-
Lapsed during the year	-	-	-	-
At 31 December	<u>1</u>	-	<u>1</u>	-
Exercisable at 31 December	<u>1</u>	-	<u>1</u>	-
	<b>2014</b>		<b>2013</b>	
	Weighted average remaining life		Weighted average remaining life	
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Weighted average exercise price	No. of shares ('000)
	Expected years	Contractual years	Expected years	Contractual years
N/A	-	1	-	1
		-	-	3.19
				4.19

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**34. Equity Compensation Benefits (continued)****v) 2011 Standard Chartered Share Plan**

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

**(a) 2011 Performance Share Awards**

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

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

Grant date	2014				2013			
	10 December	17 September	18 June	13 March	17 December	18 September	19 June	11 March
Share price at grant date	£9.34	£12.28	£12.83	£11.92	£13.60	£15.14	£14.62	£18.22
Shares granted ('000)	-	-	-	-	-	-	-	-
Vesting period (years)	3	3	3	3	3	3	3	3
Expected dividends (yield) (%)	5.7	5.8	5.6	5.3	4.9	4.6	4.1	4.1
Fair value (EPS) (£)	2.6	3.5	3.63	3.4	3.9	4.4	4.3	5.4
Fair value (RoRWA) (£)	2.6	3.5	3.63	3.4	3.9	4.4	4.3	5.4
Fair value (TSR) (£)	1.1	1.4	1.48	1.4	1.6	1.8	1.8	2.2

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**34. Equity Compensation Benefits (continued)****v) 2011 Standard Chartered Share Plan (continued)****(a) 2011 Performance Share Awards (continued)**

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

	<b>2014</b>	Weighted average exercise price	<b>2013</b>	Weighted average exercise price				
	<u>Number ('000)</u>		<u>Number ('000)</u>					
At 1 January	57	-	33	-				
Additional shares for rights issue	-	-	-	-				
Granted during the year	24	-	28	-				
Exercised during the year	(4)	-	-	-				
Lapsed during the year	(23)	-	(4)	-				
At 31 December	<u>54</u>	-	<u>57</u>	-				
Exercisable at 31 December	<u>3</u>	-	<u>-</u>	-				
	<b>2014</b>		<b>2013</b>					
	Weighted average remaining life		Weighted average remaining life					
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Contractual Expected years	Weighted average exercise price	No. of shares ('000)	Contractual Expected years	Contractual years	
N/A	-	54	-	4.81	-	57	-	8.34



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**34. Equity Compensation Benefits (continued)****v) 2011 Standard Chartered Share Plan (continued)****(b) 2011 Restricted Share Awards**

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

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

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

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

	<b>2014</b>				<b>2013</b>			
Grant date	10 December	17 September	18 June	13 March	17 December	18 September	19 June	11 March
Share price at grant date	£9.34	£12.28	£12.83	£11.92	£13.04	£15.14	£14.62	£18.22
Vesting period (years)	2/3, 1/2/3/4	2/3, 1/2/3/4	2/3, 1/2/3/4	2/3	2/3 1/2/3/4	2/3,1/2/3/4	2/3,1/2/3/4	2/3,1/2/3/4
Expected dividends (yield) (%)	5.5	5.7	6.1	5.8	4.9	4.6	4.6	4.6
Fair value (£)	8.2	10.7	11.1	10.4	11.6	13.5	13.1	16.3

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**34. Equity Compensation Benefits (continued)****v) 2011 Standard Chartered Share Plan (continued)****(b) 2011 Restricted Share Awards (continued)**

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

	<b>2014</b>	Weighted average exercise price	<b>2013</b>	Weighted average exercise price		
	<u>Number ('000)</u>		<u>Number ('000)</u>			
At 1 January	102	-	70	-		
Additional shares for rights issue	-	-	-	-		
Notional dividend	3	-	2	-		
Granted during the year	56	-	66	-		
Exercised during the year	(33)	-	(21)	-		
Lapsed during the year	(11)	-	(15)	-		
At 31 December	<u>117</u>	-	<u>102</u>	-		
Exercisable at 31 December	<u>8</u>	-	<u>3</u>	-		
	<b>2014</b>		<b>2013</b>			
	Weighted average remaining life		Weighted average remaining life			
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ( '000)	Weighted average exercise price	No. of shares ( '000)	Contractual years	Contractual years
	-	117	-	102	-	5.80

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**35. Basic earnings per ordinary share**

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

	Group	
	2014 RM'000	2013 RM'000
Net profit attributable to ordinary shareholder	392,001	554,805
	Group	
	2014 Number ('000)	2013 Number ('000)
Number of ordinary shares outstanding (basic)	125,000	125,000
Effect of conversion of ICPS	23,750	-
Weighted average number of ordinary shares (diluted)	148,750	125,000
Basic earnings per ordinary share (sen)	314	444
Diluted earnings per ordinary share (sen)	264	-

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**36. Commitments and contingencies**

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

The commitments and contingencies are as follows:-

	31 December 2014			31 December 2013		
	Principal amount	Credit equivalent amount	Risk weighted amount	Principal amount Restated	Credit equivalent amount	Risk weighted amount
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	2,281,091	2,281,091	930,621	2,390,276	2,390,276	824,234
Transaction-related contingent items	4,005,690	4,003,743	900,744	4,254,108	4,253,025	952,615
Short-term self liquidating trade-related contingencies	240,583	240,583	82,806	390,974	390,974	105,794
Sell and buy back agreements	574,200	574,200	79,566	-	-	-
Other commitments to extend credit:-						
- maturity not exceeding one year	31,555,761	3,594,190	1,631,779	34,110,132 *	5,471,974	1,840,909
- maturity exceeding one year	3,357,107	1,505,513	618,257	7,498,951	1,534,941	766,560
Foreign exchange related contracts:-						
- less than one year	37,129,354	1,509,394	333,085	32,294,898	975,552	234,754
- one year to less than five years	19,665,694	2,305,369	706,890	19,066,983	2,187,200	535,207
- five years and above	2,511,834	531,725	153,919	1,744,078	345,249	129,674
Interest rate related contracts:-						
- less than one year	18,030,555	41,402	5,295	19,220,803	40,177	4,996
- one year to less than five years	45,520,539	1,345,882	265,803	48,719,725	1,581,268	333,331
- five years and above	6,494,791	621,456	153,226	5,512,026	568,450	162,432
Miscellaneous commitments and contingencies	5,220,052	299,436	73,087	3,949,296	287,625	78,858
	<u>176,587,251</u>	<u>18,853,984</u>	<u>5,935,078</u>	<u>179,152,250</u>	<u>20,026,711</u>	<u>5,969,364</u>

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

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

	31 December 2014			31 December 2013		
	Principal amount	Credit equivalent amount	Risk weighted amount	Principal amount	Credit equivalent amount	Risk weighted amount
<b>Bank</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>Restated RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	2,253,094	2,253,094	906,297	2,387,464	2,387,464	823,662
Transaction-related contingent items	3,851,546	3,849,599	842,562	4,181,018	4,179,934	931,868
Short-term self liquidating trade-related contingencies	137,547	137,547	54,985	324,817	324,817	74,723
Sell and buy back agreements	574,200	574,200	79,566	-	-	-
Other commitments to extend credit:-						
- maturity not exceeding one year	32,175,141	3,857,311	1,587,293	34,743,121 *	4,116,128	1,397,330
- maturity exceeding one year	2,283,245	843,162	337,531	5,831,689	1,302,260	679,210
Foreign exchange related contracts:-						
- less than one year	37,358,841	1,515,505	333,507	32,294,898	972,659	233,968
- one year to less than five years	19,665,694	2,305,369	646,254	19,066,983	2,187,200	535,207
- five years and above	2,511,834	531,725	153,919	1,744,078	345,249	129,674
Interest rate related contracts:-						
- less than one year	18,030,555	41,402	5,295	19,327,561	44,671	5,396
- one year to less than five years	45,498,840	1,333,854	264,258	48,719,725	1,579,583	329,955
- five years and above	6,494,791	621,456	153,219	5,512,026	568,449	162,427
Miscellaneous commitments and contingencies	5,253,377	301,005	73,610	3,948,551	288,817	76,082
	<u>176,088,705</u>	<u>18,165,229</u>	<u>5,438,296</u>	<u>178,081,931</u>	<u>18,297,231</u>	<u>5,379,502</u>

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

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

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### **37. Risk management policies**

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

#### **(a) Operational risk**

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

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

#### **Objective**

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

#### **Governance structure**

Governance over operational risk management is achieved through a defined structure of committees at the group, business and function. At each level, operational risk governance committees integrate into Standard Chartered PLC Group's and the Bank's overall risk governance structure. Standard Chartered PLC Group Operational Risk Committee ("GORC"), a subcommittee of Standard Chartered PLC Group's 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 are approved and adopted by the Board for local adoption. Operational risks are managed through an end to end process of plan, inform, control, originate, optimise and communicate. This six inter-dependent risk management process is performed at all levels across the Group and country level, and is the foundation of the risk management approach. Once identified, risks are assessed against standard criteria to determine their significance and the degree of risk mitigation effort required to reduce the exposure to acceptable levels. The Group's operational risk management approach serves to continually improve the Group's ability to anticipate all material risks and to increase our ability to demonstrate, with a high degree of confidence, that those material risks are well controlled. Risk mitigation plans are overseen by the appropriate local and Standard Chartered PLC Group's governance committee.

#### **Assurance**

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

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

**(b) Credit risk**

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

**Credit policies**

The Group and the Bank adopts credit policies and standards issued by Standard Chartered PLC Group. Standard Chartered PLC Group-wide credit policies and standards are considered and approved by its Standard Chartered PLC Group's Risk Committee ("GRC"), which also oversees the delegation of credit approval and loan impairment provisioning authorities. Policies and procedures that are specific to each 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 judgement and experience, and a risk adjusted scale which takes account of the estimated maximum potential loss from a given customer or portfolio. Credit origination and approval roles are segregated in all except for a few authorised cases. In those very few exceptions where they are not, originators can only approve limited exposures within defined risk parameters.

**Concentration risk**

Credit concentration risk is managed within concentration caps set by counterparty or groups of connected counterparties. 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 Group 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 loan 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.

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

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

**Credit monitoring (continued)**

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 lending decisions. Accounts which are past due are subject to a collections process, managed independently by the Risk function. Charged-off accounts are managed by a specialised recovery team.

**(i) Credit risk mitigation**

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

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

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

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

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

**(ii) Problem credit management**

Retail Clients

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



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

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

**Credit monitoring (continued)**

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

Retail Clients (continued)

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 loans are raised at 150 days past due.

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

Loans are classified as impaired where analysis and review indicates that full payment of either interest or principal is questionable, or as soon as payment of interest or principal is 90 days overdue. Impaired accounts are managed by 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 loan carrying amount and the present value of estimated future cash flows.

The individual circumstances of each customer are taken into account when GSAM estimates future cash flow. 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 Group attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews. Where it is considered that there is no realistic prospect of recovering a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

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

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

**Credit monitoring (continued)**

**(iii) Counterparty credit risk in the trading book**

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

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

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

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

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

**(c) Market risk**

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

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

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

The Group has adopted the Standardised approach for market risk.

**Market risk governance**

The Board approves the Group's market risk appetite taking account of market volatility, the range of traded products and asset classes, the business volumes and transaction sizes. Market risk appetite has remained broadly stable in 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. These policies cover both trading and non-trading books of the Group. Limits by desk are proposed by the businesses within the terms of agreed policy.

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

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

**Market risk governance (continued)**

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 is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange is measured in terms of the underlying values or amounts involved. Option risks are controlled through revaluation limits on underlying price and volatility shifts, limits on volatility risk and other variables that determine the options' value.

**Value at Risk**

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

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

The Group applies two VaR methodologies:-

- Historical simulation: involves the revaluation of all existing positions to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This approach is applied for general market risk factors and from the fourth quarter of 2013 has been extended to also cover the majority of specific (credit spread) risk VaR.
- Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is now applied for some of the specific (credit spread) risk VaR in relation to idiosyncratic exposures in credit markets.

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

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

**Back Testing**

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

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

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

**Stress testing**

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

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

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

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The 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, 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 for stress testing reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

**Valuation framework**

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

The Product Control function is responsible for valuation controls in accordance with policy. Where possible, positions held are marked to market on a consistent and daily basis using quoted prices within active markets. Where this is not possible, positions are marked to model using models which have been independently and periodically validated by 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**

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

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

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

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

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

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

	← Average RM'000	2014 High RM'000	Low RM'000 →	Actual as at 31 December 2014 RM'000
<u>Trading</u>				
Interest rate risk	2,558	4,372	1,751	2,483
Foreign exchange risk	631	2,453	218	554
<u>Non-trading</u>				
Interest rate risk	2,588	3,694	1,770	2,039
	← Average RM'000	2013 High RM'000	Low RM'000 →	Actual as at 31 December 2013 RM'000
<u>Trading</u>				
Interest rate risk	3,623	6,708	1,813	3,239
Foreign exchange risk	656	2,302	167	367
<u>Non-trading</u>				
Interest rate risk	2,767	3,305	1,692	2,961

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

**(d) Liquidity risk**

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

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

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

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

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

**(e) Business risk**

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

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

**(f) Compliance risk**

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

**(g) Legal risk**

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

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**38. Financial instruments****Categories of financial instruments**

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

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

<b>Group 2014</b>	<b>Carrying amount RM'000</b>	<b>L&amp;R / OL RM'000</b>	<b>FVTPL HFT/ DUIR RM'000</b>	<b>HFH RM'000</b>	<b>AFS RM'000</b>
<u>Financial assets</u>					
Cash and short term funds	5,825,358	5,825,358	-	-	-
Deposits and placements with banks and other financial institutions	68,524	68,524	-	-	-
Securities repurchased under resale agreements	551,077	551,077	-	-	-
Financial assets held for trading	3,534,095	-	3,534,095	-	-
Investment securities available-for-sale	5,366,299	-	-	-	5,366,299
Loans, advances and financing	33,802,679	33,802,679	-	-	-
Derivative financial assets	2,867,619	-	2,780,297	87,322	-
Other assets	703,907	703,907	-	-	-
Statutory deposits with Bank Negara Malaysia	1,152,691	1,152,691	-	-	-
<b>Total financial assets</b>	<b>53,872,249</b>	<b>42,104,236</b>	<b>6,314,392</b>	<b>87,322</b>	<b>5,366,299</b>
<u>Financial liabilities</u>					
Deposits from customers	36,524,580	36,421,768	102,812	-	-
Deposits and placements of banks and other financial institutions	7,340,284	6,830,772	509,512	-	-
Obligations on securities sold under repurchase agreements	497,384	497,384	-	-	-
Derivative financial liabilities	2,715,041	-	2,694,444	20,597	-
Other liabilities	1,736,783	1,736,783	-	-	-
Subordinated debts	1,000,000	1,000,000	-	-	-
<b>Total financial liabilities</b>	<b>49,814,072</b>	<b>46,486,707</b>	<b>3,306,768</b>	<b>20,597</b>	<b>-</b>

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

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



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

<b>Bank 2014</b>	<b>Carrying amount RM'000</b>	<b>L&amp;R / OL RM'000</b>	<b>FVTPL HFT/ DUIR RM'000</b>	<b>HFH RM'000</b>	<b>AFS RM'000</b>
<u>Financial assets</u>					
Cash and short term funds	6,013,052	6,013,052	-	-	-
Deposits and placements with banks and other financial institutions	3,675,437	3,675,437	-	-	-
Securities repurchased under resale agreements	551,077	551,077	-	-	-
Financial assets held for trading	3,534,095	-	3,534,095	-	-
Investment securities available-for-sale	5,266,339	-	-	-	5,266,339
Loans, advances and financing	26,706,380	26,706,380	-	-	-
Derivative financial assets	2,869,041	-	2,781,717	87,324	-
Other assets	1,083,501	1,083,501	-	-	-
Statutory deposits with Bank Negara Malaysia	901,241	901,241	-	-	-
<b>Total financial assets</b>	<b>50,600,163</b>	<b>38,930,688</b>	<b>6,315,812</b>	<b>87,324</b>	<b>5,266,339</b>
<u>Financial liabilities</u>					
Deposits from customers	33,056,211	32,971,741	84,470	-	-
Deposits and placements of banks and other financial institutions	7,183,376	6,677,469	505,907	-	-
Obligations on securities sold under repurchase agreements	497,384	497,384	-	-	-
Derivative financial liabilities	2,712,792	-	2,692,195	20,597	-
Other liabilities	2,654,147	2,654,147	-	-	-
Subordinated debts	1,000,000	1,000,000	-	-	-
<b>Total financial liabilities</b>	<b>47,103,910</b>	<b>43,800,741</b>	<b>3,282,572</b>	<b>20,597</b>	<b>-</b>

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

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

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net gains/(losses) arising on:-				
Fair value through profit or loss:	286,009	412,244	286,009	412,244
- Held for trading	325,187	430,389	325,187	430,389
- Held for hedging	(39,178)	(18,145)	(39,178)	(18,145)
Available-for-sale financial assets:	194,452	222,013	185,490	158,692
- Recognised in other comprehensive income	(6,701)	(4,693)	(6,690)	(4,756)
- Reclassified from equity to profit or loss	179,917	190,073	170,944	126,815
- Dividend income	21,236	36,633	21,236	36,633
Loans and receivables	2,219,292	2,293,088	1,882,031	1,946,050
Financial liabilities measured at amortised costs	(827,444)	(872,080)	(716,108)	(755,836)
	<u>1,872,309</u>	<u>2,055,265</u>	<u>1,637,422</u>	<u>1,761,150</u>

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**39. Credit risk****(i) Maximum exposure to credit risk**

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

	Group				Bank			
	Maximum exposures 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		2014		2013	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On-balance sheet assets</b>								
Money at call and deposits placements maturing within one month	5,669,816	-	7,935,452	-	5,900,326	-	6,624,425	-
Deposits and placements with banks and other financial institutions	68,524	-	12,590	-	3,675,437	-	2,389,694	-
Securities purchased under resale agreements	551,077	551,077	291,261	291,261	551,077	551,077	291,261	291,261
Financial assets held for trading	3,534,095	-	2,918,194	-	3,534,095	-	2,918,194	-
Investment securities available-for-sale (excludes equity shares)	5,356,576	-	4,638,424	-	5,256,616	-	4,512,484	-
Loans, advances and financing	33,802,679	15,253,290	34,209,142	15,357,605	26,706,380	12,858,523	29,163,612	13,428,081
Derivative financial assets	2,867,619	-	2,096,671	-	2,869,041	-	2,096,231	-
Interest/Income receivables	95,991	-	52,627	-	104,747	-	60,442	-
Statutory deposits with Bank Negara Malaysia	1,152,691	-	1,153,509	-	901,241	-	952,192	-
	<u>53,099,068</u>	<u>15,804,367</u>	<u>53,307,870</u>	<u>15,648,866</u>	<u>49,498,960</u>	<u>13,409,600</u>	<u>49,008,535</u>	<u>13,719,342</u>

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**39. Credit risk (continued)****(i) Maximum exposure to credit risk (continued)**

	Group				Bank			
	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	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
	Restated				Restated			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Off-balance sheet items</b>								
Contingent commitments	6,527,364	131,902	7,035,358	659,813	6,242,187	121,905	6,893,299	654,559
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	34,912,868	429,691	41,609,083	832,678	34,458,386	291,749	40,574,810	402,402
	<u>41,440,232</u>	<u>561,593</u>	<u>48,644,441</u>	<u>1,492,491</u>	<u>40,700,573</u>	<u>413,654</u>	<u>47,468,109</u>	<u>1,056,961</u>

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**39. Credit risk (continued)**

**(ii) Offsetting financial assets and financial liabilities**

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

	Carrying amounts of recognised financial instruments in the statement of financial position RM'000	Related financial instruments that are not offset in the statement of financial position RM'000	Net amount RM'000
<b>Group</b>			
<b>2014</b>			
Derivative financial assets	2,867,619	(1,381,971)	1,485,648
Derivative financial liabilities	(2,715,041)	1,381,971	(1,333,070)
<b>2013</b>			
Derivative financial assets	2,096,671	(887,614)	1,209,057
Derivative financial liabilities	(1,754,037)	887,614	(866,423)
<b>Bank</b>			
<b>2014</b>			
Derivative financial assets	2,869,041	(1,385,995)	1,483,046
Derivative financial liabilities	(2,712,792)	1,385,995	(1,326,797)
<b>2013</b>			
Derivative financial assets	2,096,231	(883,936)	1,212,295
Derivative financial liabilities	(1,756,805)	883,936	(872,869)

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

<b>Group</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Individually impaired loans *	729,946	837,887
Impairment provision on off-balance sheet items	(12,145)	(12,145)
Past due but not impaired loans	1,954,821	2,154,331
Neither past due nor impaired loans	31,484,586	31,577,000
Total loans, advances and financing	<u>34,157,208</u>	<u>34,557,073</u>
Collective impairment provisions	(354,529)	(347,931)
	<u><u>33,802,679</u></u>	<u><u>34,209,142</u></u>

\* Included in the balance is RM 128,184,000 (2013: RM 113,509,000), in respect of loans where no individual impairment provisions were made as the recoverable amounts are in excess of the carrying amounts for secured loans, advances and financing. For unsecured loans, advances and financing, collective impairment provisions were made for loans for which an individual impairment provision has not been made.

<b>Bank</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Individually impaired loans *	715,615	813,061
Impairment provision on off-balance sheet items	(12,145)	(12,145)
Past due but not impaired loans	1,488,108	1,701,602
Neither past due nor impaired loans	24,750,294	26,905,089
Total loans, advances and financing	<u>26,941,872</u>	<u>29,407,607</u>
Collective impairment provisions	(235,492)	(243,995)
	<u><u>26,706,380</u></u>	<u><u>29,163,612</u></u>

\* Included in the balance is RM 115,963,000 (2013: RM 97,447,000), in respect of loans where no individual impairment provisions were made as the recoverable amounts are in excess of the carrying amounts for secured loans, advances and financing. For unsecured loans, advances and financing, collective impairment provisions were made for loans for which an individual impairment provision has not been made.

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**39. Credit risk (continued)****(iii) Summary analysis of loans, advances and financing (continued)****Credit quality****Loans, advances and financing neither past due nor impaired**

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Neither past due nor individually impaired				
- Grades 1-5	11,074,502	9,946,359	9,276,617	9,150,280
- Grades 6-7	11,208,477	11,254,898	8,346,550	9,782,050
- Grades 8-9	6,003,305	6,554,916	4,572,939	4,894,850
- Grades 10-12	3,198,302	3,820,827	2,554,188	3,077,909
	<u>31,484,586</u>	<u>31,577,000</u>	<u>24,750,294</u>	<u>26,905,089</u>

**Loans, advances and financing past due but not individually impaired**

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Up to 30 days past due	1,567,931	1,733,145	1,172,923	1,350,602
Between 31 - 60 days past due	285,792	314,579	237,888	264,172
Between 61 - 90 days past due	101,098	106,607	77,297	86,828
	<u>1,954,821</u>	<u>2,154,331</u>	<u>1,488,108</u>	<u>1,701,602</u>



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

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

<b>Group</b>	<b>Within Malaysia RM'000</b>	<b>Outside Malaysia RM'000</b>	<b>Total RM'000</b>
<b>2014</b>			
Gross impaired loans, advances and financing	1,123,925	507	1,124,432
Individual impairment provisions	406,124	507	406,631
Collective impairment provisions	350,399	4,130	354,529
<b>2013</b>			
Gross impaired loans, advances and financing	1,088,614	263	1,088,877
Individual impairment provisions	262,872	263	263,135
Collective impairment provisions	345,178	2,753	347,931
<b>Bank</b>			
	<b>Within Malaysia RM'000</b>	<b>Outside Malaysia RM'000</b>	<b>Total RM'000</b>
<b>2014</b>			
Gross impaired loans, advances and financing	1,085,804	507	1,086,311
Individual impairment provisions	382,334	507	382,841
Collective impairment provisions	231,362	4,130	235,492
<b>2013</b>			
Gross impaired loans, advances and financing	1,048,005	263	1,048,268
Individual impairment provisions	247,089	263	247,352
Collective impairment provisions	241,242	2,753	243,995

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**39. Credit risk (continued)****(iv) Deposit placements maturing within one month and deposits and placements with banks and other financial institutions**

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

**Group**

	2014			2013		
	Standard & Poors RM'000	RAM RM'000	Total RM'000	Standard & Poors RM'000	RAM RM'000	Total RM'000
AAA	-	679,601	679,601	-	1,385,150	1,385,150
AA- to AA+	-	-	-	-	163,931	163,931
A- to A+	887,175	-	887,175	173,242	45,000	218,242
	<u>887,175</u>	<u>679,601</u>	<u>1,566,776</u>	<u>173,242</u>	<u>1,594,081</u>	<u>1,767,323</u>

**Bank**

	2014			2013		
	Standard & Poors RM'000	RAM RM'000	Total RM'000	Standard & Poors RM'000	RAM RM'000	Total RM'000
AAA	-	5,606,531	5,606,531	-	4,369,145	4,369,145
AA- to AA+	-	-	-	-	163,931	163,931
A- to A+	887,175	-	887,175	173,242	45,000	218,242
	<u>887,175</u>	<u>5,606,531</u>	<u>6,493,706</u>	<u>173,242</u>	<u>4,578,076</u>	<u>4,751,318</u>

**(v) Summary analysis on securities portfolio**

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Government securities	6,887,969	5,774,422	6,789,413	5,674,724
Debt securities	2,553,784	2,073,457	2,552,380	2,047,215
AAA	183,328	1,321,403	183,328	1,321,403
AA- to AA+	2,188,777	662,943	2,188,777	662,943
A- to A+	-	38,084	-	38,084
Lower than A-	-	-	-	-
Unrated	181,679	51,027	180,275	24,785
Total securities portfolio	<u>9,441,753</u>	<u>7,847,879</u>	<u>9,341,793</u>	<u>7,721,939</u>

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**40. Liquidity risk**

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

<b>Group</b>	<b>3 months or less</b>	<b>&gt; 3 - 12 months</b>	<b>&gt; 1 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>As at 31 December 2014</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>					
Cash and short term funds	5,837,162	-	-	-	5,837,162
Deposits and placements with banks and other financial institutions	-	55,843	14,039	-	69,882
Securities purchased under resale agreements	552,713	-	-	-	552,713
Financial assets held for trading	112,245	876,286	2,584,001	238,595	3,811,127
Investment securities available-for-sale	2,060,743	161,021	3,332,360	176,588	5,730,712
Loans, advances and financing					
- Performing	7,659,973	5,678,144	4,201,651	29,853,971	47,393,739
- Impaired	-	-	-	717,801	717,801
Derivative financial assets	386,969	642,839	1,467,933	369,878	2,867,619
Other balances	1,856,598	-	-	-	1,856,598
	<b>18,466,403</b>	<b>7,414,133</b>	<b>11,599,984</b>	<b>31,356,833</b>	<b>68,837,353</b>
<b>Financial liabilities</b>					
Deposits from customers	29,589,202	5,113,181	2,230,751	-	36,933,134
Deposits and placements of banks and other financial institutions	6,749,431	55,526	488,809	152,615	7,446,381
Obligations on securities sold under repurchase agreements	498,731	-	-	-	498,731
Derivative financial liabilities	261,657	757,757	1,449,561	246,066	2,715,041
Other balances	1,411,836	324,947	-	-	1,736,783
Subordinated debts	-	-	-	1,315,900	1,315,900
	<b>38,510,857</b>	<b>6,251,411</b>	<b>4,169,121</b>	<b>1,714,581</b>	<b>50,645,970</b>
<b>Net liquidity gap</b>	<b>(20,044,454)</b>	<b>1,162,722</b>	<b>7,430,863</b>	<b>29,642,252</b>	<b>18,191,383</b>
<b>Gross loans/financing commitments</b>	<b>1,087,753</b>	<b>28,424,739</b>	<b>8,931,575</b>	<b>5,814,840</b>	<b>44,258,907</b>

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**40. Liquidity risk (continued)**

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

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**40. Liquidity risk (continued)**

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

<b>Bank As at 31 December 2014</b>	<b>3 months or less RM'000</b>	<b>&gt; 3 - 12 months RM'000</b>	<b>&gt; 1 - 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>					
Cash and short term funds	6,024,760	-	-	-	6,024,760
Deposits and placements with banks and other financial institutions	1,450,833	2,245,031	14,117	-	3,709,981
Securities purchased under resale agreements	552,713	-	-	-	552,713
Financial assets held for trading	112,245	876,286	2,584,001	238,595	3,811,127
Investment securities available-for-sale	2,059,347	60,657	3,332,719	176,624	5,629,347
Loans, advances and financing					
- Performing	6,437,978	4,565,260	2,696,545	23,561,309	37,261,092
- Impaired	-	-	-	703,470	703,470
Derivative financial assets	389,651	642,839	1,466,673	369,878	2,869,041
Other balances	1,884,742	-	-	129,100	2,013,842
	<b>18,912,269</b>	<b>8,390,073</b>	<b>10,094,055</b>	<b>25,178,976</b>	<b>62,575,373</b>
<b>Financial liabilities</b>					
Deposits from customers	27,079,046	4,282,018	2,065,647	-	33,426,711
Deposits and placements of banks and other financial institutions	6,593,702	55,398	479,994	150,013	7,279,107
Obligations on securities sold under repurchase agreements	498,731	-	-	-	498,731
Derivative financial liabilities	261,663	757,757	1,447,306	246,066	2,712,792
Other balances	2,343,725	310,400	-	22	2,654,147
Subordinated debts	-	-	-	1,315,900	1,315,900
	<b>36,776,867</b>	<b>5,405,573</b>	<b>3,992,947</b>	<b>1,712,001</b>	<b>47,887,388</b>
<b>Net liquidity gap</b>	<b>(17,864,598)</b>	<b>2,984,500</b>	<b>6,101,108</b>	<b>23,466,975</b>	<b>14,687,985</b>
<b>Gross loans/financing commitments</b>	<b>667,299</b>	<b>26,449,199</b>	<b>8,670,214</b>	<b>5,488,062</b>	<b>41,274,774</b>

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**40. Liquidity risk (continued)**

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

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**41. Market risk**

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

**Interest rate risk**

Group	← Non-trading books →					Trading books RM'000	Total RM'000	Effective interest rate (%)
	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>As at 31 December 2014</b>								
<b>Financial assets</b>								
Cash and short term funds	4,506,157	-	-	-	1,319,201	-	5,825,358	2.43
Deposits and placements with banks and other financial institutions	-	55,103	13,421	-	-	-	68,524	2.30
Securities purchased under resale agreements	551,077	-	-	-	-	-	551,077	3.56
Financial assets held for trading	-	-	-	-	-	3,534,095	3,534,095	3.59
Investment securities available-for-sale	2,138,565	59,923	3,013,370	144,718	9,723	-	5,366,299	3.67
Loans, advances and financing								
- Performing	24,582,531	4,008,197	2,925,916	1,568,234	-	-	33,084,878	5.48
- Impaired	-	-	-	-	717,801	-	717,801	
Derivative financial assets	6,121	9,897	83,763	516	-	2,767,322	2,867,619	
Other balances	-	-	-	-	1,856,598	-	1,856,598	
	<b>31,784,451</b>	<b>4,133,120</b>	<b>6,036,470</b>	<b>1,713,468</b>	<b>3,903,323</b>	<b>6,301,417</b>	<b>53,872,249</b>	
<b>Financial liabilities</b>								
Deposits from customers	23,152,441	5,024,096	1,982,914	-	6,365,129	-	36,524,580	2.43
Deposits and placements of banks and other financial institutions	6,728,899	54,002	430,000	127,383	-	-	7,340,284	3.55
Obligations on securities sold under repurchase agreements	497,384	-	-	-	-	-	497,384	3.25
Derivative financial liabilities	8,628	10,087	84,736	516	-	2,611,074	2,715,041	
Other balances	-	-	-	-	1,736,783	-	1,736,783	
Subordinated debts	-	-	-	1,000,000	-	-	1,000,000	5.27
	<b>30,387,352</b>	<b>5,088,185</b>	<b>2,497,650</b>	<b>1,127,899</b>	<b>8,101,912</b>	<b>2,611,074</b>	<b>49,814,072</b>	
On-balance sheet interest sensitivity gap	1,397,099	(955,065)	3,538,820	585,569	(4,198,589)	3,690,343		
Off-balance sheet interest sensitivity gap	(13,564,493)	1,919,653	1,267,232	13,292	-	-		
<b>Total interest sensitivity gap</b>	<b>(12,167,394)</b>	<b>964,588</b>	<b>4,806,052</b>	<b>598,861</b>	<b>(4,198,589)</b>	<b>3,690,343</b>		

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

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



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

Bank As at 31 December 2014	Non-trading books					Trading books RM'000	Total RM'000	Effective interest rate (%)
	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>Financial assets</b>								
Cash and short term funds	4,708,372	-	-	-	1,304,680	-	6,013,052	2.34
Deposits and placements with banks and other financial institutions	1,443,456	2,218,560	13,421	-	-	-	3,675,437	2.60
Securities purchased under resale agreements	551,077	-	-	-	-	-	551,077	3.56
Financial assets held for trading	-	-	-	-	-	3,534,095	3,534,095	3.59
Investment securities available-for-sale	2,038,605	59,923	3,013,370	144,718	9,723	-	5,266,339	3.67
Loans, advances and financing								
- Performing	20,395,999	3,200,916	1,476,227	929,768	-	-	26,002,910	5.35
- Impaired	-	-	-	-	703,470	-	703,470	
Derivative financial assets	-	-	-	-	-	2,869,041	2,869,041	
Other balances	-	-	-	100,000	1,884,742	-	1,984,742	4.85
	<b>29,137,509</b>	<b>5,479,399</b>	<b>4,503,018</b>	<b>1,174,486</b>	<b>3,902,615</b>	<b>6,403,136</b>	<b>50,600,163</b>	
<b>Financial liabilities</b>								
Deposits from customers	20,653,063	4,203,743	1,834,276	-	6,365,129	-	33,056,211	2.40
Deposits and placements of banks and other financial institutions	6,575,607	54,002	430,000	123,767	-	-	7,183,376	3.26
Obligations on securities								
sold under repurchase agreements	497,384	-	-	-	-	-	497,384	3.25
Derivative financial liabilities	-	-	-	-	-	2,712,792	2,712,792	
Other balances	-	-	-	-	2,654,147	-	2,654,147	
Subordinated debts	-	-	-	1,000,000	-	-	1,000,000	5.27
	<b>27,726,054</b>	<b>4,257,745</b>	<b>2,264,276</b>	<b>1,123,767</b>	<b>9,019,276</b>	<b>2,712,792</b>	<b>47,103,910</b>	
On-balance sheet interest sensitivity gap	1,411,455	1,221,654	2,238,742	50,719	(5,116,661)	3,690,344		
Off-balance sheet interest sensitivity gap	(13,564,493)	1,919,653	1,267,232	13,292	-	-		
<b>Total interest sensitivity gap</b>	<b>(12,153,038)</b>	<b>3,141,307</b>	<b>3,505,974</b>	<b>64,011</b>	<b>(5,116,661)</b>	<b>3,690,344</b>		

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

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

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

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

2014 Type of Currency	<b>Group</b>		<b>Bank</b>	
	<b>Impact on Positions as at Reporting Period (200 basis points) Parallel Shift</b>		<b>Impact on Positions as at Reporting Period (200 basis points) Parallel Shift</b>	
	<b>Increase/(Decline) in profit before taxation RM'000</b>	<b>Increase/(Decline) in equity RM'000</b>	<b>Increase/(Decline) in profit before taxation RM'000</b>	<b>Increase/(Decline) in equity RM'000</b>
MYR	(5,085)	(3,814)	(1,221)	(916)
USD	(33,118)	(24,839)	(30,957)	(23,218)
EUR	1,589	1,192	1,589	1,192
GBP	(356)	(267)	(356)	(267)
JPY	719	539	719	539
SGD	915	686	915	686
AUD	(11,893)	(8,920)	(11,893)	(8,920)
NZD	583	437	583	437
HKD	339	254	339	254
BND	493	370	493	370
THB	619	464	619	464
2013 Type of Currency	<b>Group</b>		<b>Bank</b>	
	<b>Impact on Positions as at Reporting Period (200 basis points) Parallel Shift</b>		<b>Impact on Positions as at Reporting Period (200 basis points) Parallel Shift</b>	
	<b>Increase/(Decline) in profit before taxation RM'000</b>	<b>Increase/(Decline) in equity RM'000</b>	<b>Increase/(Decline) in profit before taxation RM'000</b>	<b>Increase/(Decline) in equity RM'000</b>
MYR	612	459	33,908	25,431
USD	(35,520)	(26,640)	(28,615)	(21,462)
EUR	1,737	1,303	1,737	1,303
GBP	(470)	(352)	(470)	(352)
JPY	1,197	897	1,197	897
SGD	1,166	875	1,166	875
AUD	(4,114)	(3,086)	(4,114)	(3,086)

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

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

<b>Group</b>	<b>MYR</b>	<b>USD</b>	<b>GBP</b>	<b>SGD</b>	<b>Others</b>	<b>Total</b>
<b>As at 31 December 2014</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>						
Cash and short term funds	3,689,992	1,749,837	-	55,855	329,674	5,825,358
Deposits and placements with banks and other financial institutions	-	13,421	-	-	55,103	68,524
Securities purchased under resale agreements	551,077	-	-	-	-	551,077
Financial assets held for trading	3,534,095	-	-	-	-	3,534,095
Investment securities available-for-sale	5,365,673	-	-	-	626	5,366,299
Loans, advances and financing	28,785,938	3,676,469	1,313,026	2,258	24,988	33,802,679
Derivative financial assets	1,129,166	1,667,043	25,217	12,316	33,877	2,867,619
Other balances	1,799,421	49,801	-	15	7,361	1,856,598
	<b>44,855,362</b>	<b>7,156,571</b>	<b>1,338,243</b>	<b>70,444</b>	<b>451,629</b>	<b>53,872,249</b>
<b>Financial liabilities</b>						
Deposits from customers	31,489,085	3,857,948	-	77,271	1,100,276	36,524,580
Deposits and placements of banks and other financial institutions	4,005,036	1,143,014	-	8,194	2,184,040	7,340,284
Obligations on securities sold under repurchase agreements	497,384	-	-	-	-	497,384
Derivative financial liabilities	1,195,613	1,299,143 *	27,125	27,100 *	166,060 *	2,715,041
Other balances	3,094,941	(433,143)	-	(9,760)	(915,255)	1,736,783
Subordinated debts	1,000,000	-	-	-	-	1,000,000
	<b>41,282,059</b>	<b>5,866,962</b>	<b>27,125</b>	<b>102,805</b>	<b>2,535,121</b>	<b>49,814,072</b>
<b>Total foreign currency sensitivity gap</b>	<b>3,573,303</b>	<b>1,289,609</b>	<b>1,311,118</b>	<b>(32,361)</b>	<b>(2,083,492)</b>	

\* Included in other balances is a receivable from a subsidiary company amounting to USD 1,018,967,000 and SGD 52,193,000 and a receivable from an entity amounting to AUD 632,835,000, which will be settled net together with balances in other currencies.

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

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

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

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

<b>Bank As at 31 December 2014</b>	<b>MYR RM'000</b>	<b>USD RM'000</b>	<b>GBP RM'000</b>	<b>SGD RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>						
Cash and short term funds	3,581,870	2,045,653	-	55,855	329,674	6,013,052
Deposits and placements with banks and other financial institutions	2,524,151	442,931	652,854	-	55,501	3,675,437
Securities purchased under resale agreements	551,077	-	-	-	-	551,077
Financial assets held for trading	3,534,095	-	-	-	-	3,534,095
Investment securities available-for-sale	5,265,713	-	-	-	626	5,266,339
Loans, advances and financing	23,000,211	3,019,096	660,228	2,258	24,587	26,706,380
Derivative financial assets	1,082,045	1,715,586	25,217	12,316	33,877	2,869,041
Other balances	1,918,586	59,376	-	13	6,767	1,984,742
	<b>41,457,748</b>	<b>7,282,642</b>	<b>1,338,299</b>	<b>70,442</b>	<b>451,032</b>	<b>50,600,163</b>
<b>Financial liabilities</b>						
Deposits from customers	28,141,539	3,843,374	-	77,218	994,080	33,056,211
Deposits and placements of banks and other financial institutions	4,500,890	1,143,013	-	8,194	1,531,279	7,183,376
Obligations on securities sold under repurchase agreements	497,384	-	-	-	-	497,384
Derivative financial liabilities	1,196,289	1,296,218	27,125	27,100	166,060	2,712,792
Other balances	2,754,835	516,399	-	(107,402) *	(509,685) *	2,654,147
Subordinated debts	1,000,000	-	-	-	-	1,000,000
	<b>38,090,937</b>	<b>6,799,004</b>	<b>27,125</b>	<b>5,110</b>	<b>2,181,734</b>	<b>47,103,910</b>
<b>Total foreign currency sensitivity gap</b>	<b>3,366,811</b>	<b>483,638</b>	<b>1,311,174</b>	<b>65,332</b>	<b>(1,730,702)</b>	

\* Included in other balances is a receivable from a subsidiary company amounting to SGD 52,193,000 and a receivable from an entity amounting to AUD 632,835,000, which will be settled net together with balances in other currencies.

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

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

\* Included in other balances is a receivable from a subsidiary company amounting to SGD 43,252,000 and receivables of SGD 52,100,000, which will be settled net together with balances in other currencies.

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

All foreign currency positions in the banking book of the Group and of the Bank are fully hedged, while stress test has been performed on foreign currency trading positions to assess impact of a 20% (31 December 2013: 20%) fall in Malaysian Ringgit exchange rates, adjusted to incorporate impact of correlation between different currencies. The impact has been assessed to be a decrease of RM 19 million in profit before tax and RM 14 million in equity (31 December 2013: RM 3 million in profit before tax and RM 2 million in equity).

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**42. Fair values of financial assets and liabilities**

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

	Group			
	Carrying value		Fair value	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Financial assets</b>				
Cash and short term funds	5,825,358	8,143,220	5,825,358	8,143,220
Deposits and placements with banks and other financial institutions	68,524	12,590	69,091	12,173
Securities purchased under resale agreement	551,077	291,261	551,077	291,261
Financial assets held for trading	3,534,095	2,918,194	3,534,095	2,918,194
Investment securities available-for-sale	5,366,299	4,648,145	5,366,299	4,648,145
Loans, advances and financing *	34,157,208	34,557,073	33,959,338	34,153,225
Derivative financial assets	2,867,619	2,096,671	2,867,619	2,096,671
<b>Financial liabilities</b>				
Deposits from customers	36,524,580	38,594,479	36,542,782	38,634,993
Deposits and placements of banks and other financial institutions	7,340,284	7,170,856	7,340,284	7,170,856
Obligations on securities sold under repurchase agreements	497,384	-	497,384	-
Subordinated debts	1,000,000	1,000,000	1,000,000	1,000,000
Derivative financial liabilities	2,715,041	1,754,037	2,715,041	1,754,037

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

\* The collective impairment provisions of the Group of RM354,529,000 (31 December 2013: RM 347,931,000) is not included in the carrying amount.



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

	Bank			
	Carrying value		Fair value	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Financial assets</b>				
Cash and short term funds	6,013,052	6,794,448	6,013,052	6,794,448
Deposits and placements with banks and other financial institutions	3,675,437	2,389,694	3,676,004	2,389,277
Securities purchased under resale agreement	551,077	291,261	551,077	291,261
Financial assets held for trading	3,534,095	2,918,194	3,534,095	2,918,194
Investment securities available-for-sale	5,266,339	4,522,205	5,266,339	4,522,205
Loans, advances and financing *	26,941,872	29,407,607	26,732,380	29,158,131
Derivative financial assets	2,869,041	2,096,231	2,869,041	2,096,231
<b>Financial liabilities</b>				
Deposits from customers	33,056,211	34,452,038	33,048,014	34,458,494
Deposits and placements of banks and other financial institutions	7,183,376	7,056,409	7,183,376	7,056,409
Obligations on securities sold under repurchase agreements	497,384	-	497,384	-
Subordinated debts	1,000,000	1,000,000	1,000,000	1,000,000
Derivative financial liabilities	2,712,792	1,756,805	2,712,792	1,756,805

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

\* The collective impairment provisions of the Bank of RM 235,492,000 (31 December 2013: RM 243,995,000) is not included in the carrying amount.

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

**Methods and Assumptions**

**Financial Assets**

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

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

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

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

- (iii) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate and Islamic 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 the end of reporting date offered for similar loans to new borrowers with similar credit profiles, where applicable. In respect of impaired loans, the fair values are deemed to approximate the carrying values, net of individual impairment provisions.

- (iv) Securities purchased under resale agreement

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

- (v) Derivative financial instruments

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

**Financial Liabilities**

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

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

- (ii) Subordinated debts

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

- (iii) Obligations on securities sold under repurchase agreements

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

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

**Methods and Assumptions (continued)**

**Financial Liabilities (continued)**

(iii) Derivative financial instruments

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

**Fair value hierarchy**

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

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

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

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

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

**Methods and Assumptions (continued)**

**Fair value hierarchy (continued)**

Group 2014	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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Assets</b>										
Cash and short term funds	-	-	-	-	-	5,825,358	-	5,825,358	5,825,358	5,825,358
Deposits and placements with banks and other financial institutions	-	-	-	-	-	69,091	-	69,091	69,091	68,524
Securities purchased under resale agreement	-	-	-	-	-	551,077	-	551,077	551,077	551,077
Loans, advances and financing	-	-	-	-	-	-	33,959,338	33,959,338	33,959,338	34,157,208
Financial assets held for trading										
Malaysian Government / Bank Negara Bills	811,389	-	-	811,389	-	-	-	-	811,389	811,389
Debt securities	2,588,577	134,129	-	2,722,706	-	-	-	-	2,722,706	2,722,706
Derivative financial instruments	1,225	2,866,394	-	2,867,619	-	-	-	-	2,867,619	2,867,619
Investment securities available-for-sale										
Malaysian Government / Bank Negara Bills	98,556	-	-	98,556	-	-	-	-	98,556	98,556
Debt securities	3,018,396	2,238,220	1,404	5,258,020	-	-	-	-	5,258,020	5,258,020
Unquoted equity securities, at cost	-	-	-	-	-	-	9,723	9,723	9,723	9,723
Other assets	-	-	-	-	-	703,907	-	703,907	703,907	703,907
At 31 December 2014	6,518,143	5,238,743	1,404	11,758,290	-	7,149,433	33,969,061	41,118,494	52,876,784	53,074,087

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

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Group 2014	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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Liabilities										
Deposits from customers	-	102,812	-	102,812	-	36,439,970	-	36,439,970	36,542,782	36,524,580
Deposits and placements of banks and other financial institutions	-	509,512	-	509,512	-	6,830,772	-	6,830,772	7,340,284	7,340,284
Obligations on securities sold under repurchase agreements	-	-	-	-	-	497,384	-	497,384	497,384	497,384
Derivative financial instruments	1,416	2,713,625	-	2,715,041	-	-	-	-	2,715,041	2,715,041
Other liabilities	-	-	-	-	-	1,736,783	-	1,736,783	1,736,783	1,736,783
Subordinated debts	-	-	-	-	-	1,000,000	-	1,000,000	1,000,000	1,000,000
At 31 December 2014	1,416	3,325,949	-	3,327,365	-	46,504,909	-	46,504,909	49,832,274	49,814,072

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

**Methods and Assumptions (continued)**

**Fair value hierarchy (continued)**

Group 2013	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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Assets										
Cash and short term funds	-	-	-	-	-	8,143,220	-	8,143,220	8,143,220	8,143,220
Deposits and placements with banks and other financial institutions	-	-	-	-	-	12,173	-	12,173	12,173	12,590
Securities purchased under resale agreement	-	-	-	-	-	291,261	-	291,261	291,261	291,261
Loans, advances and financing	-	-	-	-	-	-	34,153,225	34,153,225	34,153,225	34,557,073
Financial assets held for trading										
Malaysian Government / Bank Negara Bills	1,719,200	-	-	1,719,200	-	-	-	-	1,719,200	1,719,200
Debt securities	989,383	209,611	-	1,198,994	-	-	-	-	1,198,994	1,198,994
Derivative financial instruments	1,350	2,095,321	-	2,096,671	-	-	-	-	2,096,671	2,096,671
Investment securities available-for-sale										
Malaysian Government / Bank Negara Bills	746,173	-	-	746,173	-	-	-	-	746,173	746,173
Debt securities	2,038,391	1,827,618	26,242	3,892,251	-	-	-	-	3,892,251	3,892,251
Unquoted equity securities, at cost	-	-	-	-	-	-	9,721	9,721	9,721	9,721
Other assets	-	-	-	-	-	702,619	-	702,619	702,619	702,619
At 31 December 2013	5,494,497	4,132,550	26,242	9,653,289	-	9,149,273	34,162,946	43,312,219	52,965,508	53,369,773

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

**Methods and Assumptions (continued)**

**Fair value hierarchy (continued)**

Group 2013	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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Liabilities										
Deposits from customers	-	102,812	-	102,812	-	38,532,181	-	38,532,181	38,634,993	38,594,479
Deposits and placements of banks and other financial institutions	-	509,512	-	509,512	-	6,661,344	-	6,661,344	7,170,856	7,170,856
Derivative financial instruments	1,033	1,753,004	-	1,754,037	-	-	-	-	1,754,037	1,754,037
Other liabilities	-	-	-	-	-	-	-	-	-	1,887,018
Subordinated debts	-	-	-	-	-	1,000,000	-	1,000,000	1,000,000	1,000,000
At 31 December 2013	1,033	2,365,328	-	2,366,361	-	46,193,525	-	46,193,525	48,559,886	50,406,390

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

**Methods and Assumptions (continued)**

**Fair value hierarchy (continued)**

Bank 2014 Assets	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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Cash and short term funds	-	-	-	-	-	6,013,052	-	6,013,052	6,013,052	6,013,052
Deposits and placements with banks and other financial institutions	-	-	-	-	-	3,676,004	-	3,676,004	3,676,004	3,675,437
Securities purchased under resale agreement	-	-	-	-	-	551,077	-	551,077	551,077	551,077
Loans, advances and financing	-	-	-	-	-	-	26,732,380	26,732,380	26,732,380	26,941,872
Financial assets held for trading										
Malaysian Government / Bank Negara Bills	811,389	-	-	811,389	-	-	-	-	811,389	811,389
Debt securities	2,588,577	134,129	-	2,722,706	-	-	-	-	2,722,706	2,722,706
Derivative financial instruments	1,225	2,867,816	-	2,869,041	-	-	-	-	2,869,041	2,869,041
Investment securities available-for-sale										
Malaysian Government / Bank Negara Bills	-	-	-	-	-	-	-	-	-	-
Debt securities	3,018,397	2,238,219	-	5,256,616	-	-	-	-	5,256,616	5,256,616
Unquoted equity securities, at cost	-	-	-	-	-	-	9,723	9,723	9,723	9,723
Other assets	-	-	-	-	-	1,083,501	-	1,083,501	1,083,501	1,083,501
At 31 December 2014	6,419,588	5,240,164	-	11,659,752	-	11,323,634	26,742,103	38,065,737	49,725,489	49,934,414



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

**Methods and Assumptions (continued)**

**Fair value hierarchy (continued)**

Bank 2014 Liabilities	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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Deposits from customers	-	84,470	-	84,470	-	32,963,544	-	32,963,544	33,048,014	33,056,211
Deposits and placements of banks and other financial institutions	-	505,907	-	505,907	-	6,677,469	-	6,677,469	7,183,376	7,183,376
Obligations on securities sold under repurchase agreements	-	-	-	-	-	497,384	-	497,384	497,384	497,384
Derivative financial instruments	1,416	2,711,376	-	2,712,792	-	-	-	-	2,712,792	2,712,792
Other liabilities	-	-	-	-	-	2,654,147	-	2,654,147	2,654,147	2,654,147
Subordinated debts	-	-	-	-	-	1,000,000	-	1,000,000	1,000,000	1,000,000
At 31 December 2014	1,416	3,301,753	-	3,303,169	-	43,792,544	-	43,792,544	47,095,713	47,103,910

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

**Methods and Assumptions (continued)**

**Fair value hierarchy (continued)**

Bank 2013 Assets	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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Cash and short term funds	-	-	-	-	-	6,794,448	-	6,794,448	6,794,448	6,794,448
Deposits and placements with banks and other financial institutions	-	-	-	-	-	2,389,277	-	2,389,277	2,389,277	2,389,694
Securities purchased under resale agreement	-	-	-	-	-	291,261	-	291,261	291,261	291,261
Loans, advances and financing	-	-	-	-	-	-	29,158,131	29,158,131	29,158,131	29,407,607
Financial assets held for trading										
Malaysian Government / Bank Negara Bills	1,719,200	-	-	1,719,200	-	-	-	-	1,719,200	1,719,200
Debt securities	989,383	209,611	-	1,198,994	-	-	-	-	1,198,994	1,198,994
Derivative financial instruments	1,350	2,094,881	-	2,096,231	-	-	-	-	2,096,231	2,096,231
Investment securities available-for-sale										
Malaysian Government / Bank Negara Bills	646,475	-	-	646,475	-	-	-	-	646,475	646,475
Debt securities	2,038,391	1,827,618	-	3,866,009	-	-	-	-	3,866,009	3,866,009
Unquoted equity securities, at cost	-	-	-	-	-	-	9,721	9,721	9,721	9,721
Other assets	-	-	-	-	-	989,697	-	989,697	989,697	989,697
At 31 December 2013	5,394,799	4,132,110	-	9,526,909	-	10,464,683	29,167,852	39,632,535	49,159,444	49,409,337

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

**Methods and Assumptions (continued)**

**Fair value hierarchy (continued)**

Bank 2013 Liabilities	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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Deposits from customers	-	84,470	-	84,470	-	34,374,024	-	34,374,024	34,458,494	34,452,038
Deposits and placements of banks and other financial institutions	-	505,907	-	505,907	-	6,550,502	-	6,550,502	7,056,409	7,056,409
Derivative financial instruments	1,033	1,755,772	-	1,756,805	-	-	-	-	1,756,805	1,756,805
Other liabilities	-	-	-	-	-	2,638,024	-	2,638,024	2,638,024	2,638,024
Subordinated debts	-	-	-	-	-	1,000,000	-	1,000,000	1,000,000	1,000,000
At 31 December 2013	1,033	2,346,149	-	2,347,182	-	44,562,550	-	44,562,550	46,909,732	46,903,276

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

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

Reconciliation of movements in Level 3 financial instruments:

**Group**

	31 December 2014			31 December 2013		
	Investment securities available-for-sale	Derivative assets	Derivative liabilities	Investment securities available-for-sale	Derivative assets	Derivative liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	26,242	-	-	-	3,648	3,361
Redemption recognised in income statement	(24,838)	-	-	(3,146)	-	-
Arising from acquisition of a subsidiary	-	-	-	29,388	-	-
Sales	-	-	-	-	(3,648)	(3,361)
At 31 December	1,404	-	-	26,242	-	-

**Bank**

	31 December 2014		31 December 2013	
	Derivative assets	Derivative liabilities	Derivative assets	Derivative liabilities
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	3,648	3,361
Purchases	-	-	-	-
Sales	-	-	(3,648)	(3,361)
At 31 December	-	-	-	-

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

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

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

**Sensitivity analysis for level 3**

The impact on the fair value arising from a 10% rate movement is not expected to be significant as at 31 December 2014 (2013: increase/(decrease) RM4,591,000).

**Derivative financial instruments****Group****(i) Derivatives held for trading**

	31 December 2014			31 December 2013		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Foreign exchange derivative contracts:-						
- Forward foreign exchange	25,993,044	529,691	436,877	24,278,909	309,115	175,576
- Currency swaps	28,368,520	1,457,556	1,331,683	25,817,730	1,101,159	815,967
- Options purchased	2,822,523	101,319	-	1,634,829	89,021	-
- Options sold	2,122,795	-	58,162	1,267,734	-	96,603
Interest rate derivative contracts:-						
- Swaps	64,549,684	352,485	553,566	64,086,787	421,728	582,979
- Options purchased	2,296,038	13,091	60	2,912,462	21,688	2,511
- Options sold	472,996	-	1,724	295,504	-	702
- Exchange traded futures	920,000	-	-	3,925,000	-	-
Equity derivative contracts:-						
- Equity swaps and forwards	312,604	10,700	2,138	367,789	18,858	14,132
Commodity derivative contracts:-						
- Forward rate agreements and options	4,749,013	310,234	310,234	3,462,791	45,189	45,189
Credit derivative contracts	158,435	5,221	-	98,358	3,625	-
<b>Total derivatives held for trading</b>	<b>132,765,652</b>	<b>2,780,297</b>	<b>2,694,444</b>	<b>128,147,893</b>	<b>2,010,383</b>	<b>1,733,659</b>

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**42. Fair values of financial assets and liabilities (continued)****Derivative financial instruments (continued)****Group****(ii) Derivatives held-for-hedging**

	31 December 2014			31 December 2013		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Derivatives designated as fair value hedges:-						
- Swaps	1,039,167	87,322	10,934	941,916	84,956	8,286
Derivatives designated as cash flow hedges:-						
- Swaps	768,000	-	9,663	1,418,000	1,332	12,092
<b>Total derivatives held-for-hedging</b>	<b>1,807,167</b>	<b>87,322</b>	<b>20,597</b>	<b>2,359,916</b>	<b>86,288</b>	<b>20,378</b>
	<b>134,572,819</b>	<b>2,867,619</b>	<b>2,715,041</b>	<b>130,507,809</b>	<b>2,096,671</b>	<b>1,754,037</b>

**Bank****(i) Derivatives held for trading**

	31 December 2014			31 December 2013		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Foreign exchange derivative contracts:-						
- Forward foreign exchange	26,222,531	530,377	434,886	24,385,666	309,115	179,964
- Currency swaps	28,368,520	1,457,555	1,331,683	25,817,730	1,101,159	815,966
- Options purchased	2,822,523	103,314	-	1,634,829	89,021	-
- Options sold	2,122,795	-	60,157	1,267,734	-	96,603
Interest rate derivative contracts:-						
- Swaps	64,527,988	351,225	550,636	64,066,432	420,035	581,360
- Options purchased	2,296,038	13,091	60	2,912,462	21,688	2,511
- Options sold	472,996	-	1,724	295,504	-	702
- Exchange traded futures	920,000	-	-	3,925,000	-	-
Equity derivative contracts:-						
- Equity swaps and forwards	332,215	10,700	2,815	387,400	20,111	14,132
Commodity derivative contracts:-						
- Forward rate agreements and options	4,762,726	310,234	310,234	3,462,791	45,189	45,189
Credit derivative contracts	158,435	5,221	-	98,358	3,625	-
<b>Total derivatives held for trading</b>	<b>133,006,767</b>	<b>2,781,717</b>	<b>2,692,195</b>	<b>128,253,906</b>	<b>2,009,943</b>	<b>1,736,427</b>

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

	31 December 2014			31 December 2013		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Derivatives designated as fair value hedges:-						
- Swaps	1,039,165	87,324	10,934	941,916	84,956	8,286
Derivatives designated as cash flow hedges:-						
- Swaps	768,000	-	9,663	1,418,000	1,332	12,092
<b>Total derivatives held-for-hedging</b>	<b>1,807,165</b>	<b>87,324</b>	<b>20,597</b>	<b>2,359,916</b>	<b>86,288</b>	<b>20,378</b>
	<b>134,813,932</b>	<b>2,869,041</b>	<b>2,712,792</b>	<b>130,613,822</b>	<b>2,096,231</b>	<b>1,756,805</b>

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

Group	31 December 2014		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Agriculture	172,623	220	9,001
Mining and quarrying	810,026	14,456	42,362
Manufacturing	5,126,000	195,341	127,075
Electricity, gas and water	233,063	4,612	105
Construction	885,123	7,440	19,572
Real estate	780,185	110	67,754
Wholesale & retail trade and restaurants & hotels	-	-	-
Transportation, storage and communication	2,112,992	231,342	70,845
Finance, insurance and business services	121,929,951	2,345,039	2,290,088
Others	2,522,856	69,059	88,239
	<b>134,572,819</b>	<b>2,867,619</b>	<b>2,715,041</b>

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

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

<b>Bank</b>	<b>31 December 2014</b>		
	<b>Principal amounts RM'000</b>	<b>Positive fair value RM'000</b>	<b>Negative fair value RM'000</b>
Agriculture	171,778	220	8,983
Mining and quarrying	788,327	13,196	39,432
Manufacturing	5,106,092	194,822	127,070
Electricity, gas and water	233,063	4,612	105
Construction	885,123	7,440	19,572
Real estate	780,185	110	67,754
Transportation, storage and communication	2,112,992	231,342	70,845
Finance, insurance and business services	122,213,516	2,348,240	2,290,792
Others	2,522,856	69,059	88,239
	<b>134,813,932</b>	<b>2,869,041</b>	<b>2,712,792</b>

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



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**43. Lease commitments**

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

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Less than one year	28,729	28,872	26,811	27,144
Between one and five years	60,580	40,116	58,602	38,285
More than five years	34,505	1,276	34,505	1,276
	<u>123,814</u>	<u>70,264</u>	<u>119,918</u>	<u>66,705</u>

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

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

**44. Capital commitments**

The Group and the Bank do not have capital commitments authorised and contracted / not contracted for as of the end of the year (2013: Nil).

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

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

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

The capital plan takes the following into account:-

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

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**45. Capital management (continued)**

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

The Group formulates a capital plan with the help of internal models and other quantitative techniques. The Group uses model to assess the capital demand for material risks and supports this with 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 Group 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 that the Group'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 Group operates processes and controls to monitor and manage capital adequacy across the organisation. It is overseen by the Asset and Liability Committee ("ALCO"), which is responsible for managing the balance sheet, capital and liquidity. A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board.

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

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

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

Details of regulatory capital structure and main features of capital instruments of the Group are disclosed in Note 46 and Note 19 of the financial statements. 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").

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**45. Capital management (continued)**

**(ii) Basel II (continued)**

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

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

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**46. Disposal group held-for-sale**

A subsidiary of the Bank is presented as a disposal group held-for-sale following the commitment of the Group's management on 2 March 2015 to a planned sale of the preference shares in the subsidiary to a third party. The Group has entered into a Share Sale Agreement and the sale is expected to complete by May 2015. The assets and liabilities of the disposal group are as follows:

	<b>Group 31 March 2015 RM'000</b>
<b>Assets classified as held for sale</b>	
Cash and short term funds	16,284
Investment securities available-for-sale	1,404
Deferred tax assets	3,846
Other assets	3,358
	24,892
<b>Liabilities classified as held for sale</b>	
Other liabilities	13,311
Tax payable	1,968
	15,279

**47. Capital adequacy**

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

	Group		Bank	
	2014 RM'000	2013 Restated RM'000	2014 RM'000	2013 Restated RM'000
<b>Tier 1 Capital</b>				
Paid-up ordinary share capital	125,000	125,000	125,000	125,000
Share premium	375,000	375,000	375,000	375,000
Other reserves	3,071,192	2,827,996	2,908,631	2,690,527
Less: Deferred tax assets	(54,936)	(39,804)	(48,124)	(34,967)
Excess of expected loss over eligible provisions under AIRB approach	-	(67,883)	-	(14,456)
Unrealised gains and losses on 'available-for-sale' financial instruments	(9,816)	(3,115)	(9,795)	(3,105)
Investment in subsidiaries deducted from CET 1 capital	-	-	(82,304)	-
CET 1 capital	3,506,440	3,217,194	3,268,408	3,137,999
<b>Musyarakah Irredeemable</b>				
Non-Cumulative Preference Shares	-	342,000	-	342,000
Irredeemable Convertible Preference Shares	380,000	-	380,000	-
Non-controlling interest	1,279	-	-	-
Eligible Tier 1 capital	3,887,719	3,559,194	3,648,408	3,479,999

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**47. Capital adequacy (continued)****Tier 2 Capital**

Subordinated bonds	1,000,000	1,000,000	1,000,000	1,000,000
Collective impairment provisions under standardised approach	15,377	10,827	7,842	6,592
Surplus of total eligible provisions over total expected loss under AIRB approach	12,344	-	26,358	-
Non-controlling interest	301	-	-	-
	<u>1,028,022</u>	<u>1,010,827</u>	<u>1,034,200</u>	<u>1,006,592</u>
Less: Investment in subsidiaries	-	-	(429,218)	(511,522)
Eligible Tier 2 capital	<u>1,028,022</u>	<u>1,010,827</u>	<u>604,982</u>	<u>495,070</u>
Total capital base	<u><u>4,915,741</u></u>	<u><u>4,570,021</u></u>	<u><u>4,253,390</u></u>	<u><u>3,975,069</u></u>

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

	Group		Bank	
	2014	2013	2014	2013
	RM'000	Restated RM'000	RM'000	Restated RM'000
Total risk-weighted assets:-				
Credit risk	27,292,271	29,336,671	23,680,318	25,813,311
Market risk	1,386,759	1,367,245	1,386,759	1,367,245
Operational risk	3,625,249	3,596,736	3,379,532	3,343,551
Large exposure for equity holdings	626	623	626	623
	<u>32,304,905</u>	<u>34,301,275</u>	<u>28,447,235</u>	<u>30,524,730</u>

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

	Group		Bank	
	2014	2013	2014	2013
		Restated		Restated
Before proposed dividend:-				
CET 1 capital ratio	10.854%	9.379%	11.489%	10.280%
Tier 1 capital ratio	12.034%	10.376%	12.825%	11.401%
Risk-weighted capital ratio	15.217%	13.323%	14.952%	13.022%
After proposed dividend:-				
CET 1 capital ratio	10.739%	9.379%	11.359%	10.280%
Tier 1 capital ratio	11.920%	10.376%	12.695%	11.401%
Risk-weighted capital ratio	15.102%	13.323%	14.821%	13.022%

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

	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%

Comparative figures and ratios have been recomputed in order to align the treatment of regulatory reserve maintained in respect of impairment provisions as required by BNM.