



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

**Condensed Financial statements for the financial period ended  
30 June 2020**

Domiciled in Malaysia  
Registered office/Principal place of business  
Level 26, Equatorial Plaza  
Jalan Sultan Ismail  
50250 Kuala Lumpur

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	Group		Bank	
		30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
<b>Assets</b>					
Cash and short term funds		7,131,669	5,071,717	5,636,554	3,656,173
Deposits and placements with banks and other financial institutions	11	256,924	-	300,009	1,398
Investment account placements	12	-	-	2,236,460	2,328,737
Securities purchased under resale agreements		675,911	947,159	675,911	947,159
Investment securities	13	11,566,368	9,660,870	10,545,405	8,762,620
Loans, advances and financing	14	27,638,364	27,339,382	23,278,686	22,992,825
Derivative financial assets		2,124,777	1,466,383	2,123,452	1,466,741
Other assets	16	1,591,856	839,283	1,774,332	1,243,161
Current tax assets		130,549	98,638	126,865	84,240
Statutory deposits with Bank Negara Malaysia	17	733	550,868	733	473,844
Investments in subsidiaries		-	-	411,522	411,522
Property, plant and equipment		102,380	110,362	101,196	108,724
Intangible assets		120,217	108,259	120,217	108,259
Deferred tax assets		127,709	123,650	123,543	121,013
<b>Total assets</b>		<b>51,467,457</b>	<b>46,316,571</b>	<b>47,454,885</b>	<b>42,706,416</b>
<b>Liabilities</b>					
Deposits from customers	18	32,067,195	31,512,829	29,162,430	28,655,191
Structured deposits		135,015	131,824	131,875	128,681
Investment account of customers		507,056	519,052	-	-
Deposits and placements of banks and other financial institutions	19	6,647,926	3,549,614	6,380,322	3,517,275
Obligations on securities sold under repurchase agreements		986,380	704,575	986,380	704,575
Derivative financial liabilities		1,906,125	1,298,914	1,904,719	1,298,956
Other liabilities	20	2,869,118	2,404,814	2,880,785	2,518,301
Provision for credit commitments and contingencies	21	27,018	15,403	24,960	15,187
Subordinated debts		1,000,000	1,000,000	1,000,000	1,000,000
<b>Total liabilities</b>		<b>46,145,833</b>	<b>41,137,025</b>	<b>42,471,471</b>	<b>37,838,166</b>
<b>Equity</b>					
Share capital		880,190	880,190	880,190	880,190
Reserves		4,441,434	4,299,356	4,103,224	3,988,060
<b>Total equity attributable to owner of the Bank</b>		<b>5,321,624</b>	<b>5,179,546</b>	<b>4,983,414</b>	<b>4,868,250</b>
<b>Total liabilities and equity</b>		<b>51,467,457</b>	<b>46,316,571</b>	<b>47,454,885</b>	<b>42,706,416</b>
<b>Commitments and contingencies</b>	29	<b>172,282,205</b>	<b>172,266,684</b>	<b>176,002,805</b>	<b>175,572,161</b>

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**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE 2ND QUARTER AND SIX MONTHS ENDED 30 JUNE 2020**

	Note	Group			
		2nd Quarter ended 30 June 2020 RM'000	30 June 2019 RM'000 Restated	Six months ended 30 June 2020 RM'000	30 June 2019 RM'000 Restated
Interest income	22	331,342	368,184	692,797	742,669
Interest expense	23	(136,857)	(186,099)	(300,697)	(373,653)
<b>Net interest income</b>		<b>194,485</b>	<b>182,085</b>	<b>392,100</b>	<b>369,016</b>
Net income from Islamic Banking operations	24	50,280	61,970	100,897	126,201
		244,765	244,055	492,997	495,217
Other operating income	25	180,946	163,743	410,265	340,725
Total net income		425,711	407,798	903,262	835,942
Other operating expenses	26	(255,040)	(263,530)	(512,864)	(512,511)
<b>Operating profit</b>		<b>170,671</b>	<b>144,268</b>	<b>390,398</b>	<b>323,431</b>
Provision of expected credit loss ("ECL")	27	(179,849)	11,012	(221,944)	(11,290)
<b>(Loss)/profit before taxation</b>		<b>(9,178)</b>	<b>155,280</b>	<b>168,454</b>	<b>312,141</b>
Tax expense		406	(41,754)	(44,510)	(81,237)
<b>(Loss)/profit for the period</b>		<b>(8,772)</b>	<b>113,526</b>	<b>123,944</b>	<b>230,904</b>
<b>Other comprehensive income, net of income tax</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Equity securities designated at fair value through other comprehensive income ("FVOCI"):					
Net changes in fair value		1,514	151	(2,663)	2,183
<b>Items that may be reclassified subsequently to profit or loss</b>					
Debt instruments at FVOCI:					
Net changes in fair value		72,442	10,322	66,438	26,708
Net amount transferred to profit or loss		(47,770)	(2,392)	(32,556)	(2,392)
Impairment transferred to profit or loss		(5)	193	(223)	594
Own credit reserve:					
Net changes in fair value		(37)	(296)	(37)	(296)
<b>Other comprehensive income for the period, net of income tax</b>		<b>26,144</b>	<b>7,978</b>	<b>30,959</b>	<b>26,797</b>
<b>Total comprehensive income for the period</b>		<b>17,372</b>	<b>121,504</b>	<b>154,903</b>	<b>257,701</b>
<b>(Loss)/profit attributable to:</b>					
Owner of the Bank		<b>(8,772)</b>	<b>113,526</b>	<b>123,944</b>	<b>230,904</b>
<b>Total comprehensive income attributable to:</b>					
Owner of the Bank		<b>17,372</b>	<b>121,504</b>	<b>154,903</b>	<b>257,701</b>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2019.

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE 2ND QUARTER AND SIX MONTHS ENDED 30 JUNE 2020**

	Note	Bank			
		2nd Quarter ended 30 June 2020 RM'000	30 June 2019 RM'000 Restated	Six months ended 30 June 2020 RM'000	30 June 2019 RM'000 Restated
Interest income	22	345,358	392,255	723,739	792,912
Interest expense	23	(136,857)	(186,099)	(300,697)	(373,653)
<b>Net interest income</b>		<b>208,501</b>	<b>206,156</b>	<b>423,042</b>	<b>419,259</b>
Other operating income	25	195,172	179,442	439,189	375,870
Total net income		403,673	385,598	862,231	795,129
Other operating expenses	26	(248,668)	(256,788)	(499,358)	(499,911)
<b>Operating profit</b>		<b>155,005</b>	<b>128,810</b>	<b>362,873</b>	<b>295,218</b>
Provision of expected credit loss ("ECL")	27	(170,580)	11,310	(216,696)	(14,061)
<b>(Loss)/profit before taxation</b>		<b>(15,575)</b>	<b>140,120</b>	<b>146,177</b>	<b>281,157</b>
Tax expense		1,954	(37,966)	(39,110)	(73,594)
<b>(Loss)/profit for the period</b>		<b>(13,621)</b>	<b>102,154</b>	<b>107,067</b>	<b>207,563</b>
<b>Other comprehensive income, net of income tax</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Equity securities designated at FVOCI:					
Net changes in fair value		1,514	151	(2,663)	2,183
<b>Items that may be reclassified subsequently to profit or loss</b>					
Debt instruments at FVOCI:					
Net changes in fair value		65,698	8,476	56,414	23,570
Net amount transferred to profit or loss		(47,770)	(2,392)	(32,556)	(2,392)
Impairment transferred to profit or loss		(32)	115	(236)	485
Own credit reserve:					
Net changes in fair value		(37)	(296)	(37)	(296)
<b>Other comprehensive income for the period, net of income tax</b>		<b>19,373</b>	<b>6,054</b>	<b>20,922</b>	<b>23,550</b>
<b>Total comprehensive income for the period</b>		<b>5,752</b>	<b>108,208</b>	<b>127,989</b>	<b>231,113</b>

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**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020**

GROUP	← Attributable to owner of the Bank →					Total equity RM'000
	Share capital RM'000	← Non-Distributable Reserves →			Distributable Reserves	
	Regulatory reserves RM'000	Fair value reserves RM'000	Own credit reserves RM'000	Retained profits RM'000		
<b>At 1 January 2020</b>	880,190	311,531	47,021	(182)	3,940,986	5,179,546
Fair value reserve (debt securities):						
Net changes in fair value	-	-	66,438	-	-	1,326
Net amount transferred to profit or loss	-	-	(32,779)	-	-	32,333
Fair value reserve (equity securities):						
Net changes in fair value	-	-	(2,663)	-	-	(2,663)
Own credit reserve:						
Net changes in fair value	-	-	-	(37)	-	(37)
Total other comprehensive income/(expense) for the period	-	-	30,996	(37)	-	30,959
Profit for the period	-	-	-	-	123,944	123,944
<b>Total comprehensive income/(expense) for the period</b>	-	-	30,996	(37)	123,944	154,903
Dividend payable (preference shares)						
- 2019 final	-	-	-	-	(12,825)	(12,825)
<b>Total transaction with owner of the Bank</b>	-	-	-	-	(12,825)	(12,825)
<b>At 30 June 2020</b>	<b>880,190</b>	<b>311,531</b>	<b>78,017</b>	<b>(219)</b>	<b>4,052,105</b>	<b>5,321,624</b>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONTINUED)**

GROUP	← Attributable to owner of the Bank →					Total equity RM'000
	Share capital RM'000	Regulatory reserves RM'000	Fair value reserves RM'000	Own credit reserves RM'000	Distributable Reserves Retained profits RM'000	
<b>At 1 January 2019</b>	880,190	311,531	4,624	211	3,896,917	5,093,473
Fair value reserve (debt securities):						
Net changes in fair value	-	-	26,708	-	-	26,708
Net amount transferred to profit or loss	-	-	(1,798)	-	-	(1,798)
Fair value reserve (equity securities):						
Net changes in fair value	-	-	2,183	-	-	2,183
Own credit reserve:						
Net changes in fair value	-	-	-	(296)	-	(296)
Total other comprehensive income/(expense) for the period	-	-	27,093	(296)	-	26,797
Profit for the period	-	-	-	-	230,904	230,904
<b>Total comprehensive income/(expense) for the period</b>	-	-	27,093	(296)	230,904	257,701
Distribution to Owner of the Bank						
Dividend (preference shares)						
- 2018 final	-	-	-	-	(12,825)	(12,825)
Dividend (ordinary shares)						
- 2018 final	-	-	-	-	(272,793)	(272,793)
<b>Total transaction with owner of the Bank</b>	-	-	-	-	(285,618)	(285,618)
<b>At 30 June 2019</b>	<b>880,190</b>	<b>311,531</b>	<b>31,717</b>	<b>(85)</b>	<b>3,842,203</b>	<b>5,065,556</b>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONTINUED)**

BANK	← Attributable to owner of the Bank →					Total equity RM'000
	Share capital RM'000	Regulatory reserves RM'000	Fair value reserves RM'000	Own credit reserves RM'000	Distributable Reserves Retained profits RM'000	
<b>At 1 January 2020</b>	880,190	279,909	40,075	(182)	3,668,258	4,868,250
Fair value reserve (debt securities):						
Net changes in fair value	-	-	56,414	-	-	56,414
Net amount transferred to profit or loss	-	-	(32,792)	-	-	(32,792)
Fair value reserve (equity securities):						
Net changes in fair value	-	-	(2,663)	-	-	(2,663)
Own credit reserve:						
Net changes in fair value	-	-	-	(37)	-	(37)
Total other comprehensive income/(expense) for the period	-	-	20,959	(37)	-	20,922
Profit for the period	-	-	-	-	107,067	107,067
<b>Total comprehensive income/(expense) for the period</b>	-	-	20,959	(37)	107,067	127,989
Distribution to Owner of the Bank						
Dividend payable (preference shares) - 2019 final	-	-	-	-	(12,825)	(12,825)
<b>Total transaction with owner of the Bank</b>	-	-	-	-	(12,825)	(12,825)
<b>At 30 June 2020</b>	<b>880,190</b>	<b>279,909</b>	<b>61,034</b>	<b>(219)</b>	<b>3,762,500</b>	<b>4,983,414</b>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONTINUED)**

BANK	← Attributable to owner of the Bank →					Total equity RM'000
	Share capital RM'000	← Non-Distributable Reserves →		Own credit reserves RM'000	Distributable Reserves Retained profits RM'000	
<b>At 1 January 2019</b>	880,190	297,909	4,547	211	3,650,685	4,833,542
Fair value reserve (debt securities):						
Net changes in fair value	-	-	23,570	-	-	23,570
Net amount transferred to profit or loss	-	-	(1,907)	-	-	(1,907)
Fair value reserve (equity securities):						
Net changes in fair value	-	-	2,183	-	-	2,183
Own credit reserve:						
Net changes in fair value	-	-	-	(296)	-	(296)
Total other comprehensive income/(expense) for the period	-	-	23,846	(296)	-	23,550
Profit for the period	-	-	-	-	207,563	207,563
<b>Total comprehensive income/(expense) for the period</b>	-	-	23,846	(296)	207,563	231,113
Distribution to Owner of the Bank						
Dividend (preference shares)						
- 2018 final	-	-	-	-	(12,825)	(12,825)
Dividend (ordinary shares)						
- 2018 final	-	-	-	-	(272,793)	(272,793)
<b>Total transaction with owner of the Bank</b>	-	-	-	-	(285,618)	(285,618)
<b>At 30 June 2019</b>	<b>880,190</b>	<b>297,909</b>	<b>28,393</b>	<b>(85)</b>	<b>3,572,630</b>	<b>4,779,037</b>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Group		Bank	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Profit before taxation	168,454	312,141	146,177	281,157
Adjustment for non-cash items	102,809	36,873	95,085	38,794
Operating profit before working capital changes	271,263	349,014	241,262	319,951
Changes in working capital:				
Net changes in operating assets	(4,824,398)	(2,611,326)	(4,612,671)	(2,434,226)
Net changes in operating liabilities	4,365,370	3,955,109	3,992,662	3,648,439
Income taxes paid	(91,179)	(116,389)	(91,800)	(103,154)
Net cash (used in)/ generated from operating activities	(278,944)	1,576,408	(470,547)	1,431,010
Net cash generated/(used in) investing activities	2,360,122	(2,622,268)	2,471,688	(2,064,343)
Net cash used in financing activities	(21,226)	(289,872)	(20,760)	(289,444)
Net increase/(decrease) in cash and cash equivalents	2,059,952	(1,335,732)	1,980,381	(922,777)
Cash and cash equivalent at beginning of the period	5,071,717	4,462,089	3,656,173	2,654,540
Cash and cash equivalent at end of the period	7,131,669	3,126,357	5,636,554	1,731,763

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## REVIEW OF PERFORMANCE

The Group registered profit before taxation of RM168.5 million for the financial period ended 30 June 2020, a 46.0% decrease as compared to the same period last year, mainly attributable to higher provision for expected credit losses, which increased to RM222.0 million year on year. The increase takes into account the deterioration in macroeconomic variables as well as impact of provisions made for a few corporate and commercial banking exposure.

Net income increased by 8.1% year-on-year driven by strong trading income coupled with gains from sale of investment securities while proactive cost discipline has been maintained to keep operating expenses under control.

Net loans, advances and financing recorded a 1.1% increase to RM27.6 billion growth during the period due to increased utilization by corporate customers as well as growth in our retail segment, while deposits from customers grew 1.8% to RM32.1 billion in the same period.

The Group remains well capitalised with Common Equity Tier 1 capital ratio and Total Capital Ratio of 13.332% and 18.103%, respectively.

## PROSPECTS

The full impact of the COVID-19 pandemic crisis on the global economy is gradually unravelling, with global economic growth forecast for 2020 now slashed to -4.9%. While movement restrictions have gradually eased, the fallout from the crisis has been severe, particularly for the aviation, hospitality and oil and gas sectors, while unemployment rates have risen overall.

Major central banks have continued to cut interest rates and expanded on relief measures during the second quarter of 2020.

On the domestic front, there has been gradual relaxations in the Movement Control Order ("MCO"), attributable to the government's successful measures in curbing the spread of the virus, and this has allowed for the gradual re-opening of the economy, with most business sectors now operating. Nonetheless, international travel remains severely restricted while international trade volumes have reduced significantly, with exports volume indices and imports volume indices down by 21.9% and 26.8% respectively year on year.

Malaysia recorded Gross Domestic Product ("GDP") growth of 0.7% for the first quarter, the lowest since 2009, with the full effects of COVID-19 to be seen in the second quarter. Bank Negara Malaysia ("BNM") has maintained its annual GDP growth at -2.0% to 0.5% for now, with an updated forecast expected in the third quarter. Overnight policy rate ("OPR") was reduced further to a record low of 1.75% in July, following three rounds of cuts in January, March and May 2020. The banking industry is now moving into the second half of the six month loan moratorium period implemented by BNM in April 2020, with current focus gearing towards the likely impact of the moratorium expiry on 30 September 2020. The Ringgit experienced a period of volatility between March and May of this year but has now settled to a range of 4.25 – 4.30 against

Amidst this extremely challenging economic backdrop, the Group has continued to engage and serve our customer needs by creatively leveraging on our digital platforms and technology. The investments made in technology platforms has helped the bank to operate seamlessly during the disruptions created by the pandemic. We will continue to leverage on this digital capability as a broad strategic imperative, in tandem with the global shift towards the 'new normal'. In the near term, we are fully committed to continue supporting the government's economic recovery efforts by providing the requisite assistance to our customers across all segments who have been most impacted by the pandemic crisis. As the situation remains volatile, the Group will continue to remain vigilant and proactively monitor new developments as they happen and intensely manage the portfolio to minimise the downside risk. In the adverse condition also, there are opportunities in various sectors witnessing surge in local and international demand, especially in the Healthcare and Hygiene industries, where we will continue to play an active role by delivering our network and serving clients with our diversified product capabilities.

For the longer term, we remain optimistic on the fundamentals, inherent strength and resilience of the diversified Malaysian economy. It is important to stay on course on our core franchise strategy while navigating through the turbulent times and we would continue to do so whilst managing the resultant downside risk emanating from uncontrollable macro-economic headwinds.

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**PROSPECTS (continued)**

Our strategic focus for the Retail Banking business will continue to be the Affluent and Emerging Affluent segments through our range of Wealth Management product suites, while continuing to support the growth of SMEs through our award winning Business Banking solutions. As the pace of digital adoption has intensified, we will continue investing in our digital capabilities to enhance and improve client journeys.

Our longer term agenda for the Corporate and Commercial Banking segment will be to continue leveraging on our network to grow our Transaction Banking and Financial Markets flow business, focusing on acquiring new trade oriented clients in the high growth sectors of the economy and also deepening existing relationships with world class corporate finance and capital markets capabilities. We have also invested heavily in the digital capabilities to enhance our corporate and commercial client journeys.

**Notes to the financial statements for the financial period year ended 30 June 2020**

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

The unaudited condensed interim financial statements for the second quarter and the financial period ended 30 June 2020 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* in Malaysia.

The financial statements 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 and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements, except for the adoption of the following MFRSs and Amendments to MFRSs which are effective beginning on or after 1 January 2020, during the current financial period:

MFRSs and amendments effective for annual periods beginning on or after 1 January 2020

- |     |   |  |
|-----|---|--|
| i)  | Amendments to MFRS 3                              | <i>Business Combinations - Definition of a Business</i>  |
| ii) | Amendments to MFRS 101 and Amendments to MFRS 108 | <i>Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material</i> |

MFRSs and amendments effective for annual periods beginning on or after 1 June 2020

- |    |                       |   |
|----|-----------------------|---|
| i) | Amendments to MFRS 16 | <i>Leases - Covid-19-Related Rent Concessions</i> |
|----|-----------------------|---|

MFRSs and amendments effective for annual periods beginning on or after 1 January 2021

- |    |         |                            |
|----|---------|----------------------------|
| i) | MFRS 17 | <i>Insurance Contracts</i> |
|----|---------|----------------------------|

MFRSs and amendments effective for annual periods beginning on or after 1 January 2022

- |      |  |   |
|------|--|---|
| i)   | Amendments to MFRS 101                                   | <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-current</i>               |
| ii)  | Amendments to MFRS 1, MFRS 9 and MFRS 141                | <i>Annual Improvements to MFRS Standards 2018–2020</i>  |
| iii) | Amendments to Illustrative Examples accompanying MFRS 16 | <i>Leases (Annual Improvements to MFRS Standards 2018–2020)</i>   |
| iv)  | Amendments to MFRS 3                                     | <i>Business Combinations - Reference to the Conceptual Framework</i>  |
| v)   | Amendments to MFRS 116                                   | <i>Property, Plant and Equipment - Proceeds before Intended Use</i>   |
| vi)  | Amendments to MFRS 137                                   | <i>Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract</i> |

MFRSs and amendments effective for annual periods beginning on or after a date yet to be confirmed.

- |    |                                    |   |
|----|------------------------------------|---|
| i) | Amendments to MFRS 10 and MFRS 128 | <i>Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> |
|----|------------------------------------|---|

Other than MFRS 17 and amendments to MFRS 141 which is not applicable to the Group and the Bank, the Group and the Bank plan to apply the abovementioned accounting standards, interpretations and amendments that is effective for annual periods beginning on or after 1 January 2021 and 1 January 2022 respectively.

The initial application of the accounting standards or amendments are not expected to have any material financial impacts to the current period or prior period financial statements of the Group and the Bank.

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

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 31 December 2019.

**2. New accounting policy adopted by the Group and the Bank**

The Group and the Bank have changed its accounting policies for net interest income and net trading income. In previous years, the Group and the Bank recognised interest income and expenses on financial instruments held at fair value through profit or loss in net interest income, except for fair value elected structured notes and structured deposits for which all gains and losses were recognised in net trading income. The Group and the Bank now recognised all gains and losses on financial assets and liabilities held at fair value through profit or losses, including contractual interest, in net trading income. Prior period comparatives have been presented under updated accounting policies, and quantification of the effect of the change in accounting policy on current and prior period is given in Note 22, Note 23 and Note 25.

**3. Auditor's report on preceding annual financial statements**

The auditor's report on the financial statements for the financial year ended 31 December 2019 was not qualified.

**4. Seasonal or cyclical factors**

Other than those disclosed in current year Prospect, the business operations of the Group and the Bank have not been affected by any material seasonal or cyclical factors.

**5. Unusual items due to their nature, size or incidence**

In order to assist individuals and small and medium-sized enterprise ("SMEs") facing temporary financial challenging arising from COVID-19 pandemic, the Group and the Bank has participated in national relief program to grant automatic moratorium on all loans/ financing repayments, principals and interest (except for credit card balances) by individuals and SME borrowers/customers for a period of six months from 1 April 2020. The borrowers can opt out anytime during the payment deferment period and have until 30 September 2020 to reach an agreement in relation to repayment arrangement after the moratorium period.

In relation to that, the Group and the Bank has to consider accounting effects as original terms of the loans has been modified by the blanket moratorium. Modification gain/loss arises when there is a difference between present value of the cash flow pre and post-modification, discounted using the original interest rates. The gain/ loss will be reported within "interest income" with a corresponding adjustment made to the gross carrying amount of the asset. The amount will be unwound over the remaining contractual life of the modified financing.

Due to uncertainties in the opt-out rate and repayment arrangement after the moratorium period, the modification gain/ loss arising from the moratorium program is still being assessed by the management.

**6. Changes in accounting estimates**

There were no material changes in estimates of amounts reported that have a material effect on the unaudited condensed interim financial statements in the second quarter and financial period ended 30 June 2020. Due to uncertainties on the timing and pace of economic recovery, management judgemental overlay has been put in place to calibrate MFRS 9 model expected credit loss.

**7. Issuances, cancellations, repurchases, resale and repayments of securities portfolio**

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the second quarter and financial period ended 30 June 2020.

**8. Dividend**

On 24 June 2020, the Directors declared single-tier dividend of 3.38 sen per share on the Irredeemable Convertible Preference shares of the Bank in respect of the financial year ended 2019 totalling RM12,825,000. No dividend has been proposed for the second quarter and the six months ended 30 June 2020.

**9. Subsequent events**

As the impact of the COVID-19 pandemic continues to evolve, our estimates on expected credit losses are subject to change in near term based on the latest development in the global and domestic economic environment.

**10. Changes in the composition of the Group**

There were no changes in the composition of the Group during the financial period ended 30 June 2020.

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
	Deposits and placements with banks and other financial institutions	256,924	-	300,009

**12. Investment account placements**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
	Investment account placements	-	-	2,236,460

Investment account placements are placements under the Profit Sharing Investment Account ("PSIA") concept to the Bank's subsidiary.

**13. Investment securities**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
	i) Investment securities measured at fair value through profit or loss ("FVTPL")	4,383,032	1,886,743	4,383,032
ii) Debt securities measured at FVOCI	7,080,762	7,618,321	6,059,799	6,720,071
iii) Equity securities designated at FVOCI	17,310	19,973	17,310	19,973
iv) Debt securities at amortised cost	85,264	135,833	85,264	135,833
	<u>11,566,368</u>	<u>9,660,870</u>	<u>10,545,405</u>	<u>8,762,620</u>

**i) Investment securities measured at FVTPL**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
	Malaysian Islamic Treasury Bills	1,566,692	-	1,566,692
Malaysian Government Securities	2,496,120	1,707,697	2,496,120	1,707,697
Malaysian Government Investment Issues	281,773	122,588	281,773	122,588
Corporate Bonds	38,447	56,458	38,447	56,458
	<u>4,383,032</u>	<u>1,886,743</u>	<u>4,383,032</u>	<u>1,886,743</u>

**ii) Debt securities measured at FVOCI**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
	Malaysian Government Securities	2,329,294	3,357,374	2,329,294
Bank Negara Malaysia Bills	641,853	-	641,853	-
Bankers' Acceptances	637,832	77,417	637,832	77,417
Negotiable Instruments of Deposit	1,300,001	2,039,914	1,300,001	2,039,914
Malaysian Government Investment Issues	2,171,782	2,143,616	1,150,819	1,245,366
	<u>7,080,762</u>	<u>7,618,321</u>	<u>6,059,799</u>	<u>6,720,071</u>

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**13. Investment securities (continued)**

**ii) Debt securities measured at FVOCI (continued)**

The carrying amount of a debt securities measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but it reflected as a debit to profit or loss or retained profit and a credit to other comprehensive income.

**Movement of allowance for expected credit losses**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Balance as at 1 January	1,296	775	1,097	750
Net remeasurement of loss allowance	(223)	521	(236)	347
At end of reporting period/year	<u>1,073</u>	<u>1,296</u>	<u>861</u>	<u>1,097</u>

**iii) Equity securities designated at FVOCI**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Unquoted investments held for strategic purposes	<u>17,310</u>	<u>19,973</u>	<u>17,310</u>	<u>19,973</u>

**iv) Debt securities at amortised cost**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Corporate bonds	90,000	145,000	90,000	145,000
Fair value changes arising from fair value hedge	4,406	2,583	4,406	2,583
Allowance for expected credit losses	(9,142)	(11,750)	(9,142)	(11,750)
	<u>85,264</u>	<u>135,833</u>	<u>85,264</u>	<u>135,833</u>

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
<u>At amortised cost</u>				
Overdrafts	1,356,865	1,346,028	1,356,865	1,346,028
Term loans/financing				
- Housing loans/financing	11,631,095	11,510,512	9,363,834	9,172,977
- Syndicated term loan/financing	479,401	423,271	479,401	423,271
- Hire purchase receivables	6,099	8,038	-	-
- Lease receivables	13,163	13,140	-	-
- Other term loans/financing	6,768,484	6,629,986	4,622,057	4,543,907
Bills receivable	2,998,983	3,444,581	2,792,532	3,294,326
Trust receipts	155,326	168,311	133,044	142,245
Staff loans/financing	27,646	27,572	20,954	20,209
Loans/financing to banks and other financial institutions	263,648	80,435	263,648	80,435
Credit card receivables	2,100,570	2,235,283	2,100,570	2,235,283
Revolving credit	3,054,412	2,531,706	2,899,227	2,335,607
	<u>28,855,692</u>	<u>28,418,863</u>	<u>24,032,132</u>	<u>23,594,288</u>
Less: Unearned interest and income	(414,181)	(436,045)	(2,355)	(10,277)
Gross loans, advances and financing	<u>28,441,511</u>	<u>27,982,818</u>	<u>24,029,777</u>	<u>23,584,011</u>
Less: Allowances for expected credit losses for loans, advances and financing:				
- 12-month ECL (Stage 1)	(98,904)	(61,365)	(93,252)	(58,938)
- Lifetime ECL non-credit-impaired (Stage 2)	(149,666)	(68,416)	(136,618)	(62,073)
- Lifetime ECL credit-impaired (Stage 3)	(554,577)	(513,655)	(521,221)	(470,175)
Total net loans, advances and financing	<u>27,638,364</u>	<u>27,339,382</u>	<u>23,278,686</u>	<u>22,992,825</u>

**(ii) By type of customer**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Domestic banking institutions	14,262	59,492	14,262	59,492
Domestic non-bank financial institutions	337,700	100,314	237,700	100,085
Domestic business enterprises	10,288,329	10,095,681	8,870,699	8,667,770
<i>Small medium enterprises</i>	2,865,841	2,870,622	1,974,242	1,990,929
<i>Others</i>	7,422,488	7,225,059	6,896,457	6,676,841
Individuals	14,250,220	14,195,242	12,271,118	12,151,435
Other domestic entities	8,500	2,437	-	-
Foreign entities	3,542,500	3,529,652	2,635,998	2,605,229
	<u>28,441,511</u>	<u>27,982,818</u>	<u>24,029,777</u>	<u>23,584,011</u>

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Fixed rate				
Housing loans/financing	8,170	8,495	7,958	8,266
Other fixed rate loan/financing	3,451,567	3,520,807	2,866,196	2,954,810
Variable rate				
Base lending rate ("BLR") plus/ Base rate plus	12,433,376	12,324,340	11,845,240	11,710,633
Cost plus	10,254,414	9,769,620	9,258,205	8,854,991
Other variable rates	2,293,984	2,359,556	52,178	55,311
	<u>28,441,511</u>	<u>27,982,818</u>	<u>24,029,777</u>	<u>23,584,011</u>

**(iv) By sector**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Agriculture	336,476	320,670	284,895	250,491
Mining and quarrying	9,681	18,248	7,923	8,596
Manufacturing	3,026,088	3,173,965	2,651,165	2,922,485
Electricity, gas and water	149,616	63,005	148,783	61,866
Construction	1,158,167	949,409	1,000,303	785,113
Real estate	1,774,636	1,420,442	1,570,006	1,209,113
Wholesale & retail trade and restaurant and hotels	2,455,550	2,437,643	2,111,242	2,040,075
Transportation, storage and communication	362,471	246,672	324,494	207,812
Finance, insurance and business services	1,275,507	1,408,309	986,283	1,202,489
Household	16,425,441	16,347,007	14,086,384	13,932,189
Others	1,467,878	1,597,448	858,299	963,782
	<u>28,441,511</u>	<u>27,982,818</u>	<u>24,029,777</u>	<u>23,584,011</u>

**(v) By purpose**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Purchase of property	13,839,459	13,850,619	11,086,732	11,021,374
- Residential	11,495,808	11,406,786	9,382,571	9,235,830
- Non-residential	2,343,651	2,443,833	1,704,161	1,785,544
Purchase of securities	767,658	763,247	767,658	763,247
Fixed assets excluding land & building	4,553	5,914	-	-
Personal use	1,280,754	1,172,323	1,214,694	1,096,626
Credit cards	2,100,570	2,235,283	2,100,570	2,235,283
Working capital	10,353,527	9,874,996	8,765,133	8,387,045
Others	94,990	80,436	94,990	80,436
	<u>28,441,511</u>	<u>27,982,818</u>	<u>24,029,777</u>	<u>23,584,011</u>



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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Maturing within one year	10,381,513	9,827,831	9,889,860	9,418,732
One year to three years	1,837,990	1,899,959	1,216,242	1,180,311
Three years to five years	1,974,834	1,703,346	1,539,154	1,383,034
Over five years	14,247,174	14,551,682	11,384,521	11,601,934
	<u>28,441,511</u>	<u>27,982,818</u>	<u>24,029,777</u>	<u>23,584,011</u>

**(vii) By geographical distribution**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Within Malaysia	27,254,789	26,773,399	23,381,035	22,910,236
Outside Malaysia	1,186,722	1,209,419	648,742	673,775
	<u>28,441,511</u>	<u>27,982,818</u>	<u>24,029,777</u>	<u>23,584,011</u>

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
USD	4,062,392	4,083,233	3,909,072	3,965,455
GBP	417,186	450,715	417,186	450,715
Other foreign currencies	508,199	518,086	503,146	518,086

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
At 1 January	638,587	789,438	567,663	726,428
Currency translation differences	5,156	(435)	5,156	(435)
Classified as non-performing during the financial period/year	266,242	657,838	229,537	559,002
Reclassified as performing during the financial period/year	(141,893)	(410,975)	(108,617)	(355,068)
Amount recovered during the financial period/year	(14,765)	(194,435)	(11,284)	(188,042)
Amount written off during the financial period/year	(82,306)	(202,844)	(69,605)	(174,222)
At end of reporting period/year	671,021	638,587	612,850	567,663
Impairment provisions	(444,633)	(409,851)	(422,708)	(378,986)
Net impaired loans, advances and financing	<u>226,388</u>	<u>228,736</u>	<u>190,142</u>	<u>188,677</u>

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## 15. Impaired loans, advances and financing (continued)

## (ii) Movements in allowances for expected credit losses for loans, advances and financing

Group	← 30 June 2020 →				← 31 December 2019 →			
	12-month ECL (Stage 1) RM'000	Lifetime ECL non-credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000	12-month ECL (Stage 1) RM'000	Lifetime ECL non-credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000
<b>Loans, advances and financing at amortised cost</b>								
Balance as at 1 January	61,365	68,416	513,655	643,436	64,198	90,270	540,193	694,661
Transfer to 12-month ECL	196,186	(186,733)	(9,453)	-	140,757	(122,102)	(18,655)	-
Transfer to lifetime ECL non-credit-impaired	(30,297)	39,624	(9,327)	-	(21,440)	39,502	(18,062)	-
Transfer to lifetime ECL credit-impaired	(3,489)	(43,187)	46,676	-	(3,060)	(42,237)	45,297	-
Net remeasurement of loss allowance	(126,501)	271,545	62,075	207,119	(116,352)	102,983	(14,510)	(27,879)
Write-offs	-	-	(35,898)	(35,898)	-	-	-	-
Unwinding of discount	-	-	(13,127)	(13,127)	-	-	(26,232)	(26,232)
Foreign exchange and other movements	1,640	1	(24)	1,617	(2,738)	-	5,624	2,886
At end of reporting period/year	<u>98,904</u>	<u>149,666</u>	<u>554,577</u>	<u>803,147</u>	<u>61,365</u>	<u>68,416</u>	<u>513,655</u>	<u>643,436</u>

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## 15. Impaired loans, advances and financing (continued)

## (ii) Movements in allowances for expected credit losses for loans, advances and financing (continued)

	← 30 June 2020 →				← 31 December 2019 →			
	12-month ECL (Stage 1) RM'000	Lifetime ECL non-credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000	12-month ECL (Stage 1) RM'000	Lifetime ECL non-credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000
<b>Bank</b>								
<b>Loans, advances and financing at amortised cost</b>								
Balance as at 1 January	58,938	62,073	470,175	591,186	60,834	77,895	485,981	624,710
Transfer to 12-month ECL	193,371	(184,076)	(9,295)	-	128,089	(114,454)	(13,635)	-
Transfer to lifetime ECL non-credit-impaired	(29,098)	36,444	(7,346)	-	(19,413)	35,010	(15,597)	-
Transfer to lifetime ECL credit-impaired	(3,481)	(40,340)	43,821	-	(3,042)	(37,409)	40,451	-
Net remeasurement of loss allowance	(128,178)	262,516	64,973	199,311	(105,225)	101,031	108,302	104,108
Write-offs	-	-	(29,223)	(29,223)	-	-	(117,172)	(117,172)
Unwinding of discount	-	-	(11,860)	(11,860)	-	-	(23,521)	(23,521)
Foreign exchange and other movements	1,700	1	(24)	1,677	(2,305)	-	5,366	3,061
At end of reporting period/year *	<u>93,252</u>	<u>136,618</u>	<u>521,221</u>	<u>751,091</u>	<u>58,938</u>	<u>62,073</u>	<u>470,175</u>	<u>591,186</u>

\* Included in total allowance for credit losses at end of reporting period/year is a transfer from Standard Chartered Saadiq Berhad under PSIA arrangement amounting to RM5.6 million (2019: RM5.7 million).

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Agriculture	-	3,385	-	3,385
Manufacturing	203,564	209,977	202,830	208,183
Electricity, gas and water	190	201	190	201
Construction	11,377	9,713	9,013	7,041
Real estate	62,780	62,564	57,471	57,629
Wholesale & retail trade and restaurants & hotels	94,979	93,329	76,610	77,696
Transportation, storage and communication	37,213	3,672	35,457	2,222
Finance, insurance and business services	17,757	12,529	13,970	4,189
Household	205,343	240,454	181,535	206,425
Others	37,818	2,763	35,774	692
	<u>671,021</u>	<u>638,587</u>	<u>612,850</u>	<u>567,663</u>

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Purchase of property	147,952	171,653	113,452	123,836
- Residential	105,941	134,837	87,886	109,169
- Non-residential	42,011	36,816	25,566	14,667
Fixed assets excluding land & building	172	214	-	-
Personal use	73,554	90,255	71,113	86,549
Credit cards	14,973	10,535	14,973	10,535
Working capital	434,370	365,930	413,312	346,743
	<u>671,021</u>	<u>638,587</u>	<u>612,850</u>	<u>567,663</u>

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Within Malaysia	671,021	638,587	612,850	567,663

**16. Other assets**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Interest/Income receivables	89,713	85,093	87,972	86,432
Unquoted Subordinated Sukuk of a subsidiary company	-	-	100,000	100,000
Other receivables, deposits and prepayments	1,502,143	754,190	1,586,360	1,056,729
	<u>1,591,856</u>	<u>839,283</u>	<u>1,774,332</u>	<u>1,243,161</u>

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**17. 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"); which is determined at a set percentages of total eligible liabilities.

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Demand deposits	16,052,550	16,249,007	14,795,920	14,725,618
Savings deposits	5,141,576	4,130,115	4,556,939	3,826,814
Fixed/Investment deposits	10,833,069	11,093,707	9,769,571	10,062,759
Negotiable instruments of deposits	40,000	40,000	40,000	40,000
	<u>32,067,195</u>	<u>31,512,829</u>	<u>29,162,430</u>	<u>28,655,191</u>

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Due within six months	8,183,620	8,390,887	7,324,342	7,525,094
Six months to one year	2,573,470	2,610,502	2,376,485	2,458,695
One year to three years	115,773	132,231	108,538	118,883
Three years to five years	206	87	206	87
	<u>10,873,069</u>	<u>11,133,707</u>	<u>9,809,571</u>	<u>10,102,759</u>

**(ii) By type of customers**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Government and statutory bodies	37,775	115,931	37,754	43,911
Business enterprises	14,790,052	15,540,416	13,963,396	14,477,284
Individuals	12,918,847	12,123,701	11,667,748	11,163,433
Others	4,320,521	3,732,781	3,493,532	2,970,563
	<u>32,067,195</u>	<u>31,512,829</u>	<u>29,162,430</u>	<u>28,655,191</u>

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Licensed banks	1,909,496	171,314	1,909,496	171,314
Other financial institutions	4,738,430	3,378,300	4,470,826	3,345,961
	<u>6,647,926</u>	<u>3,549,614</u>	<u>6,380,322</u>	<u>3,517,275</u>

**20. Other liabilities**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Interest/Income payable	116,544	136,877	122,866	134,552
Other payables and accruals	2,484,328	2,219,685	2,716,120	2,337,102
Lease liabilities	268,246	48,252	41,799	46,647
	<u>2,869,118</u>	<u>2,404,814</u>	<u>2,880,785</u>	<u>2,518,301</u>

**21. Provision for credit commitments and contingencies**

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
<b>Loan commitments and financial guarantee contracts</b>				
Balance as at 1 January	15,403	23,426	15,187	18,367
Net remeasurement of loss allowance	11,588	(8,033)	9,755	(3,183)
Foreign exchange and other movements	27	10	18	3
At end of reporting period/year	<u>27,018</u>	<u>15,403</u>	<u>24,960</u>	<u>15,187</u>

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**22. Interest income**

	Group			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Loans, advances and financing				
- Interest income other than from impaired loans	249,212	288,549	510,649	582,656
- Interest income recognised from impaired loans	2,904	7,776	10,958	15,055
Money at call and deposit and placements				
with banks and other financial institutions	29,470	21,040	59,834	42,714
Investment securities at FVOCI	48,649	49,080	108,980	98,771
Investment securities at amortised cost	1,107	1,739	2,376	3,473
	<u>331,342</u>	<u>368,184</u>	<u>692,797</u>	<u>742,669</u>

In 2019, the Group reported interest income of RM826,956 thousand. The difference between this and restated 2019 interest income of RM742,669 thousand is RM84,287 thousand of contractual interest receivables on financial instruments measured at fair value through profit or loss being reclassified to net trading income.

	Bank			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Loans, advances and financing				
- Interest income other than from impaired loans	249,212	288,549	510,649	582,656
- Interest income recognised from impaired loans	2,904	7,776	10,958	15,055
Money at call and deposit and placements				
with banks and other financial institutions	43,486	45,111	90,776	92,957
Investment securities at FVOCI	48,649	49,080	108,980	98,771
Investment securities at amortised cost	1,107	1,739	2,376	3,473
	<u>345,358</u>	<u>392,255</u>	<u>723,739</u>	<u>792,912</u>

In 2019, the Bank reported interest income of RM877,199 thousand. The difference between this and restated 2019 interest income of RM792,912 thousand is RM84,287 thousand of contractual interest receivables on financial instruments measured at fair value through profit or loss being reclassified to net trading income.

**23. Interest expense**

	Group and Bank			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Deposits and placements of banks and other financial institutions	12,841	13,443	26,842	33,883
Deposits from customers	112,974	159,966	250,902	314,529
Subordinated debts	11,042	12,690	22,953	25,241
	<u>136,857</u>	<u>186,099</u>	<u>300,697</u>	<u>373,653</u>

In 2019, the Group and the Bank reported interest expense of RM385,724 thousand. The difference between this and restated 2019 interest expense of RM373,653 thousand is RM12,071 thousand of contractual interest payables on financial instruments measured at fair value through profit or loss being reclassified to net trading income.

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

	Group			
	2nd Quarter ended 30 June 2020 RM'000	30 June 2019 RM'000	Six months ended 30 June 2020 RM'000	30 June 2019 RM'000
Income derived from investment of depositors' funds	40,319	46,801	79,077	85,275
Income derived from investment account funds	22,326	36,610	49,736	79,915
Income attributable to depositors	(17,827)	(25,437)	(37,324)	(45,553)
Income attributable to investment account holders	(3,501)	(5,430)	(8,028)	(11,324)
Income attributable to the shareholder	41,317	52,544	83,461	108,313
Income derived from investment of shareholder's funds	8,963	9,426	17,436	17,888
	<u>50,280</u>	<u>61,970</u>	<u>100,897</u>	<u>126,201</u>

**25. Other operating income**

	Group			
	2nd Quarter ended 30 June 2020 RM'000	30 June 2019 RM'000 Restated	Six months ended 30 June 2020 RM'000	30 June 2019 RM'000 Restated
<b>Fee and commission</b>				
Fee and commission income:	56,327	56,822	112,223	111,919
- <i>Commission income</i>	31,123	37,693	62,434	69,458
- <i>Service fees</i>	14,264	6,970	28,268	20,145
- <i>Guarantee fees</i>	10,940	12,159	21,521	22,316
Fee and commission expense:	(21,856)	(21,402)	(41,523)	(37,937)
- <i>Commission charges</i>	(8,876)	(7,143)	(17,729)	(10,294)
- <i>Service charges</i>	(12,980)	(14,259)	(23,794)	(27,643)
	<u>34,471</u>	<u>35,420</u>	<u>70,700</u>	<u>73,982</u>
<b>Net trading income</b>				
Net interest income from financial assets at FVTPL	18,862	35,442	35,399	72,216
Gains from sale of financial instruments at FVTPL	27,602	29,824	118,789	51,209
Unrealised gains on revaluation of financial instruments at FVTPL	66,236	11,403	19,573	28,055
Foreign exchange currency				
- (Loss)/gains from dealing in foreign currency	(42,652)	140,491	152,761	150,761
- Unrealised gains/(losses) from foreign exchange transactions	52,518	(92,548)	(31,070)	(39,612)
	<u>122,566</u>	<u>124,612</u>	<u>295,452</u>	<u>262,629</u>
<b>Other income</b>				
Gains from sale of investment securities at FVOCI	22,819	3,148	42,837	3,148
Gross dividends from unquoted investments	689	331	689	331
Rental income	15	10	39	19
Others	386	222	548	616
	<u>23,909</u>	<u>3,711</u>	<u>44,113</u>	<u>4,114</u>
<b>Total other operating income</b>	<u><b>180,946</b></u>	<u><b>163,743</b></u>	<u><b>410,265</b></u>	<u><b>340,725</b></u>

In 2019, the Group reported net trading income of RM190,413 thousand. The difference between this and restated net trading income of RM262,629 thousand is RM72,216 thousand of net contractual interest income receivables on financial instruments measured at fair value through profit or loss being reclassified to net trading income.



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**25. Other operating income (continued)**

	Bank			
	2nd Quarter ended 30 June 2020 RM'000	30 June 2019 RM'000 Restated	Six months ended 30 June 2020 RM'000	30 June 2019 RM'000 Restated
<b>Fee and commission</b>				
Fee and commission income:	55,937	56,502	111,437	111,314
- <i>Commission income</i>	30,733	37,373	61,648	68,853
- <i>Service fees</i>	14,264	6,970	28,268	20,145
- <i>Guarantee fees</i>	10,940	12,159	21,521	22,316
Fee and commission expense:	(21,762)	(21,341)	(41,337)	(37,825)
- <i>Commission charges</i>	(8,876)	(7,143)	(17,729)	(10,294)
- <i>Service charges</i>	(12,886)	(14,198)	(23,608)	(27,531)
	<u>34,175</u>	<u>35,161</u>	<u>70,100</u>	<u>73,489</u>
<b>Net trading income</b>				
Net interest income from financial assets at FVTPL	18,862	35,442	35,399	72,216
Gains from sale of financial instruments at FVTPL	27,602	29,824	118,789	51,209
Unrealised gains on revaluation of financial instruments at FVTPL	66,236	11,403	19,573	28,055
Foreign exchange currency				
- (Losses)/gains from dealing in foreign currency	(42,652)	140,491	152,761	150,761
- Unrealised gains/(losses) from foreign exchange transactions	52,518	(92,548)	(31,070)	(39,612)
	<u>122,566</u>	<u>124,612</u>	<u>295,452</u>	<u>262,629</u>
<b>Other income</b>				
Gains from sale of investment securities at FVOCI	22,819	3,148	42,837	3,148
Gross dividends from unquoted investments	689	331	689	331
Rental income	15	10	39	19
Others	14,908	16,180	30,072	36,254
	<u>38,431</u>	<u>19,669</u>	<u>73,637</u>	<u>39,752</u>
<b>Total other operating income</b>	<b><u>195,172</u></b>	<b><u>179,442</u></b>	<b><u>439,189</u></b>	<b><u>375,870</u></b>

In 2019, the Bank reported net trading income of RM190,413 thousand. The difference between this and restated net trading income of RM262,629 thousand is RM72,216 thousand of net contractual interest income receivables on financial instruments measured at fair value through profit or loss being reclassified to net trading income.

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**26. Other operating expenses**

	Group			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Personnel costs</b>				
- Salaries, bonuses, wages and allowances	89,612	93,575	177,484	187,673
- Pension fund contributions	10,023	13,045	25,844	26,233
- Other staff related cost	12,635	9,624	20,092	17,913
	<u>112,270</u>	<u>116,244</u>	<u>223,420</u>	<u>231,819</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	4,494	1,860	8,989	3,634
- Amortisation of intangible assets	8,868	12,956	19,332	16,440
- Depreciation of right-of-use assets	3,643	3,481	7,409	5,695
- Rental	911	4,923	1,784	9,506
- Information technology and project expenses	56,672	47,860	103,946	94,295
- Others	8,905	8,666	17,097	17,940
	<u>83,493</u>	<u>79,746</u>	<u>158,557</u>	<u>147,510</u>
<b>Marketing expenses</b>				
- Advertisement and publicity	1,748	3,098	5,136	7,313
- Others	515	3,427	5,231	5,945
	<u>2,263</u>	<u>6,525</u>	<u>10,367</u>	<u>13,258</u>
<b>Administration and general expenses</b>				
- Communication expenses	2,530	2,827	5,387	5,015
- Group administration and business support expenses	14,121	15,915	28,433	32,170
- Outsourcing expenses	29,237	28,089	60,980	53,174
- Others	11,126	14,184	25,720	29,565
	<u>57,014</u>	<u>61,015</u>	<u>120,520</u>	<u>119,924</u>
<b>Total other operating expenses</b>	<u><b>255,040</b></u>	<u><b>263,530</b></u>	<u><b>512,864</b></u>	<u><b>512,511</b></u>
	Bank			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Personnel costs</b>				
- Salaries, bonuses, wages and allowances	87,606	90,914	173,268	183,225
- Pension fund contributions	9,727	12,682	25,244	25,510
- Other staff related cost	12,284	9,224	19,215	17,323
	<u>109,617</u>	<u>112,820</u>	<u>217,727</u>	<u>226,058</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	4,470	1,842	8,942	3,598
- Amortisation of intangible assets	8,868	12,956	19,332	16,440
- Depreciation of right-of-use assets	3,414	3,260	6,952	5,239
- Rental	892	4,889	1,744	9,441
- Information technology and project expenses	56,669	47,835	103,927	94,081
- Others	8,383	8,369	16,288	17,349
	<u>82,696</u>	<u>79,151</u>	<u>157,185</u>	<u>146,148</u>
<b>Marketing expenses</b>				
- Advertisement and publicity	1,675	3,012	4,887	7,215
- Others	447	3,403	5,044	5,866
	<u>2,122</u>	<u>6,415</u>	<u>9,931</u>	<u>13,081</u>
<b>Administration and general expenses</b>				
- Communication expenses	2,507	2,789	5,332	4,944
- Group administration and business support expenses	12,159	15,230	24,747	29,514
- Outsourcing expenses	29,237	28,089	60,980	53,174
- Others	10,330	12,294	23,456	26,992
	<u>54,233</u>	<u>58,402</u>	<u>114,515</u>	<u>114,624</u>
<b>Total other operating expenses</b>	<u><b>248,668</b></u>	<u><b>256,788</b></u>	<u><b>499,358</b></u>	<u><b>499,911</b></u>

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**27. Provision of expected credit loss**

	Group			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Charge/(release) of allowances for expected credit losses for financial assets:				
Loans, advances and financing	160,854	(10,436)	207,119	12,768
Other financial assets	(1,372)	6,727	(2,581)	11,857
Financial assets at FVOCI - Debt instruments	(5)	193	(223)	408
Credit commitments and contingencies	10,534	(6,748)	11,588	(7,241)
Impaired loans, advances and financing:				
Written off	19,038	19,130	37,606	34,766
Recovered	(9,200)	(19,878)	(31,565)	(41,268)
	<u>179,849</u>	<u>(11,012)</u>	<u>221,944</u>	<u>11,290</u>

	Bank			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Charge/(release) of allowances for expected credit for financial assets:				
Loan, advances and financing	152,201	(13,895)	199,311	5,212
Other financial assets	(1,372)	6,727	(2,581)	11,857
Financial assets at FVOCI - Debt instruments	(32)	115	(236)	305
Credit commitments and contingencies	8,700	(6,783)	9,755	(2,800)
Impaired loans, advances and financing:				
Written off	19,038	19,130	37,606	34,766
Recovered	(7,955)	(16,604)	(27,159)	(35,279)
	<u>170,580</u>	<u>(11,310)</u>	<u>216,696</u>	<u>14,061</u>

**28. 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	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	575,182	656,121	607,168	697,307
As a percentage of total credit exposures	1.3%	1.5%	1.5%	1.8%

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**29. Commitments and contingencies**

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

The commitments and contingencies are as follows:

Group	30 June 2020			31 December 2019		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	1,393,984	1,393,984	1,092,578	1,392,774	1,392,774	985,422
Transaction-related contingent items	2,998,315	2,998,315	833,084	3,361,910	3,361,910	988,313
Short-term self liquidating trade-related contingencies	226,069	226,069	63,569	116,693	116,693	37,245
Sell and buy back agreements	1,020,943	1,020,943	4,870	729,239	729,239	3,484
Other commitments to extend credit:						
- maturity not exceeding one year	42,371,413	8,178,929	2,361,490	39,549,630	7,599,355	2,417,916
- maturity exceeding one year	2,771,394	569,644	368,627	3,202,563	683,175	381,685
Foreign exchange related contracts:						
- less than one year	64,170,294	1,465,791	448,872	61,924,016	1,349,020	469,500
- one year to less than five years	10,764,954	1,304,165	409,374	10,078,363	1,237,334	421,955
- five years and above	722,155	81,642	25,380	790,613	85,508	34,485
Interest rate related contracts:						
- less than one year	11,171,024	47,148	22,735	14,814,609	46,980	10,143
- one year to less than five years	27,971,625	1,064,920	373,108	29,460,000	858,879	366,268
- five years and above	3,441,162	368,165	164,459	2,766,463	241,596	49,008
Miscellaneous commitments and contingencies	3,258,873	763,125	1,113,270	4,079,811	281,742	116,001
	<u>172,282,205</u>	<u>19,482,840</u>	<u>7,281,416</u>	<u>172,266,684</u>	<u>17,984,205</u>	<u>6,281,425</u>

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

	30 June 2020			31 December 2019		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
<b>Bank</b>						
Direct credit substitutes	1,328,844	1,346,044	1,029,505	1,326,505	1,343,705	927,639
Transaction-related contingent items	2,725,352	2,821,219	802,647	3,233,047	3,233,047	949,462
Short-term self liquidating trade-related contingencies	159,086	165,910	41,498	96,956	96,956	28,967
Sell and buy back agreements	1,020,943	1,020,943	4,870	729,239	729,239	3,484
Other commitments to extend credit:						
- maturity not exceeding one year	46,911,966	7,991,373	2,220,175	43,716,302	7,325,187	2,150,769
- maturity exceeding one year	2,339,182	531,273	312,236	2,578,847	621,781	284,073
Foreign exchange related contracts:						
- less than one year	64,187,639	1,461,753	459,686	61,901,407	1,348,767	458,797
- one year to less than five years	10,764,954	1,304,165	409,374	10,078,363	1,237,334	421,955
- five years and above	722,155	81,642	25,380	790,613	85,508	34,485
Interest rate related contracts:						
- less than one year	11,171,024	47,148	23,502	14,814,609	46,980	11,592
- one year to less than five years	27,971,625	1,064,920	383,556	29,459,999	858,879	373,645
- five years and above	3,441,162	368,165	164,459	2,766,463	241,596	49,008
Miscellaneous commitments and contingencies	3,258,873	763,125	1,113,270	4,079,811	281,742	116,001
	<u>176,002,805</u>	<u>18,967,680</u>	<u>6,990,158</u>	<u>175,572,161</u>	<u>17,450,721</u>	<u>5,809,877</u>

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

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

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation methods. 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, is set out below:

	Level 1	Level 2	Level 3
Fair value determined using	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly observable market inputs	Valuation models using significant non-observable market inputs
Type of financial assets	Actively traded government and agency securities	Corporate and other government securities  Over-the-counter ("OTC") derivatives  Securities purchased under resale agreements	Unquoted equity investments held for strategic purposes
Type of financial liabilities		OTC derivatives  Structured deposits  Obligations on securities sold under repurchase agreements	

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**30. Fair values of financial assets and liabilities (continued)****Fair value hierarchy (continued)**

Group 30 June 2020	Fair value of financial instruments carried at fair value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Assets</b>				
Investment securities measured at FVTPL				
Malaysian Islamic Treasury Bills /				
Malaysian Government Securities	-	4,062,812	-	4,062,812
Malaysian Government Investment Issues	-	281,773	-	281,773
Corporate Bonds	-	38,447	-	38,447
Investment securities at FVOCI				
Malaysian Government Securities		2,329,294	-	2,329,294
Bank Negara Malaysia Bills	-	641,853	-	641,853
Bankers' Acceptances	-	637,832	-	637,832
Negotiable Instruments of Deposits	-	1,300,001	-	1,300,001
Malaysian Government Investment Issues	-	2,171,782	-	2,171,782
Equity securities designated at FVOCI				
Unquoted investments held for strategic purposes	-	-	17,310	17,310
Derivative financial assets	-	2,124,777	-	2,124,777
At 30 June 2020	-	13,588,571	17,310	13,605,881
<b>Liabilities</b>				
Structured deposits	-	135,015	-	135,015
Derivative financial liabilities	-	1,906,125	-	1,906,125
At 30 June 2020	-	2,041,140	-	2,041,140
<b>Group</b>	<b>Fair value of financial instruments carried at</b>			
<b>31 December 2019</b>	<b>fair value</b>			
<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Investment securities measured at FVTPL				
Malaysian Government Treasury Bills /				
Malaysian Government Securities	-	1,707,697	-	1,707,697
Malaysian Government Investment Issues	-	122,588	-	122,588
Corporate Bonds	-	56,458	-	56,458
Investment securities measured at FVOCI				
Malaysian Government Securities		3,357,374	-	3,357,374
Bankers' Acceptances	-	77,417	-	77,417
Negotiable Instruments of Deposits	-	2,039,914	-	2,039,914
Malaysian Government Investment Issues	-	2,143,616	-	2,143,616
Equity securities designated at FVOCI				
Unquoted investments held for strategic purposes	-	-	19,973	19,973
Derivative financial assets	-	1,466,383	-	1,466,383
At 31 December 2019	-	10,971,447	19,973	10,991,420
<b>Liabilities</b>				
Structured deposits	-	131,824	-	131,824
Derivative financial liabilities	-	1,298,914	-	1,298,914
At 31 December 2019	-	1,430,738	-	1,430,738

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**30. Fair values of financial assets and liabilities (continued)****Fair value hierarchy (continued)**

<b>Bank</b>	<b>Fair value of financial instruments carried at fair value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 June 2020</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>				
Investment securities measured at FVTPL				
Malaysian Islamic Treasury Bills /				
Malaysian Government Securities	-	4,062,812	-	4,062,812
Malaysian Government Investment Issues	-	281,773	-	281,773
Corporate Bonds	-	38,447	-	38,447
Investment securities measured at FVOCI				
Malaysian Government Securities	-	2,329,294	-	2,329,294
Bank Negara Malaysia Bills	-	641,853	-	641,853
Bankers' Acceptances	-	637,832	-	637,832
Negotiable Instruments of Deposit	-	1,300,001	-	1,300,001
Malaysian Government Investment Issues	-	1,150,819	-	1,150,819
Equity securities designated at FVOCI				
Unquoted investments held for				
strategic purposes	-	-	17,310	17,310
Derivative financial assets	-	2,123,452	-	2,123,452
At 30 June 2020	-	12,566,283	17,310	12,583,593
<b>Liabilities</b>				
Structured deposits	-	131,875	-	131,875
Derivative financial liabilities	-	1,904,719	-	1,904,719
At 30 June 2020	-	2,036,594	-	2,036,594

<b>Bank</b>	<b>Fair value of financial instruments carried at fair value</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2019</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>				
Investment securities measured at FVTPL				
Malaysian Government Treasury Bills /				
Malaysian Government securities	-	1,707,697	-	1,707,697
Malaysian Government Investment Issues	-	122,588	-	122,588
Corporate bonds	-	56,458	-	56,458
Investment securities measured at FVOCI				
Malaysian Government securities	-	3,357,374	-	3,357,374
Bankers' Acceptances	-	77,417	-	77,417
Negotiable Instruments of Deposits	-	2,039,914	-	2,039,914
Malaysian Government Investment Issues	-	1,245,366	-	1,245,366
Equity securities designated at FVOCI				
Unquoted investments held for				
strategic purposes	-	-	19,973	19,973
Derivative financial assets	-	1,466,741	-	1,466,741
At 31 December 2019	-	10,073,555	19,973	10,093,528
<b>Liabilities</b>				
Structured deposits	-	128,681	-	128,681
Derivative financial liabilities	-	1,298,956	-	1,298,956
At 31 December 2019	-	1,427,637	-	1,427,637

**Reconciliation of fair value measurements in Level 3 of the fair value hierarchy**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Reconciliation of fair value for equity securities designated at FVOCI		
At 1 January	19,973	18,144
Derecognised during the period	-	(550)
Recognised in other comprehensive income	(2,663)	2,379
At end of reporting period/year	17,310	19,973



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**31. Capital adequacy**

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
<b>Tier 1 Capital</b>				
Paid-up ordinary share capital	500,190	500,190	500,190	500,190
Other reserves	4,035,228	3,940,986	3,762,500	3,668,258
Less:				
Intangible assets	(103,191)	(103,578)	(103,191)	(103,578)
Net intangible asset	120,217	108,259	120,217	108,259
Less: Associated deferred tax liabilities	(17,026)	(4,681)	(17,026)	(4,681)
Deferred tax assets	(124,233)	(131,817)	(151,170)	(127,973)
Unrealised gains on FVOCI financial instruments	35,108	21,159	27,465	18,034
Investment in subsidiaries deducted from CET 1 capital	-	-	(411,522)	(411,522)
CET 1 capital	<u>4,343,102</u>	<u>4,226,940</u>	<u>3,624,272</u>	<u>3,543,409</u>
Irredeemable Convertible Preference Shares	380,000	380,000	380,000	380,000
Eligible Tier 1 capital	<u>4,723,102</u>	<u>4,606,940</u>	<u>4,004,272</u>	<u>3,923,409</u>
<b>Tier 2 Capital</b>				
Subordinated debts	1,000,000	1,000,000	1,000,000	1,000,000
General provisions under standardised approach *	25,959	25,712	25,035	24,751
Surplus of total eligible provisions over total expected loss under Advanced Internal Ratings-based Approach ("AIRB") approach	148,416	137,453	135,630	123,255
	<u>1,174,375</u>	<u>1,163,165</u>	<u>1,160,665</u>	<u>1,148,006</u>
Less: Investment in subsidiaries	-	-	(100,000)	(100,000)
Eligible Tier 2 capital	<u>1,174,375</u>	<u>1,163,165</u>	<u>1,060,665</u>	<u>1,048,006</u>
Total capital base	<u>5,897,477</u>	<u>5,770,105</u>	<u>5,064,937</u>	<u>4,971,415</u>

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

	Group		Bank	
	30 June 2020 RM'000	31 December 2019 RM'000	30 June 2020 RM'000	31 December 2019 RM'000
Total risk-weighted assets:				
Credit risk	26,812,743	24,965,885	24,607,770	22,522,475
Market risk	2,428,767	2,384,073	2,428,767	2,384,073
Operational risk	3,335,695	3,278,186	3,205,231	3,155,686
	<u>32,577,205</u>	<u>30,628,144</u>	<u>30,241,768</u>	<u>28,062,234</u>

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

	Group		Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
CET 1 capital ratio	13.332%	13.801%	11.984%	12.627%
Tier 1 capital ratio	14.498%	15.042%	13.241%	13.981%
Total capital ratio	18.103%	18.839%	16.748%	17.716%

\* General provision refers to stage 1 and stage 2 ECL allowance as defined under MFRS 9, *Financial Instruments*, to the extent they are ascribed to non-credit-impaired exposures as determined under the standardised approach for credit risk.

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**31. Capital adequacy (continued)**

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
CET 1 capital ratio	25.877%	22.931%
Tier 1 capital ratio	25.877%	22.931%
Total capital ratio	30.222%	26.852%