



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

**Financial statements for the financial
year ended 31 December 2015**

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

Directors' report for the financial year ended 31 December 2015

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 2015.

Principal activities

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

Results

	Group RM'000	Bank RM'000
Profit before taxation	42,097	19,207
Tax expense	<u>(16,246)</u>	<u>(10,534)</u>
Profit for the year	<u><u>25,851</u></u>	<u><u>8,673</u></u>

Dividends

Since the end of the previous financial year, the Bank paid 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 financial year ended 31 December 2014 on 8 June 2015 and 22 June 2015, respectively.

The Directors do not recommend any payment of dividend 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

2015 Results

The Group registered a profit before taxation of RM 42.10 million, a 92.00% decline against 2014 largely due to impairment provisions made on a few large accounts. Against the backdrop of moderate growth sentiments in Malaysia, net interest income declined by 12.28% against 2014 to RM 901.75 million, while other operating income decreased by 3.72% to RM 532.11 million. Islamic Banking income however increased 8.37% to RM 326.49 million. Meanwhile, tighter cost controls ensured that operating expenses increased only moderately by 6.51% to RM 1.03 billion.

The Group's total assets declined by 9.10% to RM 49.12 billion as loan growth moderated during the year while customer deposits declined by 9.76% to RM 32.96 billion.

Nevertheless, as at 31 December 2015, the Group continues to be well capitalised with Common Equity Tier 1 and Risk-weighted capital ratio of 11.83% and 16.83%, respectively.

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Strategy and Economic Environment

The global economy continues to grow at a moderate pace with major developed economies continuing to recover.

Despite the challenging macro economic conditions from the drop in commodity prices and depreciation of the Ringgit, Malaysia's economy remained resilient. The GDP growth for 2015 is expected to be between 4.5% to 5.5%.

The Malaysian banking system remained strong with high quality asset, strong capital buffers and ample liquidity. The Overnight Policy Rate ("OPR") has been maintained at 3.25% throughout 2015. Nevertheless, Bank Negara Malaysia ("BNM") acknowledged that in this challenging environment, the economy is expected to experience a more moderate growth moving into 2016.

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 2016

At Standard Chartered, we believe in managing our business and operations to deliver long-term value for our shareholders and society. We invest and work closely with our local communities to promote social and economic development. As a partner to communities in need, Standard Chartered leads by example in Corporate Social Responsibility ("CSR"). Through our Standard Chartered Foundation and Seeing is Believing project in collaboration with the Malaysia Ministry of Health, Standard Chartered Cataract Lens Programme was launched aiming to assist underprivileged cataract patients. Through this programme, we have restored sight to over 4,000 Malaysians suffering from preventable blindness. Since 2003, 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 120,000 students and youth across Malaysia through the Financial Education Programme. The Bank is also the first Bank to adopt and maintain a park under the PEMANDU's Economic Transformation Programme ("ETP") as part of our environment initiatives.

In line with the Standard Chartered PLC Group's refreshed and sharpened strategy, the three restructured client business will continue to differentiate against local and international competition, and deliver greater efficiency. Our Corporate & Institutional Banking and Commercial Banking segments will focus on optimisation of capital, while continuing to deepen client relationships. Meanwhile, our Retail Banking's strategic initiatives will continue on the digital agenda to improve customer experience.

Statement of Corporate Governance

The Group and the Bank are committed to high standards of corporate governance and strive 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 have adhered to the aforesaid principles of the Code and the extent to which the Group and the Bank have complied in all material aspects with the best practices of the Code and BNM Guidelines during the financial year ended 31 December 2015.

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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-Independent 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 Ishak bin Imam Abas
Datuk Seri Michael Yam Kong Choy
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)
Pradeep Rana
(appointed on 15 July 2015 and resigned on 3 December 2015)
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
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 2015, the Board met six (6) times to deliberate on and consider a variety of significant matters that required its guidance and approval. Relevant management personnel are invited to Board meetings to report and appraise the Board on financials, operations and other developments within their respective purview. Where appropriate, decisions are taken by way of circular resolutions in between scheduled meetings.

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

<u>Members</u>	<u>Attendance and Number of Board Meetings</u>
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	6/6
Datuk Ishak bin Imam Abas	5/6
Datuk Seri Michael Yam Kong Choy	6/6
Lim Cheng Teck - Deputy Chairman (appointed on 17 February 2015)	6/6
Mahendra Gursahani (appointed on 17 February 2015)	6/6
Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)	4/4
Pradeep Rana (appointed on 15 July 2015 and resigned on 3 December 2015)	3/3
Neeraj Swaroop - Deputy Chairman (resigned on 17 February 2015)	-
Osman Tarique Morad (resigned on 17 February 2015)	1/1
Datuk Abu Hassan bin Kendut (resigned on 5 May 2015)	2/2
Judy Hsu Chung Wei (resigned on 14 May 2015)	2/2

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 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 Malaysian Institute of Accountants ("MIA").

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Board of Directors (continued)

Key information and background of Directors (continued)

(c) 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.

(d) 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.

(e) 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 Vice Chairman, 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.

(f) 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.

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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
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.

Functions, responsibilities and terms of reference

The Terms of Reference of the NC was revised and approved by the Board on 6 April 2006, 22 September 2010, 10 May 2011 and 3 December 2015.

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 2015, the NC has made an assessment for the appointment of three (3) directors and re-appointment of two (2) directors and was convinced that both the new appointments and re-appointment of directors would assist in achieving a mix of Board members that represents a diversity of backgrounds and experiences that would best complement the current Board effectiveness.

For 2015, the Board has adopted a self-evaluation on 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.

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Committees (continued)

a) Nomination Committee (continued)

Number of meetings held

The NC meets at least once a year and during the financial year 2015, the committee met three (3) 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	3/3
Datuk Ishak bin Imam Abas	3/3
Datuk Seri Michael Yam Kong Choy (appointed on 15 October 2014)	3/3
Lim Cheng Teck - Deputy Chairman (appointed on 17 February 2015)	3/3
Mahendra Gursahani (appointed on 17 February 2015)	3/3
Neeraj Swaroop - Deputy Chairman (resigned on 17 February 2015)	-
Osman Tarique Morad (resigned on 17 February 2015)	1/1

b) Audit Committee

The Audit Committee ("AC") was established on 6 February 2006.

Membership and composition

The members of the 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.

Terms of Reference

The terms of reference of the AC was revised and approved by the Board on 26 April 2006, 22 September 2010, 31 July 2012 and 19 February 2014.

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

- review and monitor the appropriateness and completeness of statutory accounts and published financial statements of the 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 2015, the committee met four (4) times and the attendance of the members are as follows:-

<u>Members</u>	<u>Attendance and Number of Meetings</u>
Datuk Ishak bin Imam Abas - Chairman (appointed on 5 May 2015)	4/4
Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)	2/2
Datuk Seri Michael Yam Kong Choy	4/4
Datuk Abu Hassan bin Kendut - Chairman (resigned on 5 May 2015)	2/2

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Committees (continued)

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 Ishak bin Imam Abas
Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)
Pradeep Rana (appointed on 15 July 2015 and resigned on 3 Dec 2015)
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.

Number of meetings held

The BRC meets on a quarterly basis and during the financial year 2015, 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 Ishak bin Imam Abas	5/5
Datuk Khairil Anuar Abdullah (appointed on 5 May 2015)	2/3
Pradeep Rana (appointed on 15 July 2015 and resigned on 3 December 2015)	2/2
Datuk Abu Hassan bin Kendut (resigned on 5 May 2015)	3/3

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

Main Responsibilities of the Syariah Advisory Committee

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

Responsibilities of the Syariah Advisory Committee

- 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.

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Committees (continued)

d) Syariah Advisory Committee (continued)

Responsibilities of the Syariah Advisory Committee (continued)

- 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.

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 eight (2014: four) syariah non-compliant events being detected. One event has resulted in Shariah non-compliant income amounting to RM111,848.27(2014: RM Nil).

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	12/12
Prof. Madya Dr. Nurdianawati Irwani Abdullah	11/12
Ustaz Abdul Latif Ahmad Subki	11/12
Dr. Wan Azhar Wan Ahmad	11/12
Dr. Akhtarzaite Abdul Aziz	12/12

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
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Risk Management

A risk management framework:

- establishes common principles & standards for the management and control of all risks, and to inform behaviour across the organisation;
- provides a shared framework and language to improve awareness of risk management processes; and
- provides clear accountability and responsibility for risk management.

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

The risk management principles are designed to be consistent with the Group's "Here for Good" brand promise. They reflect stakeholder priorities and directly inform the Group's approach to the management of risk and our risk culture:

Balancing risk and return:

- The Group and Bank manage risks to build a sustainable franchise, in the interests of all stakeholders
- The Group and Bank only take risk within risk tolerances and risk appetite, and where consistent with approved strategy
- The Group and Bank manage their risk profile so as to maintain a low probability of an unexpected loss event that would materially undermine the confidence of its investors

Conduct of business:

- The Group and Bank demonstrate "Here for Good" through its conduct, and are mindful of the reputational consequences of inappropriate conduct
- The Group and Bank seek to achieve good outcomes for clients, investors, and the markets in which it operates, while abiding by the spirit and letter of the laws and regulations
- The Group and Bank treat its staff fairly and with respect

Responsibility and accountability:

- The Group and Bank take individual responsibility to ensure risk-taking is disciplined and focused, particularly within its area of authority
- The Group and Bank make sure risk taking is transparent, controlled and reported in line with the risk management framework, within risk appetite and risk tolerance boundaries, and only where there is appropriate infrastructure and resource

Anticipation:

- The Group and Bank seek to anticipate material future risks, learn lessons from events that have produced adverse outcomes and ensure awareness of known risks

Competitive advantage:

- The Group and Bank seek to achieve competitive advantage through efficient and effective risk management and control

Risk Governance

Risk governance refers to those parts of the Group'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 Risk Committee is responsible for providing assurance to the Board that the overall framework for complying with the Risk Management Principles and Risk Tolerance Statement is operating effectively.

Executive responsibility for risk management is delegated by the Executive Committee ("EXCO").

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 Group's liquidity, capital adequacy and structural foreign exchange and interest rate exposure.

The Executive Risk Committee ("ERC") with its authority delegated by EXCO is responsible for the management and control of all risks, except those for which EXCO and ALCO have direct responsibilities.

ERC ensures the effective management of risk throughout Standard Chartered Bank Malaysia Berhad ("SCBMB"), Standard Chartered Saadiq Berhad ("SCSB") and the Group's other 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 within the constraints set by Group risk committee. In addition, ERC has risk management oversight over entities and branches of Standard Chartered Bank, UK incorporated and domiciled in Malaysia.

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Risk Management (continued)

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 Group. 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 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 Risk Management Principles, Risk Tolerance and Risk Appetite boundaries and other Bank standards.
- To exercise direct risk control ownership for credit, country cross-border and operational risk types.

Risk Tolerance

Risk Tolerance is the boundary the Group determines as the maximum level of risk the Group is ordinarily willing to take in pursuit of its strategy, in accordance with its Risk Principles. The local Risk Tolerance Statement has been approved by the local Board in December 2015.

Stress Testing

Stress testing and scenario analysis are used to assess the capability of the Group 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 client 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 Risk Management Framework ("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.

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Internal Audit and Control activities (continued)

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 2015.

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.

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	As at	Number of shares		As at
	1.1.2015/ date of appointment	Acquired	Disposed	31.12.2015
<u>Ordinary shares of US\$0.50 each</u>				
Lim Cheng Teck	99,515	68,434 (A)	(4,101)	163,848
Mahendra Gursahani	70,194	5,074 (B)	-	75,268
	As at	Number of options		As at
	1.1.2015/ date of appointment	Awarded/ Granted	Lapsed/ Exercised	31.12.2015
<u>Deferred Restricted Share Scheme</u>				
Lim Cheng Teck	9,584	-	(9,584)	-
Mahendra Gursahani	7,136	6,717	(3,941)	9,912
<u>Performance Share Award</u>				
Lim Cheng Teck	53,018	1,642	(20,577)	34,083
Mahendra Gursahani	32,049	1,048	(11,337)	21,760

STANDARD CHARTERED BANK MALAYSIA BERHAD
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Board of Directors and their interests in shares (continued)

	As at 1.1.2015/ date of appointment	Number of options Awarded/ Granted	Lapsed/ Exercised	As at 31.12.2015
<u>Deferred Restricted Share Award</u>				
Lim Cheng Teck	13,490	10,147	(8,276)	15,361
<u>ISS Phantom October 2012</u>				
Lim Cheng Teck	789	39	(828)	-

(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 Deferred Restricted Share Scheme and Performance Share Award.

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

Issue of shares and debentures

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

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Bank during the financial year, 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: 13 May 2016

STANDARD CHARTERED BANK MALAYSIA BERHAD
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**Statement by Directors pursuant to
Section 169(15) of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 19 to 140 are drawn up in accordance with the Companies Act, 1965 in Malaysia, Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2015 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: 13 May 2016

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 19 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 13 May 2016.

.....
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 2015 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 19 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 2015 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

Petaling Jaya
Date: 13 May 2016

Foong Mun Kong

Approval Number: 2613/12/16(J)
Chartered Accountant

STANDARD CHARTERED BANK MALAYSIA BERHAD
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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Cash and short term funds	3	6,889,236	5,825,358	5,907,593	6,013,052
Deposits and placements with banks and other financial institutions	4	16,475	68,524	5,697,714	3,675,437
Securities purchased under resale agreements	5	529,245	551,077	529,245	551,077
Financial assets held for trading	6	1,545,132	3,534,095	1,545,132	3,534,095
Investment securities available-for-sale	7	4,022,314	5,366,299	3,415,898	5,266,339
Loans, advances and financing	8	29,616,404	33,802,679	22,886,385	26,706,380
Derivative financial assets	42	4,686,880	2,867,619	4,687,947	2,869,041
Other assets	10	678,462	703,907	1,196,909	1,083,501
Current tax assets		129,293	30,884	113,311	17,218
Statutory deposits with Bank Negara Malaysia	11	876,100	1,152,691	615,014	901,241
Investments in subsidiaries	12	-	-	411,522	411,522
Property, plant and equipment	13	82,941	71,302	82,543	69,425
Deferred tax assets	32	44,780	61,106	42,953	54,287
Total assets		49,117,262	54,035,541	47,132,166	51,152,615
Liabilities					
Deposits from customers	14	32,961,050	36,524,580	29,495,746	33,056,211
Deposits and placements of banks and other financial institutions	15	4,142,685	7,340,284	4,025,867	7,183,376
Obligations on securities sold under repurchase agreements	5	352,549	497,384	352,549	497,384
Derivative financial liabilities	42	4,441,039	2,715,041	4,439,370	2,712,792
Other liabilities	16	1,895,175	1,736,783	3,680,843	2,654,147
Current tax liabilities		-	1,968	-	-
Provision for credit commitments and contingencies		97,852	-	97,852	-
Subordinated debts	17	1,000,000	1,000,000	1,000,000	1,000,000
Total liabilities		44,890,350	49,816,040	43,092,227	47,103,910
Equity					
Share capital	19	163,000	163,000	163,000	163,000
Reserves	20	4,063,912	4,053,617	3,876,939	3,885,705
Total equity attributable to owners of the Bank		4,226,912	4,216,617	4,039,939	4,048,705
Non-controlling interest		-	2,884	-	-
Total equity		4,226,912	4,219,501	4,039,939	4,048,705
Total liabilities and equity		49,117,262	54,035,541	47,132,166	51,152,615
Commitments and contingencies	36	174,002,214	176,587,251	171,897,267	176,088,705

The notes set out on pages 27 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 COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income	22	1,647,564	1,788,037	1,798,777	1,854,423
Interest expense	23	(745,811)	(760,079)	(745,811)	(760,427)
Net interest income		901,753	1,027,958	1,052,966	1,093,996
Net income from Islamic Banking operations	24	326,494	301,286	-	-
		1,228,247	1,329,244	1,052,966	1,093,996
Other operating income	25	532,105	552,643	620,539	647,302
Total net income		1,760,352	1,881,887	1,673,505	1,741,298
Other operating expenses	26	(1,034,630)	(971,382)	(986,727)	(930,724)
Operating profit		725,722	910,505	686,778	810,574
Provisions for loans, advances and financing	28	(569,708)	(384,157)	(553,654)	(310,151)
Provisions related to credit commitments and contingencies		(113,917)	-	(113,917)	-
Profit before taxation		42,097	526,348	19,207	500,423
Tax expense	31	(16,246)	(132,315)	(10,534)	(123,203)
Profit for the year		25,851	394,033	8,673	377,220
Other comprehensive income/(expense), net of income tax					
Items that may be reclassified subsequently to profit or loss					
Fair value reserve (investment securities available-for-sale):-					
Net changes in fair value		28,222	(4,300)	26,339	(4,289)
Net amount transferred to profit or loss		(9,578)	(2,401)	(9,578)	(2,401)
Cash flow hedges:-					
Effective portion of changes in fair value		3,052	40	3,052	40
Net amount transferred to profit or loss		(146)	(1,141)	(146)	(1,141)
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains from defined benefit plan		19	447	19	447
Other comprehensive income/(expense) for the year, net of income tax		21,569	(7,355)	19,686	(7,344)
Total comprehensive income for the year		47,420	386,678	28,359	369,876
Profit attributable to:					
Owners of the Bank		25,851	392,001	8,673	377,220
Non-controlling interests		-	2,032	-	-
		25,851	394,033	8,673	377,220
Total comprehensive income attributable to:					
Owners of the Bank		47,420	384,646	28,359	369,876
Non-controlling interests		-	2,032	-	-
		47,420	386,678	28,359	369,876
Basic earnings per ordinary share (sen)	35	21	314		
Diluted earnings per ordinary share (sen)	35	12	263		

The notes set out on pages 27 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
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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				
At 1 January 2015		163,000	717,000	265,750	260,000	190	(9,816)	(8,695)	2,829,188	4,216,617	2,884	4,219,501
Fair value reserve (investment securities available-for-sale):-												
Net changes in fair value		-	-	-	-	-	28,222	-	-	28,222	-	28,222
Net amount transferred to profit or loss		-	-	-	-	-	(9,578)	-	-	(9,578)	-	(9,578)
Cash flow hedges:-												
Effective portion of changes in fair value		-	-	-	-	-	-	3,052	-	3,052	-	3,052
Net amount transferred to profit or loss		-	-	-	-	-	-	(146)	-	(146)	-	(146)
Actuarial gains from defined benefit plan		-	-	-	-	-	-	-	19	19	-	19
Total other comprehensive income for the year		-	-	-	-	-	18,644	2,906	19	21,569	-	21,569
Profit for the year		-	-	-	-	-	-	-	25,851	25,851	-	25,851
Total comprehensive income for the year		-	-	-	-	-	18,644	2,906	25,870	47,420	-	47,420
Distribution to Owners of the Bank												
Dividend (preference shares) - 2014 final	21	-	-	-	-	-	-	-	(12,825)	(12,825)	-	(12,825)
Dividend (ordinary shares) - 2014 final	21	-	-	-	-	-	-	-	(24,300)	(24,300)	-	(24,300)
Total transactions with owners of Bank		-	-	-	-	-	-	-	(37,125)	(37,125)	-	(37,125)
Changes in ownership interests in a subsidiary		-	-	-	-	-	-	-	-	-	(2,884)	(2,884)
At 31 December 2015		163,000	717,000	265,750	260,000	190	8,828	(5,789)	2,817,933	4,226,912	-	4,226,912
		Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20			

The notes set out on pages 27 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 →											
	Note	← Non-Distributable Reserves →					Cash flow		Distributable Reserves		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	hedge reserves RM'000	Retained profits RM'000	Total RM'000			
At 1 January 2014		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
Total comprehensive (expense)/income for the year		-	-	-	-	-	(6,701)	(1,101)	392,448	384,646	2,032	386,678
Distributions to Owners of the Bank												
Dividend (ordinary shares) - 2014 interim	21	-	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Transfer to regulatory reserves		-	-	-	41,000	-	-	-	(41,000)	-	-	-
Transactions of owners of the Bank/ other equity movements		-	-	-	41,000	-	-	-	(141,000)	(100,000)	-	(100,000)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	-	(8,400)	(8,400)
At 31 December 2014		163,000	717,000	265,750	260,000	190	(9,816)	(8,695)	2,829,188	4,216,617	2,884	4,219,501
		Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20			

The notes set out on pages 27 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)
AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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
At 1 January 2015		163,000	717,000	163,000	260,000	190	(9,795)	(8,695)	2,764,005	4,048,705
Fair value reserve (investment securities available-for-sale):-										
Net changes in fair value		-	-	-	-	-	26,339	-	-	26,339
Net amount transferred to profit or loss		-	-	-	-	-	(9,578)	-	-	(9,578)
Cash flow hedges:-										
Effective portion of changes in fair value		-	-	-	-	-	-	3,052	-	3,052
Net amount transferred to profit or loss		-	-	-	-	-	-	(146)	-	(146)
Actuarial gains from defined benefit plan		-	-	-	-	-	-	-	19	19
Total other comprehensive income for the year		-	-	-	-	-	16,761	2,906	19	19,686
Profit for the year		-	-	-	-	-	-	-	8,673	8,673
Total comprehensive income for the year		-	-	-	-	-	16,761	2,906	8,692	28,359
Distribution to Owners of the Bank										
Dividend (preference shares) - 2014 final	21	-	-	-	-	-	-	-	(12,825)	(12,825)
Dividend (ordinary shares) - 2014 final	21	-	-	-	-	-	-	-	(24,300)	(24,300)
Total transactions with owners of the Bank		-	-	-	-	-	-	-	(37,125)	(37,125)
At 31 December 2015		163,000	717,000	163,000	260,000	190	6,966	(5,789)	2,735,572	4,039,939
		Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	

The notes set out on pages 27 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	
At 1 January 2014		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
Total comprehensive (expense)/income for the year		-	-	-	-	-	(6,690)	(1,101)	377,667	369,876
Distributions to Owners of the Bank										
Dividend (ordinary shares) - 2014 interim		-	-	-	-	-	-	-	(100,000)	(100,000)
Transfer to regulatory reserves		-	-	-	41,000	-	-	-	(41,000)	-
Transactions of owners of the Bank/ other equity movements		-	-	-	41,000	-	-	-	(141,000)	(100,000)
At 31 December 2014		163,000	717,000	163,000	260,000	190	(9,795)	(8,695)	2,764,005	4,048,705
		Note 19	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	Note 20	

The notes set out on pages 27 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 CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities				
Profit before taxation	42,097	526,348	19,207	500,423
Adjustments for:-				
Dividend income	(3,074)	(21,236)	(3,074)	(21,236)
Depreciation	28,121	28,261	26,509	25,743
Gain on disposal of property, plant and equipment	(190)	(2,461)	(190)	(2,461)
Gain on disposal of investment securities available-for-sale	(10,782)	(235)	(10,782)	(235)
Amortisation of premium less accretion of discount on investment securities available-for-sale	(30,601)	(15,428)	(27,567)	(40,266)
Operating profit before working capital changes	<u>25,571</u>	<u>515,249</u>	<u>4,103</u>	<u>461,968</u>
Changes in working capital:-				
Deposits and placements with banks and other financial institutions	52,049	(55,934)	(2,022,277)	(1,285,743)
Securities purchased under resale agreements	21,832	(259,816)	21,832	(259,816)
Financial assets held for trading	1,988,963	(615,901)	1,988,963	(615,901)
Loans, advances and financing	4,186,276	406,464	3,819,995	2,457,232
Derivative financial instruments	(93,263)	190,056	(92,328)	183,177
Other assets	25,965	(2,754)	(109,534)	(95,272)
Statutory deposits with Bank Negara Malaysia	276,591	818	286,227	50,951
Deposits from customers	(4,294,685)	(2,069,899)	(3,560,465)	(1,395,827)
Deposits and placements of banks and other financial institutions	(2,466,445)	169,428	(3,157,509)	126,967
Obligations on securities sold under repurchase agreements	(144,835)	497,384	(144,835)	497,384
Other liabilities	170,613	(149,643)	1,026,721	16,719
Provision for credit commitments and contingencies	97,852	-	97,852	-
Cash (used in) / generated from operations	<u>(153,516)</u>	<u>(1,374,548)</u>	<u>(1,841,255)</u>	<u>141,839</u>
Income taxes paid	<u>(109,340)</u>	<u>(113,361)</u>	<u>(101,855)</u>	<u>(100,577)</u>
Net cash (used in) / generated from operating activities	<u>(262,856)</u>	<u>(1,487,909)</u>	<u>(1,943,110)</u>	<u>41,262</u>
Cash flows from investing activities				
Dividends received	3,074	21,236	3,074	21,236
Purchase of property, plant and equipment	(39,760)	(35,124)	(39,625)	(35,104)
Proceeds from disposal of property, plant and equipment	190	3,763	190	3,763
Purchase of investment securities available-for-sale	(11,993,611)	(11,399,999)	(11,388,611)	(10,899,999)
Proceeds from disposal of investment securities available-for-sale	13,399,709	10,688,571	13,299,748	10,187,446
Disposal of a subsidiary, net of cash disposed (Note 47)	(5,743)	-	-	-
Net cash generated from / (used in) investing activities	<u>1,363,859</u>	<u>(721,553)</u>	<u>1,874,776</u>	<u>(722,658)</u>

STANDARD CHARTERED BANK MALAYSIA BERHAD
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STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from financing activities				
Dividends paid (Note 21)	(37,125)	(100,000)	(37,125)	(100,000)
Dividend paid to non-controlling interest	-	(8,400)	-	-
Net cash used in financing activities	(37,125)	(108,400)	(37,125)	(100,000)
Net increase / (decrease) in cash and cash equivalents	1,063,878	(2,317,862)	(105,459)	(781,396)
Cash and cash equivalents at beginning of year	5,825,358	8,143,220	6,013,052	6,794,448
Cash and cash equivalents at end of year	6,889,236	5,825,358	5,907,593	6,013,052
Cash and cash equivalents comprise:				
Cash and short term funds (Note 3)	6,889,236	5,825,358	5,907,593	6,013,052

The notes set out on pages 27 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 13 May 2016.

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 requirements of 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.

Accounting standards not yet effective

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

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

i)	MFRS 14	<i>Regulatory Deferral Accounts</i>
ii)	Amendments to MFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)</i>
iii)	Amendments to MFRS 7	<i>Financial Instruments: Disclosures (Annual Improvements 2012-2014)</i>
iv)	Amendments to MFRS 10	<i>Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception</i>
v)	Amendments to MFRS 11	<i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i>
vi)	Amendments to MFRS 101	<i>Presentation of Financial Statements: Disclosure Initiative</i>
vii)	Amendments to MFRS 116	<i>Property, Plant and Equipment</i>
viii)	Amendments to MFRS 138	<i>Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i>
ix)	Amendments to MFRS 141	<i>Agriculture – Agriculture: Bearer Plants</i>
x)	Amendments to MFRS 119	<i>Employee Benefits (Annual Improvements 2012-2014 Cycle)</i>
xi)	Amendments to MFRS 127	<i>Separate Financial Statements – Equity Method in Separate Financial Statements</i>
xii)	Amendments to MFRS 134	<i>Interim Financial Reporting (Annual Improvements 2012-2014 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 2018

- | | | |
|-----|---------|----------------------------------------------|
| i) | MFRS 9 | <i>Financial Instruments (2014)</i> |
| ii) | MFRS 15 | <i>Revenue from Contracts with Customers</i> |

MFRSs and Amendments to MFRSs effective for a date yet to be confirmed

- | | | |
|----|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i) | 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> |
|----|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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.

(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)

STANDARD CHARTERED BANK MALAYSIA BERHAD
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2. Significant accounting policies

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

(a) Basis of consolidation

The consolidated financial statements as at and for the financial year ended 31 December 2015 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 other 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.

(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.

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

(b) Financial instruments (continued)

ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

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

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

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets on a different basis;
- a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis; or
- the assets 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.

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.

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2. Significant accounting policies (continued)

(b) Financial instruments (continued)

ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

D) Available-for-sale financial assets

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

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

Interest from investment securities available-for-sale (including zero coupon debt instruments), calculated using the effective interest/profit method, is recognised in profit or loss.

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 profit or loss.

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.

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2. Significant accounting policies (continued)

(b) Financial instruments (continued)

iv) Regular way purchase or sale of financial assets

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

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

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

v) Derivative financial instruments and hedge accounting

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.

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 profit or loss.

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 profit or loss. 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 profit or loss. For a hedged item categorised as available-for-sale, the fair value gain or loss attributable to the hedged risk is recognised in profit or loss.

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.

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2. Significant accounting policies (continued)

(b) Financial instruments (continued)

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

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. 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 profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. 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 equity into profit or loss.

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 equity into profit or loss.

vi) *Derecognition*

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

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 profit or loss.

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 profit or loss.

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 profit or loss.
- *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 profit or loss 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 profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity investment classified as available-for-sale, is not reversed through profit or loss.

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 profit or loss, that portion of impairment loss is reversed, to the extent that the assets carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

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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 profit or loss 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 original 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 to profit or loss. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

iii) Depreciation

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

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

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

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2. Significant accounting policies (continued)

(c) Property, plant and equipment

iii) Depreciation (continued)

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 profit or loss 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.

(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 profit or loss, 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 profit or loss 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.

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2. Significant accounting policies (continued)

(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.

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 profit or loss.

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 profit or loss 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. The calculation of the effective interest/profit rate includes all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate.

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.

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2. Significant accounting policies (continued)

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

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 profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

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

Deferred tax is recognised, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising from 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 profit or loss 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 profit or loss.

(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.

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2. Significant accounting policies (continued)

(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.

(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.

When measuring the fair value of an asset or a liability, the Group and Bank uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:-

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and Bank can assess at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group and Bank recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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3. Cash and short term funds

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and balances with banks and other financial institutions	193,561	155,542	161,344	112,726
Money at call and deposit placements maturing within one month	6,695,675	5,669,816	5,746,249	5,900,326
	<u>6,889,236</u>	<u>5,825,358</u>	<u>5,907,593</u>	<u>6,013,052</u>

4. Deposits and placements with banks and other financial institutions

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Licensed banks	-	-	5,681,239	3,606,913
Other financial institutions	16,475	68,524	16,475	68,524
	<u>16,475</u>	<u>68,524</u>	<u>5,697,714</u>	<u>3,675,437</u>

In 2015, SCSB launched the profit sharing investment account based on the principle of Mudharabah, which the Investment Account Holder ("IAH") appoints SCSB to manage based on its expertise as fund manager.

The placements from the Investment Account of customers are to be invested into the investment asset by SCSB with the Bank under the contract of Commodity Murabahah, where certain commodities are bought and sold at an agreed profit.

The commodity murabahah placements are not recognised in the statement of financial position of the Bank due to the nature of the arrangement with SCSB. See Note 15 for the back-to-back arrangement with SCSB.

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 them to re-pledge or re-sell the securities to others. Amounts on such securities are as follows:-

	Group and Bank	
	2015 RM'000	2014 RM'000
Statement of Financial Position - Assets		
Securities and collaterals which can be re-pledged or sold	<u>529,245</u>	<u>551,077</u>
Statement of Financial Position - Liabilities		
Obligations on securities sold under repurchase agreements	<u>352,549</u>	<u>497,384</u>

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6. Financial assets held for trading

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>At fair value</u>				
Malaysian Government treasury bills	1,348	9,657	1,348	9,657
Malaysian Government bonds/securities	1,201,068	2,560,224	1,201,068	2,560,224
Government Islamic bonds	172,537	28,359	172,537	28,359
Bank Negara Malaysia bills	1,576	801,732	1,576	801,732
Private debt securities	168,603	134,123	168,603	134,123
	<u>1,545,132</u>	<u>3,534,095</u>	<u>1,545,132</u>	<u>3,534,095</u>

7. Investment securities available-for-sale

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>At fair value</u>				
Malaysian Government treasury bills	74,542	-	-	-
Malaysian Government bonds/securities	1,069,435	3,018,396	1,069,435	3,018,396
Bank Negara Malaysia bills	49,860	98,556	-	-
Bankers' acceptances and Islamic acceptance bills	211,395	533,502	211,395	533,502
Negotiable instruments of deposit	1,975,397	1,555,023	1,975,397	1,555,023
Government Islamic bonds	482,014	-	-	-
Private debt securities	150,330	149,452	150,330	149,452
	<u>4,012,973</u>	<u>5,354,929</u>	<u>3,406,557</u>	<u>5,256,373</u>
Unquoted securities:-				
Equity shares, at cost	9,098	9,723	9,098	9,723
Private debt securities, at fair value	243	1,647	243	243
	<u>4,022,314</u>	<u>5,366,299</u>	<u>3,415,898</u>	<u>5,266,339</u>

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>At amortised cost</u>				
Overdrafts	519,042	617,491	519,042	617,491
Term loans/financing				
- Housing loans/financing	13,277,804	13,916,126	10,041,505	10,929,722
- Syndicated term loans/financing	128,762	188,715	128,762	188,715
- Hire purchase receivables	154,638	237,512	-	-
- Lease receivables	234,699	337,940	-	-
- Other term loans/financing	8,429,728	10,673,176	5,899,840	7,555,481
Bills receivable	3,074,787	3,171,528	2,790,475	2,938,763
Trust receipts	1,293,058	1,181,800	776,980	897,792
Staff loans/financing	38,903	48,100	36,631	46,552
Loans/financing to banks and other financial institutions	188,731	459,298	188,731	459,298
Credit card receivables	2,249,159	2,221,093	2,249,159	2,221,093
Revolving credit	1,803,494	2,323,703	1,229,055	1,473,997
	<u>31,392,805</u>	<u>35,376,482</u>	<u>23,860,180</u>	<u>27,328,904</u>
Less: Unearned interest and income	(692,028)	(812,643)	(11,393)	(4,191)
Gross loans, advances and financing	<u>30,700,777</u>	<u>34,563,839</u>	<u>23,848,787</u>	<u>27,324,713</u>
Less: Impairment provisions on loans, advances and financing:-				
- Individual impairment provisions	(702,759)	(406,631)	(674,137)	(382,841)
- Collective impairment provisions	(381,614)	(354,529)	(288,265)	(235,492)
Total net loans, advances and financing	<u>29,616,404</u>	<u>33,802,679</u>	<u>22,886,385</u>	<u>26,706,380</u>

(ii) By type of customer

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Domestic banking institutions	395,793	200,985	395,793	200,985
Domestic non-bank financial institutions	345,052	1,141,563	144,157	181,828
Domestic business enterprises	11,574,613	12,906,558	8,738,891	10,175,643
<i>Small medium enterprises</i>	<u>3,995,283</u>	<u>4,544,730</u>	<u>2,896,906</u>	<u>3,458,664</u>
<i>Others</i>	<u>7,579,330</u>	<u>8,361,828</u>	<u>5,841,985</u>	<u>6,716,979</u>
Individuals	16,033,328	17,294,426	12,872,440	14,165,864
Other domestic entities	227	413	227	413
Foreign entities	2,351,764	3,019,894	1,697,279	2,599,980
	<u>30,700,777</u>	<u>34,563,839</u>	<u>23,848,787</u>	<u>27,324,713</u>

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate				
Housing loans/financing	20,657	23,804	18,903	21,659
Other fixed rate loans/financing	4,898,140	5,656,556	3,310,005	3,519,009
Variable rate				
BLR/ Base rate plus	16,360,951	17,417,436	13,126,406	14,431,032
Cost plus	8,451,830	10,400,567	7,271,748	9,072,313
Other variable rates	969,199	1,065,476	121,725	280,700
	<u>30,700,777</u>	<u>34,563,839</u>	<u>23,848,787</u>	<u>27,324,713</u>

(iv) By sector

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Agriculture	111,073	209,338	108,257	86,553
Mining and quarrying	269,982	175,049	88,750	53,001
Manufacturing	4,518,644	5,164,204	3,676,446	4,370,471
Electricity, gas and water	40,474	120,149	38,151	119,390
Construction	658,498	477,453	502,528	353,964
Real estate	1,508,374	1,489,664	1,174,690	1,232,453
Wholesale & retail trade and restaurants & hotels	2,765,848	3,087,380	2,042,969	2,479,403
Transportation, storage and communication	368,000	384,489	267,489	270,656
Finance, insurance and business services	1,827,324	3,272,988	1,269,414	1,860,341
Household	18,134,039	19,208,176	14,460,336	15,659,700
Others	498,521	974,949	219,757	838,781
	<u>30,700,777</u>	<u>34,563,839</u>	<u>23,848,787</u>	<u>27,324,713</u>

(v) By purpose

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of landed property	16,583,181	17,459,697	12,713,896	13,891,280
- Residential	13,133,873	13,740,694	10,186,013	11,098,673
- Non-residential	3,449,308	3,719,003	2,527,883	2,792,607
Fixed assets excluding land & building	147,954	195,775	-	-
Personal use	1,471,987	1,827,189	985,537	1,156,979
Credit cards	2,249,159	2,221,093	2,249,159	2,221,093
Working capital	10,059,957	11,751,508	7,711,656	9,599,582
Others	188,539	1,108,577	188,539	455,779
	<u>30,700,777</u>	<u>34,563,839</u>	<u>23,848,787</u>	<u>27,324,713</u>

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Maturing within one year	9,293,539	12,157,584	8,057,483	10,278,687
One year to three years	1,947,164	2,509,295	1,383,929	1,717,223
Three years to five years	2,236,844	1,731,070	1,245,065	1,041,413
Over five years	17,223,230	18,165,890	13,162,310	14,287,390
	<u>30,700,777</u>	<u>34,563,839</u>	<u>23,848,787</u>	<u>27,324,713</u>

(vii) By geographical distribution

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Within Malaysia	30,665,633	34,091,317	23,813,643	26,852,191
Outside Malaysia	35,144	472,522	35,144	472,522
	<u>30,700,777</u>	<u>34,563,839</u>	<u>23,848,787</u>	<u>27,324,713</u>

(viii) Analysis of foreign currency exposure

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
USD	3,864,791	3,676,469	2,785,732	3,019,096
GBP	24,066	1,313,026	24,066	660,228
Other foreign currencies	12,244	27,246	12,244	26,845
	<u>3,899,099</u>	<u>4,996,739</u>	<u>2,819,999</u>	<u>3,699,169</u>

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Agriculture	33,741	15,834	33,741	15,834
Mining and quarrying	1,519	-	1,519	-
Manufacturing	805,653	644,464	804,065	642,845
Construction	4,437	68,374	4,373	68,271
Wholesale & retail trade and restaurants & hotels	150,369	104,610	148,418	104,097
Transportation, storage and communication	7,053	2,239	6,428	1,124
Finance, insurance and business services	1,469	2,061	1,469	2,061
Real estate	28,801	35,309	28,801	35,309
Household	252,952	249,546	220,475	214,964
Others	1,019	1,995	907	1,806
	<u>1,287,013</u>	<u>1,124,432</u>	<u>1,250,196</u>	<u>1,086,311</u>

(iii) Impaired loans, advances and financing by purpose

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of landed property	132,685	123,402	121,838	117,991
- Residential	<u>125,113</u>	<u>116,805</u>	<u>115,359</u>	<u>112,436</u>
- Non-residential	<u>7,572</u>	<u>6,597</u>	<u>6,479</u>	<u>5,555</u>
Fixed assets excluding land & building	859	735	-	-
Personal use	95,067	109,511	73,437	80,340
Credit cards	18,728	22,550	18,728	22,550
Working capital	1,039,674	868,234	1,036,193	865,430
	<u>1,287,013</u>	<u>1,124,432</u>	<u>1,250,196</u>	<u>1,086,311</u>

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Within Malaysia	1,286,748	1,123,925	1,249,931	1,085,804
Outside Malaysia	265	507	265	507
	<u>1,287,013</u>	<u>1,124,432</u>	<u>1,250,196</u>	<u>1,086,311</u>

10. Other assets

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest/Income receivable	43,383	95,991	51,685	104,747
Unquoted Subordinated Sukuk of a subsidiary company	-	-	100,000	100,000
Other receivables, deposits and prepayments	635,079	607,916	1,045,224	878,754
	<u>678,462</u>	<u>703,907</u>	<u>1,196,909</u>	<u>1,083,501</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	
	2015 RM'000	2014 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	
			2015	2014
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	0%	70%
Popular Ambience Sdn. Bhd. +	SPV established to undertake the purchase of non-performing loans.	Malaysia	100%	100%

+ This subsidiary is held through Golden Maestro Sdn. Bhd.

All income and expenditure of these subsidiaries are borne by the Bank.

* Loss of control with the disposal of the entire irredeemable preference share capital during the financial year.

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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
Cost							
At 1 January 2015	936	74,078	17,478	282,703	52,072	5,150	432,417
Additions	-	-	1,183	37,946	56	575	39,760
Reclassification	-	(1,222)	1,196	(67)	93	-	-
Disposal	-	-	(4,825)	(12,221)	(1,674)	(1,316)	(20,036)
Fully depreciated assets written off	(180)	(67,519)	(6,430)	(174,898)	(45,364)	(3,835)	(298,226)
At 31 December 2015	<u>756</u>	<u>5,337</u>	<u>8,602</u>	<u>133,463</u>	<u>5,183</u>	<u>574</u>	<u>153,915</u>
Accumulated Depreciation							
At 1 January 2015	180	67,823	16,485	220,205	51,476	4,946	361,115
Charge for the year	15	30	2,717	24,491	621	247	28,121
Disposal	-	-	(4,825)	(12,221)	(1,674)	(1,316)	(20,036)
Fully depreciated assets written off	(180)	(67,519)	(6,430)	(174,898)	(45,364)	(3,835)	(298,226)
At 31 December 2015	<u>15</u>	<u>334</u>	<u>7,947</u>	<u>57,577</u>	<u>5,059</u>	<u>42</u>	<u>70,974</u>
Net book value							
At 31 December 2015	<u>741</u>	<u>5,003</u>	<u>655</u>	<u>75,886</u>	<u>124</u>	<u>532</u>	<u>82,941</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
Cost							
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>
Accumulated Depreciation							
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>
Net book value							
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)

Bank	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
Cost							
At 1 January 2015	936	74,080	12,099	278,456	47,104	5,150	417,825
Additions	-	-	1,183	37,812	58	574	39,627
Reclassification	-	(1,222)	1,196	(67)	93	-	-
Disposal	-	-	(4,825)	(12,221)	(1,674)	(1,316)	(20,036)
Fully depreciated assets written off	(180)	(67,519)	(6,430)	(174,260)	(45,364)	(3,835)	(297,588)
At 31 December 2015	<u>756</u>	<u>5,339</u>	<u>3,223</u>	<u>129,720</u>	<u>217</u>	<u>573</u>	<u>139,828</u>
Accumulated Depreciation							
At 1 January 2015	183	67,823	12,020	216,489	46,938	4,947	348,400
Charge for the year	15	30	1,835	24,066	317	246	26,509
Disposal	-	-	(4,825)	(12,221)	(1,674)	(1,316)	(20,036)
Fully depreciated assets written off	(180)	(67,519)	(6,430)	(174,260)	(45,364)	(3,835)	(297,588)
At 31 December 2015	<u>18</u>	<u>334</u>	<u>2,600</u>	<u>54,074</u>	<u>217</u>	<u>42</u>	<u>57,285</u>
Net book value							
At 31 December 2015	<u>738</u>	<u>5,005</u>	<u>623</u>	<u>75,646</u>	<u>-</u>	<u>531</u>	<u>82,543</u>

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13. Property, plant and equipment (continued)

Bank	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
Cost							
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>
Accumulated Depreciation							
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>
Net book value							
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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14. Deposits from customers**(i) By type of deposits**

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Demand deposits	15,261,344	13,948,840	13,828,705	12,631,138
Savings deposits	3,550,838	3,569,196	3,385,688	3,357,096
Fixed/Investment deposits	13,719,872	18,572,862	11,963,418	16,748,483
Negotiable instruments of deposits	428,996	433,682	317,935	319,494
	<u>32,961,050</u>	<u>36,524,580</u>	<u>29,495,746</u>	<u>33,056,211</u>

(ii) By type of customers

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Government and statutory bodies	205,497	825,898	69,440	76,936
Business enterprises	13,220,656	14,892,893	12,198,045	14,299,627
Individuals	15,483,576	16,439,579	13,619,376	14,770,317
Others	4,051,321	4,366,210	3,608,885	3,909,331
	<u>32,961,050</u>	<u>36,524,580</u>	<u>29,495,746</u>	<u>33,056,211</u>

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Due within six months	10,982,067	14,450,471	9,647,974	12,877,689
Six months to one year	2,375,496	2,991,370	1,976,490	2,784,380
One year to three years	259,541	721,058	125,125	676,451
Three years to five years	531,655	787,304	531,655	673,116
Over five years	109	56,341	109	56,341
	<u>14,148,868</u>	<u>19,006,544</u>	<u>12,281,353</u>	<u>17,067,977</u>

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15. Deposits and placements of banks and other financial institutions

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Licensed banks	1,030,085	3,041,055	1,030,084	2,936,823
Bank Negara Malaysia	144,505	259,333	144,505	259,333
Other financial institutions	2,968,095	4,039,896	2,851,278	3,987,220
	<u>4,142,685</u>	<u>7,340,284</u>	<u>4,025,867</u>	<u>7,183,376</u>

The Bank entered into a back-to-back placement with SCSB as the suitable investment instrument for the purpose of meeting the contractual obligation of Commodity Murabahah placement as stated in Note 4.

The placements are not recognised in the statement of financial position of the Bank due to the nature of the arrangement with SCSB.

16. Other liabilities

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest/Income payable	187,214	213,069	183,862	202,089
Amount owing to subsidiaries	-	-	22	22
Other payables and accruals	1,707,961	1,523,714	3,496,959	2,452,036
	<u>1,895,175</u>	<u>1,736,783</u>	<u>3,680,843</u>	<u>2,654,147</u>

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17. Subordinated debts

	Group and Bank	
	2015	2014
	RM'000	RM'000
<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 bears 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 will be 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

	Group and Bank	
	2015	2014
	RM'000	RM'000
Authorised		
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			
	2015	2015	2014	2014
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Authorised				
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	38,000	380,000
	<u>776,000</u>	<u>1,460,000</u>	<u>776,000</u>	<u>1,460,000</u>
Issued and fully paid				
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
Converted to Irredeemable Convertible Preference Shares	-	-	(38,000)	(380,000)
At 31 December	-	-	-	-
Irredeemable Convertible Preference Shares ("ICPS") of RM0.10 each				
At 1 January	38,000	380,000	-	-
Converted from INPS	-	-	38,000	380,000
At 31 December	38,000	380,000	38,000	380,000
	<u>163,000</u>	<u>505,000</u>	<u>163,000</u>	<u>505,000</u>

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	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 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)	8,828	(9,816)	6,966	(9,795)
Regulatory reserves	(iii)	260,000	260,000	260,000	260,000
Cash flow hedge reserves	(iv)	(5,789)	(8,695)	(5,789)	(8,695)
		<u>1,245,979</u>	<u>1,224,429</u>	<u>1,141,367</u>	<u>1,121,700</u>
<i>Distributable :</i>					
Retained profits	(v)	<u>2,817,933</u>	<u>2,829,188</u>	<u>2,735,572</u>	<u>2,764,005</u>
		<u>4,063,912</u>	<u>4,053,617</u>	<u>3,876,939</u>	<u>3,885,705</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 from retained profits by the Bank to meet BNM's required level of impairment provisions in excess of the impairment provisions required under MFRS. The Group and Bank have since met the required level of impairment provisions. However, regulatory reserves levels have been maintained to satisfy local regulatory expectations. The release of such reserve is subject to approval by the Regulator.
- (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:-

	Group and Bank	
	2015	2014
	RM'000	RM'000
Ordinary:-		
Final paid:-		
19.44 sen per ordinary share in respect of year ended 2014	24,300	-
Interim paid:-		
3.38 sen per preference share in respect of year ended 2014	12,825	-
80 sen per ordinary share in respect of year ended 2014	-	100,000
	<u>37,125</u>	<u>100,000</u>

The Directors do not recommend any dividend in respect of the current financial year (2014: 6.75% on Irredeemable Convertible Preference shareholder and 19.44 sen per ordinary share).

22. Interest income

	Group		Bank	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries				
from impaired loans	1,295,676	1,415,330	1,292,942	1,415,330
- Recoveries from impaired loans	52,901	21,299	52,901	21,299
Money at call and deposit placements				
with banks and other financial institutions	85,371	97,883	239,318	185,041
Financial assets held for trading	63,222	62,044	63,222	62,044
Investment securities available-for-sale	150,394	191,481	150,394	170,709
	<u>1,647,564</u>	<u>1,788,037</u>	<u>1,798,777</u>	<u>1,854,423</u>

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23. Interest expense

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits and placements of banks and other financial institutions	55,231	88,338	55,231	88,686
Deposits from customers	640,116	622,512	640,116	622,512
Subordinated debts	50,464	49,229	50,464	49,229
	<u>745,811</u>	<u>760,079</u>	<u>745,811</u>	<u>760,427</u>

24. Net income from Islamic Banking operations

	Group	
	2015 RM'000	2014 RM'000
Income derived from investment of depositors' funds and others	296,371	254,848
Income attributable to depositors	(102,083)	(111,336)
Income attributable to the equity holders of the Bank	194,288	143,512
Income derived from investment of Islamic banking capital funds and shareholder's funds	132,206	157,774
	<u>326,494</u>	<u>301,286</u>

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25. Other operating income

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fee and commission				
Fee and commission income:-				
Arising from financial instruments not fair valued through profit or loss	313,136	326,959	313,136	326,959
- <i>Commission income</i>	171,503	188,018	171,503	188,018
- <i>Service fees</i>	91,161	95,052	91,161	95,052
- <i>Guarantee fees</i>	50,472	43,889	50,472	43,889
Fee and commission expense:-				
Arising from financial instruments not fair valued through profit or loss	(59,487)	(66,598)	(59,487)	(66,598)
- <i>Commission charges</i>	(19,559)	(25,110)	(19,559)	(25,110)
- <i>Service charges</i>	(39,928)	(41,488)	(39,928)	(41,488)
	<u>253,649</u>	<u>260,361</u>	<u>253,649</u>	<u>260,361</u>
Net trading income				
Gain from sale of financial assets held for trading and derivative financial instruments	198,487	118,067	198,487	118,067
Unrealised loss on revaluation of financial assets held for trading and other financial instruments	(181,070)	(124,598)	(181,070)	(124,598)
Foreign exchange currency				
- Gain from dealing in foreign currency	247,194	194,349	247,194	194,349
- Unrealised (loss)/gain from foreign exchange translation	(277)	80,466	(277)	80,466
	<u>264,334</u>	<u>268,284</u>	<u>264,334</u>	<u>268,284</u>
Other income				
Gains on disposal of investment securities available-for-sale	10,782	235	10,782	235
Gross dividends from unquoted investments	3,074	21,236	3,074	21,236
Rental income	32	30	32	30
Gain on disposal of property, plant and equipment	190	2,461	190	2,461
Others	44	36	88,478	94,695
	<u>14,122</u>	<u>23,998</u>	<u>102,556</u>	<u>118,657</u>
Total other operating income	<u>532,105</u>	<u>552,643</u>	<u>620,539</u>	<u>647,302</u>

Included in net trading income above is a one-off valuation loss amounting to RM 67 million for 2015 (2014: nil) arising from the revision of SCB PLC Group's methodology for estimating the Credit Valuation Adjustment ("CVA") to incorporate more market based data.

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26. Other operating expenses

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel costs				
- Salaries, bonuses, wages and allowances	346,947	332,513	338,046	321,931
- Pension fund contributions	40,877	38,363	39,398	36,943
- Other staff related cost	43,445	69,389	40,792	66,923
	<u>431,269</u>	<u>440,265</u>	<u>418,236</u>	<u>425,797</u>
Establishment costs				
- Depreciation of property, plant and equipment	28,121	28,261	26,509	25,743
- Rental	27,388	27,816	25,369	25,564
- Information technology and project expenses	128,008	106,732	127,895	106,551
- Others	63,180	52,256	59,548	50,315
	<u>246,697</u>	<u>215,065</u>	<u>239,321</u>	<u>208,173</u>
Marketing expenses				
- Advertisement and publicity	9,871	19,104	9,399	19,048
- Others	13,924	13,668	13,452	12,836
	<u>23,795</u>	<u>32,772</u>	<u>22,851</u>	<u>31,884</u>
Administration and general expenses				
- Communication expenses	17,564	14,349	17,325	14,020
- Group administration and business support expenses	126,177	81,633	104,276	75,469
- Outsourcing expenses	100,681	99,049	100,681	99,049
- Others	88,447	88,249	84,037	76,332
	<u>332,869</u>	<u>283,280</u>	<u>306,319</u>	<u>264,870</u>
Total other operating expenses	<u>1,034,630</u>	<u>971,382</u>	<u>986,727</u>	<u>930,724</u>

The above expenditure includes the following items:-

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors' remuneration, excluding benefits-in-kind (Note 27):-				
- Directors of the Bank	5,017	2,077	5,017	2,077
- Directors of the subsidiaries	1,625	2,425	-	-
Share-based payments	3,122	3,524	3,122	3,524
Defined benefit obligations cost (Note 33)	25	115	25	115
Contributions to defined contribution plan (included in personnel costs)	40,852	36,828	39,373	36,828
Hire of equipment	561	1,817	561	1,817
Auditor's remuneration:-				
- Statutory audit	678	678	492	492
- Other services	587	587	382	382
Rental of premises	<u>27,113</u>	<u>27,763</u>	<u>27,113</u>	<u>27,763</u>

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27. Key management personnel compensation

The key management personnel compensation are as follows:-

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors of the Bank:-				
- Fees	410	408	410	408
- Remuneration	4,607	1,669	4,607	1,669
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	650	604	650	604
Total short-term employee benefits*	<u>5,667</u>	<u>2,681</u>	<u>5,667</u>	<u>2,681</u>
Directors of the subsidiaries:-				
- Fees	94	51	-	-
- Remuneration	1,531	2,374	-	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	1	350	-	-
Total short-term employee benefits	<u>1,626</u>	<u>2,775</u>	<u>-</u>	<u>-</u>
Syariah Advisory Committee members	335	287	-	-
	<u>7,628</u>	<u>5,743</u>	<u>5,667</u>	<u>2,681</u>
Other key management personnel:-				
- Short-term employee benefits	16,425	13,305	17,917	15,985
- Share-based payments	748	301	748	301
	<u>17,173</u>	<u>13,606</u>	<u>18,665</u>	<u>16,286</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:-

2015	Salary and other remuneration, including meeting allowance		Benefits-in- kind RM'000	Total RM'000
	RM'000	Fees RM'000		
Executive Directors and Chief Executive Officers:-				
Mahendra Gursahani (appointed on 17 February 2015)	2,081	-	510	2,591
Osman Tarique Morad (resigned on 17 February 2015)	2,446	-	140	2,586
Non-executive Directors:-				
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	9	140	-	149
Datuk Abu Hassan bin Kendut (resigned on 05 May 2015)	10	31	-	41
Datuk Ishak bin Imam Abas	27	88	-	115
Datuk Seri Michael Yam Kong Choy	26	88	-	114
Datuk Khairil Anuar Abdullah (appointed on 05 May 2015)	8	63	-	71
	<u>4,607</u>	<u>410</u>	<u>650</u>	<u>5,667</u>

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27. Key management personnel compensation (continued)

2014	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	1,578	-	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>

28. Provisions for loans, advances and financing

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Provisions for loans, advances and financing:-				
Individual impairment provisions	512,531	298,549	457,721	226,432
- Made in the financial year	512,830	222,683	447,710	143,597
- Discounting of collaterals	59,757	128,595	59,757	128,595
- Written back	(60,056)	(52,729)	(49,746)	(45,760)
Collective impairment provisions	27,085	6,598	52,773	(8,503)
- Made in the financial year	110,319	79,076	92,574	43,454
- Written back	(83,234)	(72,478)	(39,801)	(51,957)
Bad and doubtful debts on loans, advances and financing:-				
Written off	131,088	157,220	131,088	157,220
Recovered	(100,996)	(78,210)	(87,928)	(64,998)
	<u>569,708</u>	<u>384,157</u>	<u>553,654</u>	<u>310,151</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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Aggregate value of outstanding credit exposures to connected parties	2,422,784	2,438,409	2,850,423	2,558,003
As a percentage of total credit exposures	4.7%	4.1%	6.6%	5.0%

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

	Bank	
	2015	2014
	RM'000	RM'000
Transactions		
Income		
Interest on placements or loans	153,961	87,649
Management fee	88,478	94,659
	<u>242,439</u>	<u>182,308</u>
Balances		
Amount due from subsidiaries		
Inter-company placements	6,103,816	4,926,930
Derivative financial instruments	301,722	65,601
Other balances	464,784	291,659
	<u>6,870,322</u>	<u>5,284,190</u>
Amount due to subsidiaries		
Derivative financial instruments	(32,825)	(33,863)
Current account	-	(16,492)
Other balances	(1,927,051)	(996,845)
	<u>(1,959,876)</u>	<u>(1,047,200)</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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Transactions				
Income				
Interest on placements or loans	3,339	5,730	3,314	4,377
Interest on deposits	970	590	970	590
	<u>4,309</u>	<u>6,320</u>	<u>4,284</u>	<u>4,967</u>
Expenditure				
Interest on borrowings	67,358	41,195	67,358	41,195
Interest on deposits	2,401	3,810	2,401	3,810
Other operating expenses	297,908	245,716	274,122	236,796
	<u>367,667</u>	<u>290,721</u>	<u>343,881</u>	<u>281,801</u>
	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Balances				
Amount due from fellow subsidiaries of Standard Chartered PLC				
Inter-company loans	134,050	1,002,602	134,050	1,002,602
Current accounts	290,843	791,302	290,843	791,302
Derivative financial instruments	1,279,956	934,182	1,279,956	934,182
Other balances	435,758	431,034	433,056	426,020
	<u>2,140,607</u>	<u>3,159,120</u>	<u>2,137,905</u>	<u>3,154,106</u>
Amount due to fellow subsidiaries of Standard Chartered PLC				
Inter-company deposits	(178,868)	(2,373,621)	(178,868)	(2,373,621)
Current accounts	(460,025)	(573,489)	(460,025)	(573,489)
Derivative financial instruments	(817,538)	(975,320)	(817,538)	(975,320)
Amount due in respect of support charges	(133,433)	(122,835)	(118,702)	(109,133)
Other balances	(279,678)	(541,833)	(268,971)	(242,977)
	<u>(1,869,542)</u>	<u>(4,587,098)</u>	<u>(1,844,104)</u>	<u>(4,274,540)</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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Transactions				
Income				
Interest on loans, advances and financing				
- Directors	54	63	54	63
- Other key management personnel	298	339	233	339
- Companies under control or significant influence of key management personnel	2,231	2,778	2,231	2,778
	<u>2,583</u>	<u>3,180</u>	<u>2,518</u>	<u>3,180</u>
Expenditure				
Interest on deposits				
- Directors	68	68	58	26
- Other key management personnel	34	20	14	17
	<u>102</u>	<u>88</u>	<u>72</u>	<u>43</u>
Balances				
Loans, advances and financing				
- Directors	1,127	1,375	1,127	1,375
- Other key management personnel	7,044	7,999	5,409	7,999
- Companies under control or significant influence of key management personnel	142,862	222,180	142,862	222,180
Deposits				
- Directors	(5,574)	(3,643)	(5,151)	(2,210)
- Other key management personnel	(4,123)	(1,824)	(3,056)	(1,575)
- Companies under control or significant influence of key management personnel	<u>(48,303)</u>	<u>(25,182)</u>	<u>(48,303)</u>	<u>(25,182)</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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income tax expense:-				
- Current year	10,887	145,677	5,798	135,783
- Underprovision in prior years	246	1,918	174	725
	<u>11,133</u>	<u>147,595</u>	<u>5,972</u>	<u>136,508</u>
Deferred tax expense (Note 32):-				
- Origination/reversal of temporary differences	3,427	(15,082)	2,714	(12,216)
- Under/(over) provision in prior years	1,686	(198)	1,848	(1,089)
	<u>5,113</u>	<u>(15,280)</u>	<u>4,562</u>	<u>(13,305)</u>
Total tax expense	<u>16,246</u>	<u>132,315</u>	<u>10,534</u>	<u>123,203</u>
Reconciliation of tax expense:-				
Profit before taxation	<u>42,097</u>	<u>526,348</u>	<u>19,207</u>	<u>500,423</u>
Income tax using Malaysian tax rate @ 25%	10,524	131,587	4,802	125,106
Non-deductible expenses	2,656	9,690	2,677	4,073
Non-taxable income	(768)	(10,682)	(768)	(5,612)
Effect of change in tax rate	1,902	-	1,801	-
	<u>14,314</u>	<u>130,595</u>	<u>8,512</u>	<u>123,567</u>
Under/(over) provision in prior years				
- Income tax	246	1,918	174	725
- Deferred tax	1,686	(198)	1,848	(1,089)
Total tax expense	<u>16,246</u>	<u>132,315</u>	<u>10,534</u>	<u>123,203</u>
Tax recognised directly in equity:-				
AFS reserves	6,066	(2,235)	5,755	(2,231)
Cash flow hedge reserves	1,070	(367)	1,070	(367)
Actuarial gains or losses	(53)	149	(53)	149
Total tax recognised directly in equity (Note 32)	<u>7,083</u>	<u>(2,453)</u>	<u>6,772</u>	<u>(2,449)</u>

32. Deferred tax

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Property, plant and equipment	(8,789)	(8,496)	(9,112)	(8,846)
Other temporary differences	55,676	64,625	53,991	58,287
Tax losses carried forward	123	124	-	-
Actuarial gains or losses	(1,264)	(1,317)	(1,264)	(1,317)
Reserves				
- Available-for-sale	(2,794)	3,272	(2,490)	3,265
- Cash flow hedge	1,828	2,898	1,828	2,898
	<u>44,780</u>	<u>61,106</u>	<u>42,953</u>	<u>54,287</u>

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32. Deferred tax (continued)

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

	At 1 January 2014 RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2014 RM'000	Disposal during the year RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2015 RM'000
Group								
Property, plant and equipment	(10,137)	1,641	-	(8,496)	-	(293)	-	(8,789)
Other temporary differences	50,990	13,635	-	64,625	(3,846)	(5,103)	-	55,676
Tax losses carried forward	120	4	-	124	-	(1)	-	123
Actuarial gains or losses	(1,168)	-	(149)	(1,317)	-	-	53	(1,264)
Reserves								
- Available-for-sale	1,037	-	2,235	3,272	-	-	(6,066)	(2,794)
- Cash flow hedge	2,531	-	367	2,898	-	-	(1,070)	1,828
	<u>43,373</u>	<u>15,280</u>	<u>2,453</u>	<u>61,106</u>	<u>(3,846)</u>	<u>(5,397)</u>	<u>(7,083)</u>	<u>44,780</u>
		Note 31	Note 31			Note 31	Note 31	

32. Deferred tax (continued)

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

	At 1 January 2014 RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2014 RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2015 RM'000
Bank							
Property, plant and equipment	(10,409)	1,563	-	(8,846)	(266)	-	(9,112)
Other temporary differences	46,545	11,742	-	58,287	(4,296)	-	53,991
Actuarial gains or losses	(1,168)	-	(149)	(1,317)	-	53	(1,264)
Reserves							
- Available-for-sale	1,034	-	2,231	3,265	-	(5,755)	(2,490)
- Cash flow hedge	2,531	-	367	2,898	-	(1,070)	1,828
	<u>38,533</u>	<u>13,305</u>	<u>2,449</u>	<u>54,287</u>	<u>(4,562)</u>	<u>(6,772)</u>	<u>42,953</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 make contributions to the SCB Retirement Benefit Scheme ("SCB RBS"), 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.

On 1 March 2015, SCB RBS was dissolved following the settlement of the deficit position of the scheme by the Bank, and the subsequent payment of the benefits due under the plan to the eligible members.

SCB Retirement Benefit Scheme

	Group and Bank	
	2015	2014
	RM'000	RM'000
Amounts of net liabilities recognised in the statement of financial position		
Present value of defined benefit obligations (funded)	-	575
Fair value of plan assets	-	(575)
Recognised liability for defined benefit obligations (Note 16)	<u>-</u>	<u>-</u>
Movement in present value of defined benefit obligations		
Benefit obligation at 1 January	575	1,060
Current service cost	25	94
Interest cost	12	33
Settlements	110	-
Actuarial gain recognised in equity	(122)	(590)
Benefits paid	(600)	(22)
Benefit obligation at 31 December	<u>-</u>	<u>575</u>
Movement in present value of plan assets		
Fair value at 1 January	575	569
Expected return on plan assets	12	12
Actuarial gain recognised in equity	(97)	6
Employer contributions	110	-
Benefits paid	(600)	(12)
Fair value at 31 December	<u>-</u>	<u>575</u>
Components of pension cost		
Group and Bank		
	2015	2014
	RM'000	RM'000
Amount recognised in statements of comprehensive income		
Current service cost	25	94
Interest cost	12	33
Expected return on plan assets	(12)	(12)
Total pension cost recognised in statements of comprehensive income (Note 26)	<u>25</u>	<u>115</u>
Actual return on assets		
Actual return on plan assets	<u>(85)</u>	<u>18</u>

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33. Staff retirement and service benefits (continued)

	2015 RM'000	2014 RM'000
Actuarial gains recognised directly in equity		
Cumulative amount at 1 January	5,271	4,675
Recognised during the year	25	596
Cumulative amount at 31 December	<u>5,296</u>	<u>5,271</u>

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

	2015 Rate per annum	2014 Rate per annum
Discount rate	3.0%	3.0%

	Funded Scheme	
	2015 RM'000	2014 RM'000
Plan assets comprise:-		
Short term money market instruments and cash	-	575
Total fair value of assets	<u>-</u>	<u>575</u>

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

	2015	2014	2013	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000
Present value of defined benefit obligations	-	575	1,060	1,589	4,110
Fair value of plan assets	-	(575)	(569)	(1,151)	(2,425)
Deficit in the plan recognised as liabilities of the Bank	<u>-</u>	<u>-</u>	<u>491</u>	<u>438</u>	<u>1,685</u>
Experience adjustments arising on plan liabilities	(122)	(590)	-	-	(3,126)
Experience adjustments arising on plan assets	(97)	6	4	-	63

The Group do not expect to pay contributions to defined benefit plans in 2016 (2015: RM 19,942).

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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:-

	2015	2014
Grant date	7 October	8 October
Share price at grant date	£7.41	£11.12
Exercise price	£5.86	£9.85
Shares granted ('000)	83	51
Vesting period (years)	3	3
Expected volatility (%)	28	25
Expected option life (years)	3.33	3.33
Risk free rate (%)	0.9	1.2
Expected dividends (yield) (%)	6.3	5.8
Fair value (£)	<u>1.40</u>	<u>1.61</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:-

	2015	Weighted average exercise price	2014	Weighted average exercise price				
	<u>Number ('000)</u>		<u>Number ('000)</u>					
At 1 January	142	£11.15	154	£11.70				
Granted during the year	83	£5.86	51	£9.85				
Additional shares for rights issue	8	-	-	-				
Exercised during the year	(4)	£9.65	(7)	£12.20				
Lapsed during the year	(76)	£10.81	(56)	£12.31				
At 31 December	<u>152</u>	£9.12	<u>142</u>	£11.15				
Exercisable at 31 December	<u>12</u>	£10.98	<u>23</u>	£10.66				
	2015		2014					
	Weighted average remaining life		Weighted average remaining life					
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares (<u>'000</u>)	Contractual years	Weighted average exercise price	No. of shares (<u>'000</u>)	Expected years	Contractual years	
£9.80 / £14.63	£9.12	152	3.33	0.44	£11.15	142	3.33	1.03

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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:-

	2015	Weighted average exercise price	2014	Weighted average exercise price
	<u>Number ('000)</u>		<u>Number ('000)</u>	
At 1 January	14	-	29	-
Granted during the year	-	-	-	-
Notional dividend	-	-	1	-
Exercised during the year	(4)	-	(15)	-
Lapsed during the year	(2)	-	(1)	-
At 31 December	<u>8</u>	-	<u>14</u>	-
Exercisable at 31 December	<u>8</u>	-	<u>14</u>	-

Range of exercise price for options outstanding	2015				2014			
	Weighted average exercise price	No. of shares (<u>'000</u>)	Weighted average remaining life		Weighted average exercise price	No. of shares (<u>'000</u>)	Weighted average remaining life	
			Expected years	Contractual years			Expected years	Contractual years
N/A	-	8	-	3.07	-	14	-	2.37

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34. Equity Compensation Benefits (continued)**iii) 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 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:-

	2015 Number ('000)	Weighted average exercise price		2014 Number ('000)	Weighted average exercise price		
At 1 January	1	-		1	-		
Additional shares for rights issue	-	-		-	-		
Granted during the year	-	-		-	-		
Exercised during the year	-	-		-	-		
Lapsed during the year	-	-		-	-		
At 31 December	<u>1</u>	-		<u>1</u>	-		
Exercisable at 31 December	<u>-</u>	-		<u>1</u>	-		
	2015			2014			
	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	-	1	-	-	1	-	3.19

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34. Equity Compensation Benefits (continued)**iv) 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 holding 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	2015		2014		
	10 December	10 December	17 September	18 June	13 March
Share price at grant date	£10.51	£9.34	£12.28	£12.83	£11.92
Shares granted ('000)	-	-	-	-	24
Vesting period (years)	5	3	3	3	3
Expected dividends (yield) (%)	5.7	5.7	5.8	5.6	5.3
Fair value (EPS) (£)	2.7	2.6	3.5	3.6	3.4
Fair value (RoRWA) (£)	2.7	2.6	3.5	3.6	3.4
Fair value (TSR) (£)	1.1	1.1	1.4	1.5	1.4

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34. Equity Compensation Benefits (continued)**iv) 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:-

	2015	Weighted average exercise price		2014	Weighted average exercise price			
	<u>Number ('000)</u>			<u>Number ('000)</u>				
At 1 January	54	-		57	-			
Additional shares for rights issue	2	-		-	-			
Granted during the year	-	-		24	-			
Exercised during the year	(2)	-		(4)	-			
Lapsed during the year	(20)	-		(23)	-			
At 31 December	<u>34</u>	-		<u>54</u>	-			
Exercisable at 31 December	<u>-</u>	-		<u>3</u>	-			
	2015			2014				
	Weighted average remaining life			Weighted average remaining life				
Range of exercise price for options outstanding	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years	Weighted average exercise price	No. of shares ('000)	Expected years	Contractual years
N/A	-	34	-	7.71	-	54	-	4.81

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34. Equity Compensation Benefits (continued)**iv) 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.

	2015				2014			
Grant date	1 December	22 September	17 June	19 March	10 December	17 September	18 June	13 March
Share price at grant date	£5.57	£6.73	£10.28	£10.51	£9.34	£12.28	£12.83	£11.92
Vesting period (years)	2/3	2/3, 1/2/3/4, 2/3/4	2/3	2/3	2/3, 1/2/3/4	2/3, 1/2/3/4	2/3, 1/2/3/4	2/3
Expected dividends (yield) (%)	6.4	6.4	7.0	7.0	5.5	5.7	6.1	5.8
Fair value (£)	4.8	5.8	8.7	8.9	8.2	10.7	11.1	10.4

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34. Equity Compensation Benefits (continued)

iv) 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:-

	2015	Weighted average exercise price	2014	Weighted average exercise price
	<u>Number ('000)</u>		<u>Number ('000)</u>	
At 1 January	117	-	102	-
Additional shares for rights issue	8	-	-	-
Notional dividend	5	-	3	-
Granted during the year	73	-	56	-
Exercised during the year	(41)	-	(33)	-
Lapsed during the year	(6)	-	(11)	-
At 31 December	<u>156</u>	-	<u>117</u>	-
Exercisable at 31 December	<u>22</u>	-	<u>8</u>	-
	2015		2014	
	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)
	-	156	-	117
		Expected years		Expected years
		-		-
		Contractual years		Contractual years
		5.45		5.49

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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	
	2015 RM'000	2014 RM'000
Net profit attributable to ordinary shareholder	25,851	392,001
	Group	
	2015 Number ('000)	2014 Number ('000)
Number of ordinary shares outstanding (basic)	125,000	125,000
Effect of conversion of ICPS	95,000	24,205
Weighted average number of ordinary shares (diluted)	220,000	149,205
Basic earnings per ordinary share (sen)	21	314
Diluted earnings per ordinary share (sen)	12	263

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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 2015			31 December 2014		
	Principal amount	Credit equivalent amount	Risk weighted amount	Principal amount	Credit equivalent amount	Risk weighted amount
Group	RM'000	RM'000	RM'000	Restated RM'000	RM'000	RM'000
Direct credit substitutes	3,057,485	3,057,485	1,177,455	2,281,091	2,281,091	930,621
Transaction-related contingent items	4,143,266	4,143,266	1,052,663	4,005,690	4,003,743	900,744
Short-term self liquidating trade-related contingencies	257,117	256,653	69,028	240,583	240,583	82,806
Other commitments to extend credit:-						
- maturity not exceeding one year	36,650,829	4,284,899	1,630,547	32,129,961	4,168,390	1,711,345
- maturity exceeding one year	3,307,784	1,139,661	846,055	3,357,107	1,505,513	618,257
Foreign exchange related contracts:-						
- less than one year	37,895,111	1,980,582	480,918	37,129,354	1,509,394	333,085
- one year to less than five years	17,890,717	3,331,736	761,596	19,665,694	2,305,369	706,890
- five years and above	2,775,301	849,789	187,708	2,511,834	531,725	153,919
Interest rate related contracts:-						
- less than one year	14,047,615	36,978	7,203	18,030,555	41,402	5,295
- one year to less than five years	44,620,631	1,241,425	198,539	45,520,539	1,345,882	265,803
- five years and above	7,017,272	566,229	87,435	6,494,791	621,456	153,226
Miscellaneous commitments and contingencies	2,339,086	173,793	28,981	5,220,052	299,436	73,087
	<u>174,002,214</u>	<u>21,062,496</u>	<u>6,528,128</u>	<u>176,587,251</u>	<u>18,853,984</u>	<u>5,935,078</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 2015			31 December 2014		
	Principal amount	Credit equivalent amount	Risk weighted amount	Principal amount	Credit equivalent amount	Risk weighted amount
Bank	RM'000	RM'000	RM'000	Restated RM'000	RM'000	RM'000
Direct credit substitutes	3,056,141	3,056,141	1,177,153	2,253,094	2,253,094	906,297
Transaction-related contingent items	3,972,160	3,972,160	1,010,282	3,851,546	3,849,599	842,562
Short-term self liquidating trade-related contingencies	132,058	131,594	30,604	137,547	137,547	54,985
Other commitments to extend credit:-						
- maturity not exceeding one year	36,010,526	3,939,414	1,494,253	32,749,341	4,431,511	1,666,859
- maturity exceeding one year	2,598,880	880,538	647,950	2,283,245	843,162	337,531
Foreign exchange related contracts:-						
- less than one year	37,956,009	1,981,713	479,727	37,358,841	1,515,505	333,507
- one year to less than five years	17,890,717	3,331,736	527,351	19,665,694	2,305,369	646,254
- five years and above	2,775,301	849,789	187,708	2,511,834	531,725	153,919
Interest rate related contracts:-						
- less than one year	14,360,918	36,978	7,203	18,030,555	41,402	5,295
- one year to less than five years	43,768,589	1,215,706	196,205	45,498,840	1,333,854	264,258
- five years and above	7,017,272	566,229	87,435	6,494,791	621,456	153,219
Miscellaneous commitments and contingencies	2,358,696	176,856	29,880	5,253,377	301,005	73,610
	<u>171,897,267</u>	<u>20,138,854</u>	<u>5,875,751</u>	<u>176,088,705</u>	<u>18,165,229</u>	<u>5,438,296</u>

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

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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 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.

Measurement

The Group uses TSA to assess its regulatory capital charge for Operational Risk. The operational risk capital charge for TSA is calculated as the three-year average of the simple summation of the regulatory capital charges across the eight business lines in each year. The capital charge for each business line is calculated by multiplying the annual gross income by a factor assigned to that business line.

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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 Risk Committee

The Credit Risk Committee, which receives its ultimate authority from the Group Risk Committee, is the primary senior management committee to ensure the effective management of credit risk throughout the Group is in line with risk appetite and in support of Group strategy. The Credit Risk Committee regularly meets to monitor all material credit risk exposures, key internal developments and external trends, and ensure that appropriate action is taken. It is chaired by the Group Chief Credit Officer.

Credit policies

The Group adopts credit policies and standards issued by Standard Chartered Bank 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. These policies set key control standards on credit origination and credit risk assessment, concentration risk and large exposures, credit risk mitigation, credit monitoring, collection and recovery management. In addition, there are other Group-wide policies integral to credit risk management such as those relating to stress testing, risk measurement and impairment provisioning.

Policies and procedures specific to each client or product segment are established by authorised bodies. These are consistent with our Group-wide credit policies, but are more detailed and adapted to reflect the different risk characteristics across client and product segments. Policies are regularly reviewed and monitored to ensure these remain effective and consistent with the risk environment and risk appetite.

Risk reporting and measurement

Risk measurement plays a central role, along with judgment and experience, in informing risk-taking and portfolio management decisions.

Various risk measurement systems are available to risk officers to enable them to assess and manage the credit portfolio. These include systems to calculate Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"), Risk-Weighted Assets ("RWA") and capital requirements on a transaction, counterparty and portfolio basis. The Group has implemented a single risk reporting system to aggregate risk data. This is used to generate regulatory returns and management information to assist Business and Risk users with risk monitoring and management.

A number of internal risk management reports are produced on a regular basis, providing information on individual counterparty, group of connected counterparty, portfolio exposure, credit grade migration, the status of accounts or portfolios showing signs of weakness or financial deterioration, models performance and updates on credit markets. Internal Ratings Based ("IRB") portfolio metrics are widely used in these reports. Regular portfolio risk reports are made available at senior management committee meetings including ERC and BRC.

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37. Risk management policies (continued)

(b) Credit risk (continued)

Risk reporting and measurement (continued)

IRB risk measurement models are approved by the Standard Chartered PLC Group Credit Risk Committee, on the recommendation of the Standard Chartered PLC Group's Credit Model Assessment Committee ("Credit MAC"). The Credit MAC supports the Standard Chartered PLC Group Credit Risk Committee in ensuring risk identification and measurement capabilities are objective and consistent, so that risk control and risk origination decisions are properly informed. Prior to review by the Credit MAC, all IRB models are validated in detail by a model validation team, which is separate from the teams that develop and maintain the models. Models undergo annual periodic review. Reviews are also triggered if the performance of a model deteriorates materially against predetermined thresholds during the ongoing model performance monitoring process.

As part of local governance, IRB model development and validation findings are subjected to local ERC and BRC review, endorsement and recommendation to the Board for approval.

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.

All credit proposals are subject to a robust credit risk assessment. It includes a comprehensive evaluation of the client's credit quality, including willingness, ability and capacity to repay. The primary lending consideration is usually based on the client's credit quality and the repayment capacity from operating cash flows for counterparties; and personal income or wealth for individual borrowers. The risk assessment gives due consideration to the client's liquidity and leverage position. Where applicable, the assessment includes a detailed analysis of the credit risk mitigation arrangements to determine the level of reliance on such arrangements as the secondary source of repayment in the event of a significant deterioration in a client's credit quality leading to default. Lending activities that are considered as higher risk or non-standard are subjected to stricter minimum requirements and require escalation to a senior credit officer or authorised bodies.

Concentration risk

Credit concentration risk may arise from a single large exposure to a counterparty or a group of connected counterparties, or from multiple exposures across the portfolio that are closely correlated.

Large exposure concentration risk is managed through concentration limits set by counterparty or group of connected counterparties.

At the portfolio level, credit concentration thresholds are set and monitored to control concentrations, where appropriate, by country, industry, product, tenor, collateral type, collateralisation level and credit risk profile.

Credit concentrations are monitored by the ERC.

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37. Risk management policies (continued)

(b) Credit risk (continued)

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 Group Special Assets Management ("GSAM"), the specialist recovery unit.

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) Internal Ratings Based approach to credit risk

The Group uses the IRB approach to manage credit risk for its portfolios. This allows the Group to use its own internal estimates of Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and Credit Conversion Factor ("CCF") to determine an asset risk weighting.

PD is the likelihood that an obligor will default on an obligation within 12 months. EAD is the expected amount of exposure to a particular obligor at the point of default. CCF is an internally modeled parameter based on historical experience to determine the amount that is expected to be further drawn down from the undrawn portion in a facility. LGD is the percentage of EAD that the Group expects to lose in the event of obligor default. EAD/CCF and LGD are measured based on expectation in economic downturn periods.

All assets under the IRB approach have sophisticated PD, LGD and EAD/CCF models developed to support the credit decision making process. RWA under the IRB approach is determined by Bank Negara Malaysia's ("BNM") specified formulae dependent on the Group's estimates of residual maturity, PD, LGD and EAD.

BNM Capital Adequacy Framework (Basel II - Risk Weighted Assets) allows banks to elect to permanently exclude certain exposures from the IRB approach and use the standardised approach. These are known as permanent exemptions, and are required to be no greater than 15 per cent of the Group's credit risk-weighted assets.

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37. Risk management policies (continued)

(b) Credit risk (continued)

Credit monitoring (continued)

(ii) Standardised approach to credit risk

The Standardised approach is applied to portfolios that are classified as permanently exempt from the IRB approach, and those portfolios that are currently under transition to the IRB approach or too small an exposure for IRB model built.

The Standardised approach to credit risk measures credit risk pursuant to fixed risk weights and is the least sophisticated of the capital calculation methodologies. The risk weight applied under the Standardised approach is given by BNM and is based on the asset class to which the exposure is assigned. External Credit Assessment Institutions ("ECAI") rating is used to assign risk weight if available, otherwise, exposures treated as unrated.

(iii) 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. Collateral held against impaired loans is maintained at fair value.

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

The credit risk mitigation policy sets out clear criteria that must be satisfied if the mitigation is to be considered effective including:-

- Excessive exposure to any particular risk mitigant or counterparty should be avoided;
- Risk mitigants should not be correlated with the underlying assets such that default would coincide with a lowering of the Forced Sale Value ("FSV") of the collateral;
- Where there is a currency mismatch, haircuts should be applied to protect against currency fluctuations;
- Legal opinions and documentation must be in place; and
- Ongoing review and controls exist where there is a maturity mismatch between the collateral and exposure.

For all credit risk mitigants that meet the policy criteria, a clear set of procedures are applied to ensure that the value of the underlying collateral is appropriately recorded and updated regularly.

Regular valuation of collateral is required in accordance with Standard Chartered PLC Group's risk mitigation policy, which prescribes the frequency of valuation for different collateral types.

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37. Risk management policies (continued)

(b) Credit risk (continued)

Credit monitoring (continued)

(iv) Problem credit management

Retail Banking

In Retail Banking, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. Within Retail Banking 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.

Provisioning within Retail Banking 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 Banking

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.

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37. Risk management policies (continued)

(b) Credit risk (continued)

Credit monitoring (continued)

(iv) Problem credit management (continued)

Corporate, Institutional and Commercial Banking (continued)

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.

As with Retail Banking, a CIP is held to cover the inherent risk of losses which, although not identified, are known through experience to be present in any loan portfolio. In Corporates, Institutional and Commercial Banking, this is set with reference to historic loss rates and subjective factors such as the economic environment and the trends in key portfolio indicators. The CIP methodology provides for accounts for which an IIP has not been raised.

(v) 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 mark-to-market ("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.

In line with market convention, the Group negotiates CSA terms for certain counterparties where the thresholds related to each party are dependent on their internal rating model. Such clauses are typically mutual in nature. It is therefore recognised that a downgrade in the Group's rating could result in counterparties seeking additional collateral calls to cover negative MTM portfolios where thresholds are lowered.

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

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37. Risk management policies (continued)

(c) Market risk

The Group recognises market risk as the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The Bank's exposure to market risk arises predominantly from providing clients access to financial markets, facilitation of which entails the Bank's taking moderate market risk positions. All trading teams support client activity; there are no proprietary trading teams. Hence, income earned from market risk related activities is broadly stable. Market risk also arises in the non-trading book from the requirement to hold a large liquid assets buffer of high quality liquid debt securities.

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 2015.

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.

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.

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37. Risk management policies (continued)

(c) Market risk (continued)

Value at Risk (continued)

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.

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.

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

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

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

	←	2015	→	Actual as at
	Average	High	Low	31 December 2015
	RM'000	RM'000	RM'000	RM'000
<u>Trading</u>				
Interest rate risk	2,725	4,650	1,755	3,585
Foreign exchange risk	654	2,203	211	1,194
<u>Non-trading</u>				
Interest rate risk	2,006	3,139	1,268	1,943
	←	2014	→	Actual as at
	Average	High	Low	31 December 2014
	RM'000	RM'000	RM'000	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

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

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37. Risk management policies (continued)

(d) Liquidity risk

The Group and the Bank define liquidity risk as the risk that the Group and the Bank either do not have sufficient financial resources to meet all their 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.

(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 and Compliance 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")

Group 2015	Carrying amount RM'000	L&R / OL RM'000	FVTPL HFT/ DUIR RM'000	HFH RM'000	AFS RM'000
<u>Financial assets</u>					
Cash and short term funds	6,889,236	6,889,236	-	-	-
Deposits and placements with banks and other financial institutions	16,475	16,475	-	-	-
Securities repurchased under resale agreements	529,245	529,245	-	-	-
Financial assets held for trading	1,545,132	-	1,545,132	-	-
Investment securities available-for-sale	4,022,314	-	-	-	4,022,314
Loans, advances and financing	29,616,404	29,616,404	-	-	-
Derivative financial assets	4,686,880	-	4,593,661	93,219	-
Other assets	678,462	678,462	-	-	-
Statutory deposits with Bank Negara Malaysia	876,100	876,100	-	-	-
Total financial assets	48,860,248	38,605,922	6,138,793	93,219	4,022,314
<u>Financial liabilities</u>					
Deposits from customers	32,961,050	32,851,399	109,651	-	-
Deposits and placements of banks and other financial institutions	4,142,685	3,664,745	477,940	-	-
Obligations on securities sold under repurchase agreements	352,549	352,549	-	-	-
Derivative financial liabilities	4,441,039	-	4,422,733	18,306	-
Other liabilities	1,895,175	1,895,175	-	-	-
Subordinated debts	1,000,000	1,000,000	-	-	-
Total financial liabilities	44,792,498	39,763,868	5,010,324	18,306	-

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

Group 2014	Carrying amount RM'000	L&R / OL RM'000	FVTPL HFT/ DUIR RM'000	HFH RM'000	AFS RM'000
<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	-	-	-
Total financial assets	53,872,249	42,104,236	6,314,392	87,322	5,366,299
<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	-	-	-
Total financial liabilities	49,814,072	46,486,707	3,306,768	20,597	-

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

Bank 2015	Carrying amount RM'000	L&R / OL RM'000	FVTPL HFT/ DUIR RM'000	HFH RM'000	AFS RM'000
<u>Financial assets</u>					
Cash and short term funds	5,907,593	5,907,593	-	-	-
Deposits and placements with banks and other financial institutions	5,697,714	5,697,714	-	-	-
Securities repurchased under resale agreements	529,245	529,245	-	-	-
Financial assets held for trading	1,545,132	-	1,545,132	-	-
Investment securities available-for-sale	3,415,898	-	-	-	3,415,898
Loans, advances and financing	22,886,385	22,886,385	-	-	-
Derivative financial assets	4,687,947	-	4,594,728	93,219	-
Other assets	1,196,909	1,196,909	-	-	-
Statutory deposits with Bank Negara Malaysia	615,014	615,014	-	-	-
Total financial assets	46,481,837	36,832,860	6,139,860	93,219	3,415,898
<u>Financial liabilities</u>					
Deposits from customers	29,495,746	29,404,437	91,309	-	-
Deposits and placements of banks and other financial institutions	4,025,867	3,551,532	474,335	-	-
Obligations on securities sold under repurchase agreements	352,549	352,549	-	-	-
Derivative financial liabilities	4,439,370	-	4,421,064	18,306	-
Other liabilities	3,680,843	3,680,843	-	-	-
Subordinated debts	1,000,000	1,000,000	-	-	-
Total financial liabilities	42,994,375	37,989,361	4,986,708	18,306	-

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

Bank 2014	Carrying amount RM'000	L&R / OL RM'000	FVTPL HFT/ DUIR RM'000	HFH RM'000	AFS RM'000
<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	-	-	-
Total financial assets	50,600,163	38,930,688	6,315,812	87,324	5,266,339
<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	-	-	-
Total financial liabilities	47,103,910	43,800,741	3,282,572	20,597	-

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net gains/(losses) arising on:-				
Fair value through profit or loss:	292,175	286,009	292,175	286,009
- Held for trading	336,940	325,187	336,940	325,187
- Held for hedging	(44,765)	(39,178)	(44,765)	(39,178)
Available-for-sale financial assets:	178,676	194,452	181,011	185,490
- Recognised in other comprehensive income	18,644	(6,701)	16,761	(6,690)
- Interest income	146,176	179,682	150,394	170,709
- Reclassified from equity to profit or loss	10,782	235	10,782	235
- Dividend income	3,074	21,236	3,074	21,236
Loans and receivables	2,145,902	2,219,292	1,838,810	1,882,031
Financial liabilities measured at amortised costs	(830,398)	(827,444)	(710,430)	(716,108)
	<u>1,786,355</u>	<u>1,872,309</u>	<u>1,601,566</u>	<u>1,637,422</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		Maximum exposures to credit risk		Maximum exposures to credit risk		Maximum exposures to credit risk	
	2015		2014		2015		2014	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-balance sheet assets								
Money at call and deposits placements maturing within one month	6,695,675	-	5,669,816	-	5,746,249	-	5,900,326	-
Deposits and placements with banks and other financial institutions	16,475	-	68,524	-	5,697,714	-	3,675,437	-
Securities purchased under resale agreements	529,245	529,245	551,077	551,077	529,245	529,245	551,077	551,077
Financial assets held for trading	1,545,132	-	3,534,095	-	1,545,132	-	3,534,095	-
Investment securities available-for-sale (excludes equity shares)	4,013,216	-	5,356,576	-	3,406,800	-	5,256,616	-
Loans, advances and financing	29,616,404	14,403,377	33,802,679	15,253,290	22,886,385	11,434,075	26,706,380	12,858,523
Derivative financial assets	4,686,880	-	2,867,619	-	4,687,947	-	2,869,041	-
Interest/Income receivables	43,383	-	95,991	-	51,685	-	104,747	-
Statutory deposits with Bank Negara Malaysia	876,100	-	1,152,691	-	615,014	-	901,241	-
	<u>48,022,510</u>	<u>14,932,622</u>	<u>53,099,068</u>	<u>15,804,367</u>	<u>45,166,171</u>	<u>11,963,320</u>	<u>49,498,960</u>	<u>13,409,600</u>

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

	Group				Bank			
	Maximum exposures to credit risk 2015	Credit exposures covered by collaterals and other credit enhancements RM'000	Maximum exposures to credit risk 2014 Restated RM'000	Credit exposures covered by collaterals and other credit enhancements RM'000	Maximum exposures to credit risk 2015 RM'000	Credit exposures covered by collaterals and other credit enhancements RM'000	Maximum exposures to credit risk 2014 Restated RM'000	Credit exposures covered by collaterals and other credit enhancements RM'000
Off-balance sheet items								
Contingent commitments	7,457,868	1,215,095	6,527,364	131,902	7,160,359	1,204,006	6,242,187	121,905
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	39,958,613	430,178	34,912,868	429,691	38,609,406	264,741	34,458,386	291,749
	<u>47,416,481</u>	<u>1,645,273</u>	<u>41,440,232</u>	<u>561,593</u>	<u>45,769,765</u>	<u>1,468,747</u>	<u>40,700,573</u>	<u>413,654</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
Group			
2015			
Derivative financial assets	4,686,880	(2,062,469)	2,624,411
Derivative financial liabilities	(4,441,039)	2,062,469	(2,378,570)
2014			
Derivative financial assets	2,867,619	(1,381,971)	1,485,648
Derivative financial liabilities	(2,715,041)	1,381,971	(1,333,070)
Bank			
2015			
Derivative financial assets	4,687,947	(2,057,446)	2,630,501
Derivative financial liabilities	(4,439,370)	2,057,446	(2,381,924)
2014			
Derivative financial assets	2,869,041	(1,385,995)	1,483,046
Derivative financial liabilities	(2,712,792)	1,385,995	(1,326,797)

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

Group	2015 RM'000	2014 RM'000
Individually impaired loans *	682,107	729,946
Impairment provision on off-balance sheet items	(97,852)	(12,145)
Past due but not impaired loans	1,788,933	1,954,821
Neither past due nor impaired loans	27,624,830	31,484,586
Total loans, advances and financing	<u>29,998,018</u>	<u>34,157,208</u>
Collective impairment provisions	<u>(381,614)</u>	<u>(354,529)</u>
	<u><u>29,616,404</u></u>	<u><u>33,802,679</u></u>

* Included in the balance is RM 121,068,000 (2014: RM 128,184,000), 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.

Bank	2015 RM'000	2014 RM'000
Individually impaired loans *	673,912	715,615
Impairment provision on off-balance sheet items	(97,852)	(12,145)
Past due but not impaired loans	1,354,758	1,488,108
Neither past due nor impaired loans	21,243,832	24,750,294
Total loans, advances and financing	<u>23,174,650</u>	<u>26,941,872</u>
Collective impairment provisions	<u>(288,265)</u>	<u>(235,492)</u>
	<u><u>22,886,385</u></u>	<u><u>26,706,380</u></u>

* Included in the balance is RM 108,828,000 (2014: RM 115,963,000), 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Neither past due nor individually impaired				
- Grades 1-5	7,381,553	11,074,502	6,731,672	9,276,617
- Grades 6-7	10,945,637	11,208,477	8,325,250	8,346,550
- Grades 8-9	6,015,578	6,003,305	3,837,725	4,572,939
- Grades 10-12	3,282,063	3,198,302	2,349,186	2,554,188
	<u>27,624,831</u>	<u>31,484,586</u>	<u>21,243,833</u>	<u>24,750,294</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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Up to 30 days past due	1,451,763	1,567,931	1,086,928	1,172,923
Between 31 - 60 days past due	241,417	285,792	191,993	237,888
Between 61 - 90 days past due	95,753	101,098	75,837	77,297
	<u>1,788,933</u>	<u>1,954,821</u>	<u>1,354,758</u>	<u>1,488,108</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.

Group	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2015			
Gross impaired loans, advances and financing	1,286,748	265	1,287,013
Individual impairment provisions	702,494	265	702,759
Collective impairment provisions	<u>381,177</u>	<u>437</u>	<u>381,614</u>
2014			
Gross impaired loans, advances and financing	1,123,925	507	1,124,432
Individual impairment provisions	406,124	507	406,631
Collective impairment provisions	<u>350,399</u>	<u>4,130</u>	<u>354,529</u>
Bank			
Bank	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2015			
Gross impaired loans, advances and financing	1,249,931	265	1,250,196
Individual impairment provisions	673,872	265	674,137
Collective impairment provisions	<u>287,828</u>	<u>437</u>	<u>288,265</u>
2014			
Gross impaired loans, advances and financing	1,085,804	507	1,086,311
Individual impairment provisions	382,334	507	382,841
Collective impairment provisions	<u>231,362</u>	<u>4,130</u>	<u>235,492</u>

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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

	2015			2014		
	Standard & Poors RM'000	RAM RM'000	Total RM'000	Standard & Poors RM'000	RAM RM'000	Total RM'000
AAA	-	1,244,628	1,244,628	-	679,601	679,601
AA- to AA+	-	-	-	-	-	-
A- to A+	16,476	-	16,476	887,175	-	887,175
	<u>16,476</u>	<u>1,244,628</u>	<u>1,261,104</u>	<u>887,175</u>	<u>679,601</u>	<u>1,566,776</u>

Bank

	2015			2014		
	Standard & Poors RM'000	RAM RM'000	Total RM'000	Standard & Poors RM'000	RAM RM'000	Total RM'000
AAA	-	7,348,445	7,348,445	-	5,606,531	5,606,531
AA- to AA+	-	-	-	-	-	-
A- to A+	16,476	-	16,476	887,175	-	887,175
	<u>16,476</u>	<u>7,348,445</u>	<u>7,364,921</u>	<u>887,175</u>	<u>5,606,531</u>	<u>6,493,706</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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Government securities	3,581,625	6,887,969	2,975,209	6,789,413
Debt securities	2,505,968	2,553,784	2,505,968	2,552,380
AAA	1,286,123	183,328	1,286,123	183,328
AA- to AA+	1,180,166	2,188,777	1,180,166	2,188,777
A- to A+	-	-	-	-
Lower than A-	-	-	-	-
Unrated	39,679	181,679	39,679	180,275
Total securities portfolio	<u>6,087,593</u>	<u>9,441,753</u>	<u>5,481,177</u>	<u>9,341,793</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.

Group	3 months or less	> 3 - 12	> 1 - 5	Over 5	Total
As at 31 December 2015	RM'000	months	years	years	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Cash and short term funds	6,901,814	-	-	-	6,901,814
Deposits and placements with banks and other financial institutions	-	16,860	-	-	16,860
Securities purchased under resale agreements	530,888	-	-	-	530,888
Financial assets held for trading	20	14,005	954,244	818,580	1,786,849
Investment securities available-for-sale	1,402,449	1,019,807	1,726,019	146,811	4,295,086
Loans, advances and financing					
- Performing	6,309,323	3,864,274	4,078,219	28,047,733	42,299,549
- Impaired	-	-	-	584,254	584,254
Derivative financial assets	887,199	643,192	2,509,116	647,373	4,686,880
Other balances	1,586,013	-	-	-	1,586,013
	17,617,706	5,558,138	9,267,598	30,244,751	62,688,193
Financial liabilities					
Deposits from customers	26,797,824	5,511,213	926,927	16,120	33,252,084
Deposits and placements of banks and other financial institutions	3,600,987	204,653	386,057	-	4,191,697
Obligations on securities sold under repurchase agreements	353,512	-	-	-	353,512
Derivative financial liabilities	584,184	1,072,866	2,324,957	459,032	4,441,039
Other balances	1,585,005	310,170	-	-	1,895,175
Subordinated debts	-	-	-	1,317,100	1,317,100
	32,921,512	7,098,902	3,637,941	1,792,252	45,450,607
Net liquidity gap	(15,303,806)	(1,540,764)	5,629,657	28,452,499	17,237,586
Gross loans/financing commitments	528,701	27,774,378	10,476,446	8,636,956	47,416,481

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40. Liquidity risk (continued)

Group As at 31 December 2014	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial assets					
Cash and short term funds	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
	18,466,403	7,414,133	11,599,984	31,356,833	68,837,353
Financial liabilities					
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
	38,510,857	6,251,411	4,169,121	1,714,581	50,645,970
Net liquidity gap	(20,044,454)	1,162,722	7,430,863	29,642,252	18,191,383
Gross loans/financing commitments	1,087,753	28,424,739	8,931,575	5,814,840	44,258,907

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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.

Bank As at 31 December 2015	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial assets					
Cash and short term funds	5,916,573	-	-	-	5,916,573
Deposits and placements with banks and other financial institutions	3,394,385	2,354,389	-	-	5,748,774
Securities purchased under resale agreements	530,888	-	-	-	530,888
Financial assets held for trading	20	14,005	954,244	818,580	1,786,849
Investment securities available-for-sale	1,277,697	936,693	1,285,940	147,454	3,647,784
Loans, advances and financing					
- Performing	5,238,158	3,221,370	2,496,464	22,228,156	33,184,148
- Impaired	-	-	-	576,059	576,059
Derivative financial assets	886,774	643,192	2,510,608	647,373	4,687,947
Other balances	1,711,923	-	-	129,100	1,841,023
	18,956,418	7,169,649	7,247,256	24,546,722	57,920,045
Financial liabilities					
Deposits from customers	24,512,584	4,469,746	774,050	-	29,756,380
Deposits and placements of banks and other financial institutions	3,487,496	204,596	381,521	-	4,073,613
Obligations on securities sold under repurchase agreements	353,512	-	-	-	353,512
Derivative financial liabilities	583,759	1,072,967	2,323,612	459,032	4,439,370
Other balances	3,371,248	309,573	-	22	3,680,843
Subordinated debts	-	-	-	1,317,100	1,317,100
	32,308,599	6,056,882	3,479,183	1,776,154	43,620,818
Net liquidity gap	(13,352,181)	1,112,767	3,768,073	22,770,568	14,299,227
Gross loans/financing commitments	403,642	26,575,543	9,982,198	8,808,382	45,769,765

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40. Liquidity risk (continued)

Bank As at 31 December 2014	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial assets					
Cash and short term funds	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
	18,912,269	8,390,073	10,094,055	25,178,976	62,575,373
Financial liabilities					
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
	36,776,867	5,405,573	3,992,947	1,712,001	47,887,388
Net liquidity gap	(17,864,598)	2,984,500	6,101,108	23,466,975	14,687,985
Gross loans/financing commitments	667,299	26,449,199	8,670,214	5,488,062	41,274,774

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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 As at 31 December 2015	← Non-trading books →					Trading books RM'000	Total RM'000
	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		
Financial assets							
Cash and short term funds	5,218,203	-	-	-	1,671,033	-	6,889,236
Deposits and placements with banks and other financial institutions	-	16,475	-	-	-	-	16,475
Securities purchased under resale agreements	529,245	-	-	-	-	-	529,245
Financial assets held for trading	-	-	-	-	-	1,545,132	1,545,132
Investment securities available-for-sale	1,335,993	1,055,916	1,500,551	120,756	9,098	-	4,022,314
Loans, advances and financing							
- Performing	23,223,158	2,585,354	1,855,319	1,368,319	-	-	29,032,150
- Impaired	-	-	-	-	584,254	-	584,254
Derivative financial assets	6,168	23,730	305,353	-	-	4,351,629	4,686,880
Other balances	-	-	-	-	1,554,562	-	1,554,562
	30,312,767	3,681,475	3,661,223	1,489,075	3,818,947	5,896,761	48,860,248
Financial liabilities							
Deposits from customers	19,337,463	5,409,829	813,519	13,611	7,386,628	-	32,961,050
Deposits and placements of banks and other financial institutions	3,594,008	200,001	345,047	3,629	-	-	4,142,685
Obligations on securities sold under repurchase agreements	352,549	-	-	-	-	-	352,549
Derivative financial liabilities	6,166	23,629	308,192	-	-	4,103,052	4,441,039
Other balances	-	-	-	-	1,895,175	-	1,895,175
Subordinated debts	-	-	-	1,000,000	-	-	1,000,000
	23,290,186	5,633,459	1,466,758	1,017,240	9,281,803	4,103,052	44,792,498
On-balance sheet interest sensitivity gap	7,022,581	(1,951,984)	2,194,465	471,835	(5,462,856)	1,793,709	
Off-balance sheet interest sensitivity gap	(1,540,530)	(278,580)	2,143,171	54,803	-	-	
Total interest sensitivity gap	5,482,051	(2,230,564)	4,337,636	526,638	(5,462,856)	1,793,709	

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

Group As at 31 December 2014	← Non-trading books →				Non-interest sensitive RM'000	Trading books RM'000	Total RM'000
	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000			
Financial assets							
Cash and short term funds	4,506,157	-	-	-	1,319,201	-	5,825,358
Deposits and placements with banks and other financial institutions	-	55,103	13,421	-	-	-	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	2,138,565	59,923	3,013,370	144,718	9,723	-	5,366,299
Loans, advances and financing							
- Performing	24,582,531	4,008,197	2,925,916	1,568,234	-	-	33,084,878
- 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
	31,784,451	4,133,120	6,036,470	1,713,468	3,903,323	6,301,417	53,872,249
Financial liabilities							
Deposits from customers	23,152,441	5,024,096	1,982,914	-	6,365,129	-	36,524,580
Deposits and placements of banks and other financial institutions	6,728,899	54,002	430,000	127,383	-	-	7,340,284
Obligations on securities sold under repurchase agreements	497,384	-	-	-	-	-	497,384
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
	30,387,352	5,088,185	2,497,650	1,127,899	8,101,912	2,611,074	49,814,072
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	-	-	
Total interest sensitivity gap	(12,167,394)	964,588	4,806,052	598,861	(4,198,589)	3,690,343	

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

Bank As at 31 December 2015	Non-trading books					Trading books RM'000	Total RM'000
	← 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		
Financial assets							
Cash and short term funds	4,247,388	-	-	-	1,660,205	-	5,907,593
Deposits and placements with banks and other financial institutions	3,373,947	2,323,767	-	-	-	-	5,697,714
Securities purchased under resale agreements	529,245	-	-	-	-	-	529,245
Financial assets held for trading	-	-	-	-	-	1,545,132	1,545,132
Investment securities available-for-sale	1,261,452	925,328	1,099,264	120,756	9,098	-	3,415,898
Loans, advances and financing							
- Performing	19,198,818	1,957,565	326,844	827,099	-	-	22,310,326
- Impaired	-	-	-	-	576,059	-	576,059
Derivative financial assets	-	-	-	-	-	4,687,947	4,687,947
Other balances	-	-	-	100,000	1,711,923	-	1,811,923
	28,610,850	5,206,660	1,426,108	1,047,855	3,957,285	6,233,079	46,481,837
Financial liabilities							
Deposits from customers	17,056,324	4,383,241	669,553	-	7,386,628	-	29,495,746
Deposits and placements of banks and other financial institutions	3,480,820	200,000	345,047	-	-	-	4,025,867
Obligations on securities							
sold under repurchase agreements	352,549	-	-	-	-	-	352,549
Derivative financial liabilities	-	-	-	-	-	4,439,370	4,439,370
Other balances	-	-	-	-	3,680,843	-	3,680,843
Subordinated debts	-	-	-	1,000,000	-	-	1,000,000
	20,889,693	4,583,241	1,014,600	1,000,000	11,067,471	4,439,370	42,994,375
On-balance sheet interest sensitivity gap	7,721,157	623,419	411,508	47,855	(7,110,186)	1,793,709	
Off-balance sheet interest sensitivity gap	(1,540,530)	(278,580)	2,143,171	54,803	-	-	
Total interest sensitivity gap	6,180,627	344,839	2,554,679	102,658	(7,110,186)	1,793,709	

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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
	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		
Financial assets							
Cash and short term funds	4,708,372	-	-	-	1,304,680	-	6,013,052
Deposits and placements with banks and other financial institutions	1,443,456	2,218,560	13,421	-	-	-	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	2,038,605	59,923	3,013,370	144,718	9,723	-	5,266,339
Loans, advances and financing							
- Performing	20,395,999	3,200,916	1,476,227	929,768	-	-	26,002,910
- Impaired	-	-	-	-	703,470	-	703,470
Derivative financial assets	-	-	-	-	-	2,869,041	2,869,041
Other balances	-	-	-	100,000	1,884,742	-	1,984,742
	29,137,509	5,479,399	4,503,018	1,174,486	3,902,615	6,403,136	50,600,163
Financial liabilities							
Deposits from customers	20,653,063	4,203,743	1,834,276	-	6,365,129	-	33,056,211
Deposits and placements of banks and other financial institutions	6,575,607	54,002	430,000	123,767	-	-	7,183,376
Obligations on securities sold under repurchase agreements	497,384	-	-	-	-	-	497,384
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
	27,726,054	4,257,745	2,264,276	1,123,767	9,019,276	2,712,792	47,103,910
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	-	-	
Total interest sensitivity gap	(12,153,038)	3,141,307	3,505,974	64,011	(5,116,661)	3,690,344	

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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:-

2015 Type of Currency	Group		Bank	
	Impact on Positions as at Reporting Period			
	(200 basis points) Parallel Shift		(200 basis points) Parallel Shift	
	Increase/(Decline) in profit before taxation RM'000	Increase/(Decline) in equity RM'000	Increase/(Decline) in profit before taxation RM'000	Increase/(Decline) in equity RM'000
MYR	65,116	48,837	70,332	52,749
USD	(48,525)	(36,394)	(43,046)	(32,284)
EUR	626	469	626	469
GBP	(1,338)	(1,004)	(1,338)	(1,004)
JPY	615	461	615	461
SGD	878	658	878	658
AUD	(3,182)	(2,387)	(3,182)	(2,388)
NZD	(250)	(187)	(250)	(187)
HKD	266	200	266	200
BND	175	131	175	131
CNY	944	708	944	708
CAD	151	113	151	113
CHF	186	139	186	139
QAR	403	302	403	302
NOK	54	40	54	40

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

2014

Type of Currency

Type of Currency	Impact on Positions as at Reporting Period			
	(200 basis points) Parallel Shift		(200 basis points) Parallel Shift	
	Increase/(Decline) in profit before taxation RM'000	Increase/(Decline) in equity RM'000	Increase/(Decline) in profit before taxation RM'000	Increase/(Decline) in equity RM'000
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

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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.

Group As at 31 December 2015	MYR RM'000	USD RM'000	GBP RM'000	SGD RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short term funds	4,398,927	2,182,732	-	61,821	245,756	6,889,236
Deposits and placements with banks and other financial institutions	-	16,475	-	-	-	16,475
Securities purchased under resale agreements	529,245	-	-	-	-	529,245
Financial assets held for trading	1,545,132	-	-	-	-	1,545,132
Investment securities available-for-sale	4,022,314	-	-	-	-	4,022,314
Loans, advances and financing	25,715,304	3,864,791	24,066	369	11,874	29,616,404
Derivative financial assets	2,042,088	2,454,885	41,171	86,760	61,976	4,686,880
Other balances	1,448,349	101,618	-	41	4,554	1,554,562
	39,701,359	8,620,501	65,237	148,991	324,160	48,860,248
Financial liabilities						
Deposits from customers	27,352,295	4,503,756	-	104,502	1,000,497	32,961,050
Deposits and placements of banks and other financial institutions	2,368,104	1,696,615	-	-	77,966	4,142,685
Obligations on securities sold under repurchase agreements	352,549	-	-	-	-	352,549
Derivative financial liabilities	1,944,732	2,104,034	29,233	41,066	321,974	4,441,039
Other balances	2,383,884	379,333	-	(44,911)	(823,131)	1,895,175
Subordinated debts	1,000,000	-	-	-	-	1,000,000
	35,401,564	8,683,738	29,233	100,657	577,306	44,792,498
Total foreign currency sensitivity gap	4,299,795	(63,237)	36,004	48,334	(253,146)	

* Included in other balances is a receivable from an entity amounting to AUD 314,190,000, EUR 257,725,000 and SGD 45,596,000 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 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
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
	44,855,362	7,156,571	1,338,243	70,444	451,629	53,872,249
Financial liabilities						
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
	41,282,059	5,866,962	27,125	102,805	2,535,121	49,814,072
Total foreign currency sensitivity gap	3,573,304	1,289,609	1,311,118	(32,361)	(2,083,492)	

* 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)**

Bank As at 31 December 2015	MYR RM'000	USD RM'000	GBP RM'000	SGD RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short term funds	3,128,956	2,471,060	-	61,821	245,756	5,907,593
Deposits and placements with banks and other financial institutions	4,729,269	968,445	-	-	-	5,697,714
Securities purchased under resale agreements	529,245	-	-	-	-	529,245
Financial assets held for trading	1,545,132	-	-	-	-	1,545,132
Investment securities available-for-sale	3,415,898	-	-	-	-	3,415,898
Loans, advances and financing	20,064,343	2,785,732	24,066	369	11,874	22,886,385
Derivative financial assets	1,913,466	2,584,574	41,171	86,760	61,976	4,687,947
Other balances	1,779,527	27,968	-	71	4,357	1,811,923
	37,105,836	8,837,779	65,237	149,021	323,963	46,481,837
Financial liabilities						
Deposits from customers	24,013,057	4,379,773	-	104,094	998,822	29,495,746
Deposits and placements of banks and other financial institutions	2,251,286	1,696,615	-	-	77,966	4,025,867
Obligations on securities sold under repurchase agreements	352,549	-	-	-	-	352,549
Derivative financial liabilities	1,945,630	2,101,467	29,233	41,066	321,974	4,439,370
Other balances	2,259,734	1,949,654	-	(165,886) *	(362,659) *	3,680,843
Subordinated debts	1,000,000	-	-	-	-	1,000,000
	31,822,256	10,127,509	29,233	(20,726)	1,036,103	42,994,375
Total foreign currency sensitivity gap	5,283,580	(1,289,730)	36,004	169,747	(712,140)	

* Included in 'other balances' is a receivable from an entity amounting to AUD 314,190,000, which will be settled net together with balances in other currencies.

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

Bank As at 31 December 2014	MYR RM'000	USD RM'000	GBP RM'000	SGD RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short term funds	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
	41,457,748	7,282,642	1,338,299	70,442	451,032	50,600,163
Financial liabilities						
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
	38,090,937	6,799,004	27,125	5,110	2,181,734	47,103,910
Total foreign currency sensitivity gap	3,366,811	483,638	1,311,174	65,332	(1,730,702)	

* 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.

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 2014: 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 50 million in profit before tax and RM 38 million in equity (31 December 2014: RM 19 million in profit before tax and RM 14 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial assets				
Cash and short term funds	6,889,236	5,825,358	6,889,236	5,825,358
Deposits and placements with banks and other financial institutions	16,475	68,524	16,475	69,091
Securities purchased under resale agreement	529,245	551,077	529,245	551,077
Financial assets held for trading	1,545,132	3,534,095	1,545,132	3,534,095
Investment securities available-for-sale	4,022,314	5,366,299	4,022,314	5,366,299
Loans, advances and financing *	29,998,018	34,157,208	29,934,470	33,959,338
Derivative financial assets	<u>4,686,880</u>	<u>2,867,619</u>	<u>4,686,880</u>	<u>2,867,619</u>
Financial liabilities				
Deposits from customers	32,961,050	36,524,580	33,000,619	36,542,782
Deposits and placements of banks and other financial institutions	4,142,685	7,340,284	4,142,685	7,340,284
Obligations on securities sold under repurchase agreements	352,549	497,384	352,549	497,384
Subordinated debts	1,000,000	1,000,000	1,000,000	1,000,000
Derivative financial liabilities	<u>4,441,039</u>	<u>2,715,041</u>	<u>4,441,039</u>	<u>2,715,041</u>

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 RM381,614,000 (31 December 2014: RM 354,529,000) 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial assets				
Cash and short term funds	5,907,593	6,013,052	5,907,593	6,013,052
Deposits and placements with banks and other financial institutions	5,697,714	3,675,437	5,697,714	3,676,004
Securities purchased under resale agreement	529,245	551,077	529,245	551,077
Financial assets held for trading	1,545,132	3,534,095	1,545,132	3,534,095
Investment securities available-for-sale	3,415,898	5,266,339	3,415,898	5,266,339
Loans, advances and financing *	23,174,650	26,941,872	23,192,909	26,732,380
Derivative financial assets	<u>4,687,947</u>	<u>2,869,041</u>	<u>4,687,947</u>	<u>2,869,041</u>
Financial liabilities				
Deposits from customers	29,495,746	33,056,211	29,504,915	33,048,014
Deposits and placements of banks and other financial institutions	4,025,867	7,183,376	4,025,867	7,183,376
Obligations on securities sold under repurchase agreements	352,549	497,384	352,549	497,384
Subordinated debts	1,000,000	1,000,000	1,000,000	1,000,000
Derivative financial liabilities	<u>4,439,370</u>	<u>2,712,792</u>	<u>4,439,370</u>	<u>2,712,792</u>

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 288,265,000 (31 December 2014: RM 235,492,000) 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)

(iv) Derivative financial instruments

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

Fair value hierarchy

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 2015 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	-	-	-	-	-	6,889,236	-	6,889,236	6,889,236	6,889,236
Deposits and placements with banks and other financial institutions	-	-	-	-	-	16,475	-	16,475	16,475	16,475
Securities purchased under resale agreement	-	-	-	-	-	529,245	-	529,245	529,245	529,245
Loans, advances and financing	-	-	-	-	-	-	29,934,470	29,934,470	29,934,470	29,998,018
Financial assets held for trading										
Malaysian Government / Bank Negara Bills	-	2,924	-	2,924	-	-	-	-	2,924	2,924
Debt securities	-	1,542,208	-	1,542,208	-	-	-	-	1,542,208	1,542,208
Derivative financial instruments	22,764	4,664,116	-	4,686,880	-	-	-	-	4,686,880	4,686,880
Investment securities available-for-sale										
Malaysian Government / Bank Negara Bills	-	124,402	-	124,402	-	-	-	-	124,402	124,402
Debt securities	-	3,888,814	-	3,888,814	-	-	-	-	3,888,814	3,888,814
Unquoted equity securities, at cost	-	-	-	-	-	-	9,098	9,098	9,098	9,098
Other assets	-	-	-	-	-	678,462	-	678,462	678,462	678,462
At 31 December 2015	22,764	10,222,464	-	10,245,228	-	8,113,418	29,943,568	38,056,986	48,302,214	48,365,762

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

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Group 2015	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	-	109,651	-	109,651	-	32,890,968	-	32,890,968	33,000,619	32,961,050
Deposits and placements of banks and other financial institutions	-	477,940	-	477,940	-	3,664,745	-	3,664,745	4,142,685	4,142,685
Obligations on securities sold under repurchase agreements	-	-	-	-	-	497,384	-	497,384	497,384	352,549
Derivative financial instruments	4,438	4,436,601	-	4,441,039	-	-	-	-	4,441,039	4,441,039
Other liabilities	-	-	-	-	-	1,895,175	-	1,895,175	1,895,175	1,895,175
Subordinated debts	-	-	-	-	-	1,000,000	-	1,000,000	1,000,000	1,000,000
At 31 December 2015	4,438	5,024,192	-	5,028,630	-	39,948,272	-	39,948,272	44,976,902	44,792,498

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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	Carrying amount
	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	-	-	-	-	-	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)

Bank 2015 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	-	-	-	-	-	5,907,593	-	5,907,593	5,907,593	5,907,593
Deposits and placements with banks and other financial institutions	-	-	-	-	-	5,697,714	-	5,697,714	5,697,714	5,697,714
Securities purchased under resale agreement	-	-	-	-	-	529,245	-	529,245	529,245	529,245
Loans, advances and financing	-	-	-	-	-	-	23,192,909	23,192,909	23,192,909	23,174,650
Financial assets held for trading										
Malaysian Government / Bank Negara Bills		2,924	-	2,924	-	-	-	-	2,924	2,924
Debt securities		1,542,208	-	1,542,208	-	-	-	-	1,542,208	1,542,208
Derivative financial instruments	22,764	4,665,183	-	4,687,947	-	-	-	-	4,687,947	4,687,947
Investment securities available-for-sale										
Malaysian Government / Bank Negara Bills	-	-	-	-	-	-	-	-	-	-
Debt securities	-	3,406,800	-	3,406,800	-	-	-	-	3,406,800	3,406,800
Unquoted equity securities, at cost	-	-	-	-	-	-	9,098	9,098	9,098	9,098
Other assets	-	-	-	-	-	1,196,909	-	1,196,909	1,196,909	1,196,909
At 31 December 2015	22,764	9,617,115	-	9,639,879	-	13,331,461	23,202,007	36,533,468	46,173,347	46,155,088

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

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Bank 2015 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	-	91,309	-	91,309	-	29,413,606	-	29,413,606	29,504,915	29,495,746
Deposits and placements of banks and other financial institutions	-	474,335	-	474,335	-	3,551,532	-	3,551,532	4,025,867	4,025,867
Obligations on securities sold under repurchase agreements	-	-	-	-	-	352,549	-	352,549	352,549	352,549
Derivative financial instruments	4,438	4,434,932	-	4,439,370	-	-	-	-	4,439,370	4,439,370
Other liabilities	-	-	-	-	-	3,680,843	-	3,680,843	3,680,843	3,680,843
Subordinated debts	-	-	-	-	-	1,000,000	-	1,000,000	1,000,000	1,000,000
At 31 December 2015	4,438	5,000,576	-	5,005,014	-	37,998,530	-	37,998,530	43,003,544	42,994,375

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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

There were no transfers between Level 1 and Level 2 in 2015.

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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:

	31 December 2015	31 December 2014
	Investment securities available-for- sale	Investment securities available-for- sale
Group	RM'000	RM'000
At 1 January	1,404	26,242
Redemption recognised in income statement	-	(24,838)
Arising from disposal of a subsidiary	(1,404)	-
At 31 December	<u>-</u>	<u>1,404</u>

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

	31 December 2015			31 December 2014		
	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	29,420,442	755,846	547,685	25,993,044	529,691	436,877
- Currency swaps	24,744,461	3,078,911	3,116,365	28,368,520	1,457,556	1,331,683
- Options purchased	2,197,997	251,074	-	2,822,523	101,319	-
- Options sold	2,198,227	-	170,386	2,122,795	-	58,162
Interest rate derivative contracts:-						
- Swaps	62,402,604	292,958	386,905	64,549,684	352,485	553,566
- Options purchased	1,168,753	7,732	-	2,296,038	13,091	60
- Options sold	511,030	-	1,222	472,996	-	1,724
- Exchange traded futures	-	-	-	920,000	-	-
Equity derivative contracts:-						
- Equity swaps and forwards	378,913	17,345	14,199	312,604	10,700	2,138
Commodity derivative contracts:-						
- Forward rate agreements and options	1,810,943	185,883	185,971	4,749,013	310,234	310,234
Credit derivative contracts	149,229	3,912	-	158,435	5,221	-
Total derivatives held for trading	124,982,599	4,593,661	4,422,733	132,765,652	2,780,297	2,694,444

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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 2015			31 December 2014		
	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	835,134	93,219	12,514	1,039,167	87,322	10,934
Derivatives designated as cash flow hedges:-						
- Swaps	768,000	-	5,792	768,000	-	9,663
Total derivatives held-for-hedging	1,603,134	93,219	18,306	1,807,167	87,322	20,597
	126,585,733	4,686,880	4,441,039	134,572,819	2,867,619	2,715,041

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

	31 December 2015			31 December 2014		
	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	29,392,914	753,836	547,558	26,222,531	530,377	434,886
- Currency swaps	24,744,461	3,078,910	3,116,364	28,368,520	1,457,555	1,331,683
- Options purchased	2,242,132	252,658	-	2,822,523	103,314	-
- Options sold	2,242,518	-	170,813	2,122,795	-	60,157
Interest rate derivative contracts:-						
- Swaps	62,177,169	292,958	381,470	64,527,988	351,225	550,636
- Options purchased	855,450	7,732	-	2,296,038	13,091	60
- Options sold	511,030	-	1,222	472,996	-	1,724
- Exchange traded futures	-	-	-	920,000	-	-
Equity derivative contracts:-						
- Equity swaps and forwards	398,524	18,839	14,199	332,215	10,700	2,815
Commodity derivative contracts:-						
- Forward rate agreements and options	1,810,943	185,883	189,438	4,762,726	310,234	310,234
Credit derivative contracts	149,229	3,912	-	158,435	5,221	-
Total derivatives held for trading	124,524,370	4,594,728	4,421,064	133,006,767	2,781,717	2,692,195

(ii) Derivatives held-for-hedging

	31 December 2015			31 December 2014		
	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	835,132	93,219	12,514	1,039,165	87,324	10,934
Derivatives designated as cash flow hedges:-						
- Swaps	768,000	-	5,792	768,000	-	9,663
Total derivatives held-for-hedging	1,603,132	93,219	18,306	1,807,165	87,324	20,597
	126,127,502	4,687,947	4,439,370	134,813,932	2,869,041	2,712,792

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

Group	31 December 2015		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Agriculture	89,269	458	1,229
Mining and quarrying	1,550,601	44,554	54,118
Manufacturing	5,268,737	392,999	201,546
Electricity, gas and water	121,375	1,906	8,274
Construction	1,138,629	19,307	55,353
Real estate	1,211,967	15,387	205,348
Wholesale & retail trade and restaurants & hotels	136,566	137	1,164
Transportation, storage and communication	1,560,230	166,059	183,703
Finance, insurance and business services	110,752,459	4,002,173	3,170,124
Others	4,755,900	43,900	560,180
	126,585,733	4,686,880	4,441,039

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	788,327	13,196	39,432
Manufacturing	5,147,699	196,601	130,005
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	121,929,951	2,345,039	2,290,088
Others	2,522,856	69,059	88,239
	134,572,819	2,867,619	2,715,041

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

Bank	31 December 2015		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Agriculture	3,433	31	5
Mining and quarrying	1,550,601	44,554	54,118
Manufacturing	5,245,018	392,999	200,414
Electricity, gas and water	121,375	1,906	8,274
Construction	1,138,629	19,307	55,353
Real estate	1,211,967	15,387	205,348
Transportation, storage and communication	1,560,230	166,059	183,703
Finance, insurance and business services	110,540,349	4,003,804	3,171,975
Others	4,755,900	43,900	560,180
	126,127,502	4,687,947	4,439,370

Bank	31 December 2014		
	Principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
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
	134,813,932	2,869,041	2,712,792

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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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Less than one year	26,392	28,729	25,178	26,811
Between one and five years	51,082	60,580	50,738	58,602
More than five years	28,461	34,505	28,461	34,505
	105,935	123,814	104,377	119,918

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 2017.

44. Capital commitments

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Capital Expenditure:-				
- authorised and contracted for	306	-	306	-

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.

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 and business plans.

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 models 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 ("ICAAP") 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 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. Capital adequacy

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Tier 1 Capital				
Paid-up ordinary share capital	125,000	125,000	125,000	125,000
Share premium	375,000	375,000	375,000	375,000
Other reserves	3,065,962	3,071,192	2,880,851	2,908,631
Less: Deferred tax assets	(44,485)	(54,936)	(42,335)	(48,124)
Unrealised gains and losses on 'available-for-sale' financial instruments	3,973	(9,816)	3,135	(9,795)
Investment in subsidiaries deducted from CET 1 capital	-	-	(164,609)	(82,304)
CET 1 capital	<u>3,525,450</u>	<u>3,506,440</u>	<u>3,177,042</u>	<u>3,268,408</u>
Irredeemable Convertible Preference Shares	380,000	380,000	380,000	380,000
Non-controlling interest	-	1,279	-	-
Eligible Tier 1 capital	<u>3,905,450</u>	<u>3,887,719</u>	<u>3,557,042</u>	<u>3,648,408</u>
Tier 2 Capital				
Subordinated bonds	1,000,000	1,000,000	1,000,000	1,000,000
Collective impairment provisions under standardised approach	16,411	15,377	6,969	7,842
Surplus of total eligible provisions over total expected loss under AIRB approach	92,612	12,344	105,124	26,358
Non-controlling interest	-	301	-	-
	<u>1,109,023</u>	<u>1,028,022</u>	<u>1,112,093</u>	<u>1,034,200</u>
Less: Investment in subsidiaries	-	-	(346,913)	(429,218)
Eligible Tier 2 capital	<u>1,109,023</u>	<u>1,028,022</u>	<u>765,180</u>	<u>604,982</u>
Total capital base	<u>5,014,473</u>	<u>4,915,741</u>	<u>4,322,222</u>	<u>4,253,390</u>

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total risk-weighted assets:-				
Credit risk	24,770,839	27,292,271	21,834,621	23,680,318
Market risk	1,550,201	1,386,759	1,550,201	1,386,759
Operational risk	3,473,947	3,625,249	3,273,059	3,379,532
Large exposure for equity holdings	-	626	-	626
	<u>29,794,987</u>	<u>32,304,905</u>	<u>26,657,881</u>	<u>28,447,235</u>

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

	Group		Bank	
	2015	2014	2015	2014
Before proposed dividend:-				
CET 1 capital ratio	11.832%	10.854%	11.918%	11.489%
Tier 1 capital ratio	13.108%	12.034%	13.343%	12.825%
Risk-weighted capital ratio	<u>16.830%</u>	<u>15.217%</u>	<u>16.214%</u>	<u>14.952%</u>

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46. Capital adequacy (continued)

	Group		Bank	
	2015	2014	2015	2014
After proposed dividend:-				
CET 1 capital ratio	11.832%	10.739%	11.918%	11.359%
Tier 1 capital ratio	13.108%	11.920%	13.343%	12.695%
Risk-weighted capital ratio	<u>16.830%</u>	<u>15.102%</u>	<u>16.214%</u>	<u>14.821%</u>

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

	2015	2014
CET 1 capital ratio	13.129%	11.441%
Tier 1 capital ratio	13.129%	11.441%
Risk-weighted capital ratio	<u>15.711%</u>	<u>13.757%</u>

47. Business Combination**Disposal of Resolution Alliance Sdn Bhd ("RASB")**

On 22 April 2015, Golden Maestro Sdn Bhd ("GMSB"), a wholly-owned subsidiary of Standard Chartered Bank Malaysia Berhad ("SCBMB"), disposed its entire holding of 70 preference shares of RM1.00 each, representing 70% of the irredeemable preference share capital in Resolution Alliance Sdn Bhd ("RASB") for a total consideration of RM 9,428,820.15. In addition, the Restated Master Shareholders' Agreements which the shareholders of RASB had previously entered into provides that profits shall only be paid to preference share holders. As a result, the Group has ceased to consolidate RASB after the sale due to the loss of rights to the returns from RASB.

The effects of the disposal on the financial position of the Group as at 31 December 2015 are as follows:

	RM'000
Cash and short term funds	(15,172)
Investment securities available-for-sale	(6,540)
Deferred tax assets	(2,562)
Other assets	(3,389)
Other payables	12,229
Tax payable	1,968
Net assets	<u>(13,466)</u>
Less: Non-controlling interest	4,037
Identifiable net assets disposed	<u>(9,429)</u>
Net disposal proceeds	9,429
Gain on disposal before and after tax	<u>-</u>

The net cash flow on disposal was determined as follows:

Total proceeds from disposal - cash consideration	9,429
Cash and cash equivalents of subsidiary disposed	<u>(15,172)</u>
	<u>(5,743)</u>