Company No. 115793P

Standard Chartered Bank Malaysia Berhad

(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the financial year ended 31 December 2016

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

Directors' report for the financial year ended 31 December 2016

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 2016.

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.

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.

Subsidiaries

The details of the Bank's subsidiaries are disclosed in Note 12 of the financial statements.

Results

	Group RM'000	Bank RM'000
Profit before taxation	409,404	393,307
Tax expense	(107,552)	(96,800)
Profit for the year	301,852	296,507

Dividends

Since the end of the previous financial year, the Bank did not pay any dividend in respect of the financial year ended 31 December 2015.

The Directors recommend the payment of a final single tier dividend of 69.40 sen per share totalling RM86,750,000 on the issued and fully paid-up ordinary shares and single-tier dividend of 6.75 sen per share totalling RM25,650,000 on the Irredeemable Convertible Preference shares of the Bank in respect of the current financial year. The proposed dividends are subject to the relevant regulatory approvals as well as the shareholder's approval at the forthcoming Annual General Meeting.

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.

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

2016 Results

The Group registered a profit before taxation of RM409.4 million, a tenfold increase against 2015 largely due to lower loan impairment provisions made during the year. In 2016, provision for loan impairments amounted to RM 350.9 million compared to RM 683.6 million in 2015,representing an improvement of 48.6% year on year.

Against the backdrop of moderate growth sentiments in Malaysia, net interest income declined by 12.34% against 2015 to RM790.5 million. Islamic Banking income however increased by 13.19% to RM369.6 million while other operating income increased by 14.03% to RM606.7 million. Included in other operating income is a release of Credit Valuation Adjustment ("CVA") amounting to RM75.3 million (2015: charge of RM 83.5 million). Operating Expenses reduced by 2.72% to RM1.0 billion, from RM1.03 billion in 2015 as tighter cost control measures were maintained.

The Group’s total assets declined by 4.12% to RM 47.1 billion with loans, advances and financing declining by 1.99% to RM29.0 billion. Nevertheless, this represents a significant improvement compared to 2015, during which loans, advances and financing declined by 12.38% year on year.

Deposits from customers declined by 2.31% to RM32.2 billion, a reflection of the highly competitive environment.

The Group continues to be well capitalised with Common Equity Tier 1 and Risk weighted capital ratio of 11.88% and 16.62%, respectively as at 31 December 2016.

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

Strategy and Economic Environment

The global economy continued to grow at a moderate pace albeit some signs of improvement is seen in the major advanced economies.

The Malaysian economy remains subdued with GDP growth for 2016 expected to be in the 4-4.5% range.

The weak external demand is expected to be partially mitigated by private consumption and infrastructure projects and capital spending.

In July 2016, Bank Negara Malaysia ("BNM") reduced the Overnight Policy Rate ("OPR") to 3.00% from 3.25%. The adjustment to OPR is part of the Central Bank's measures to ensure that the domestic economy continues on a steady growth path amid stable inflation spending in the domestic front.

The Ringgit weakened sharply in Q4 2016, following the market reactions to the results of the US presidential elections.

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

Plan for 2017

Each of the Group's three business segments has specific key priorities for 2017.

Our Retail business will continue enhancing customer value propositions while investing in technology and people and expanding our partnerships and alliances while the focus of Commercial Banking business will be to ensure a balanced and healthy portfolio supporting high growth sectors. Meanwhile, our Corporate and Institutional Banking segment will continue to align with the Standard Chartered PLC Global Banking agenda, with emphasis on elevating our client relationships through resourcing of coverage teams.

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") mainly via its charity arm, the Standard Chartered Foundation ("SCF").

Asides from initiatives under SCF, Standard Chartered Bank aims to foster positive financial behaviour of young people in Malaysia through financial education. Since 2008, the Bank has reached out to over 128,000 students and youth across Malaysia through the Financial Education Programme. The Bank also actively supports the community through employee volunteering. In 2016, staff in Malaysia volunteered 1,433 days towards the community. Standard Chartered has been the title sponsor of the KL Marathon since 2009 and remains committed to raising levels of health and community participation of the nation, reflecting what lies at the heart of the Bank's values.

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 ("BNM Guidelines") issued by BNM in August 2016. 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 2016.

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

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 seven (7) members, of which one (1) is the Executive Director, one (1) is a Non-Independent Non-Executive Director and the remaining five (5) 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 during the financial year until the date of this report are:-

Members	Status of Directorship
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman (resigned on 24 February 2017)	Independent Non-Executive Director
Datuk Ishak bin Imam Abas	Independent Non-Executive Director
Datuk Seri Michael Yam Kong Choy	Independent Non-Executive Director
Mahendra Gursahani	Non-Independent Executive Director
Datuk Khairil Anuar Abdullah	Independent Non-Executive Director
Lai Pei Si (appointed on 5 April 2016)	Non-Independent Non-Executive Director
Datuk Yvonne Chia - Chairman (appointed as Director and Chairman on 4 August 2016 and 24 February 2017 respectively)	Independent Non-Executive Director
Lim Cheng Teck - Deputy Chairman (resigned on 5 April 2016)	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 (the "Framework") as established in accordance with the BNM Guidelines. The Framework has also set out the tenure of an Independent Director which shall not exceed a cumulative term of nine (9) years. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director's re-designation as a Non-Independent Director. In the event the Director is to remain designated as an Independent Director, the Board shall first justify and obtain shareholders' approval.

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.

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 2016, 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:-

Members	Attendance and Number of Board Meetings
Datuk Yvonne Chia - Chairman (appointed as Director and Chairman on 4 August 2016 and 24 February 2017 respectively)	3/3
Datuk Ishak bin Imam Abas	6/6
Datuk Seri Michael Yam Kong Choy	6/6
Mahendra Gursahani	6/6
Datuk Khairil Anuar Abdullah	6/6
Lai Pei Si (appointed on 5 April 2016)	4/5
Lim Cheng Teck - Deputy Chairman (resigned on 5 April 2016)	1/1
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman (resigned on 24 February 2017)	6/6

Training and Development of Directors

During the financial year 2016, the members of the Board had received training on areas relevant to their duties and responsibilities as Directors by attending internally facilitated briefings and external seminars/talks. The Directors had also attended talks, dialogue sessions and focus group sessions organised by Financial Institutions Directors' Education ("FIDE") Forum as well as the key training programme for new Directors of the financial institution by FIDE. Besides, two new Directors have undertaken an induction programme facilitated by the Company Secretary.

Training programmes, conferences and forums attended by the Directors for the financial year 2016 were as follows:

FIDE/ICLIF/FIDE Forum
- FIDE FORUM: Dialogue Session on “The New and Revised Auditor Reporting Standards: Implications to Financial Institutions”
- FIDE FORUM: Special Invitation to Industry Briefing on Directors Register Implementation
- FIDE FORUM: 1st Distinguished Board Leadership Series - "Cyber-Risk Oversight"
- FIDE Forum: Dialogue on Directors' and Officers' Liability Insurance
- FIDE Forum: Strategy to Leverage Technology for Business Solutions
- FIDE Forum: Avoiding Financial Myopia

Other External Seminars/Conferences
- Macro Market & Asset Allocation Perspectives ("MMAAPs") Internal Briefing & Dialogue Session, organised by Valuecap Sdn Bhd
- Global Research Briefing 2016, organised by Standard Chartered Bank
- Macro Market & Asset Allocation Series Briefing - "Wild Swings in the Year of the Monkey", organised by Valuecap Sdn Bhd
- SEACEN Conference on Central Bank and Mandates in Honour of Former Governor Bank of Thailand, Dr Puey Ungphakorn, organised by the SEACEN centre
- Asian Financial Services Congress 2016, organised by IDC Financial Insights
- International Symposium on Precision Medicine (Theme: the Future of Population Health), organised by Sunway University
- Macro Market & Asset Allocation Series March 2016: “Corporate Credit Outlook & Domestic Banking Sector: MARC’s Perspectives", organised by Valuecap Sdn Bhd
- Macro Market & Asset Allocation Series: Creating a Robust Process for Dynamic Asset Allocation, organised by Valuecap Sdn Bhd

Board of Directors (continued)

Training and Development of Directors (continued)

Other External Seminars/Conferences (continued)
- Dialogue on the Eleventh Malaysia Plan 2015-2020 and Malaysia Education Blueprint 2015-2025, co-hosted by the University Malaya and HELP University
- Invest Malaysia 2016, organised by Malayan Banking Berhad
- Advanced Business Management Programme 2016 – Global Trends and Value Creation in a Technologically and Socially Transformed World, organised by Securities Industry Development Corporation
- Forum on Widening the Talent Pool, organised by Malaysian Accounting Students Convention ("MASC") 2016 of University Malaya
- Briefing Session on Bank Negara Malaysia ("BNM") Annual Report 2015 / Financial Stability and Payments Systems Report 2015, organised by BNM
- BNM Governor ‘s Address on the Malaysia Economy and Panel Discussion, organised by Persatuan Ekonomi Malaysia
- CIMB 10th Annual Indonesia Conference by CIMB Bank Berhad
- Federation of Public Listed Companies Berhad (“FPLC”)'s Corporate Governance, Directors' Duties and Regulatory Updates Seminar 2016, organised by FPLC
- Future Finance Conference, organised by BNM
- VinaCapital 2016 Investor Conference, organised by VinaCapital, Ho Chin Minh
- Shell Talk - New Companies Bill
- Khazanah Megatrends Forum
- Dr Cordella Research
- Shell and Astro Directors training
- Economic and Leadership Forum Sunway University - The Journey So Far and The Next Steps

Internal Training Programmes
- Group Audit Committee Chairman's Call with the Subsidiary Audit Committees
- Group CEO's Call with Subsidiary Independent Directors
- Independent Directors' Briefing : Independent Review on Compliance
- First Annual Dialogue between Board Members and Syariah Advisors
- Independent Directors' Briefing : Independent Credit Review Process and Cyber Security Briefing
- Penang Branch Tour and Presentation on Conventional Bank Business in the Northern Region
- Second Annual Dialogue between Board Members and Syariah Advisors
- Group Chairman's Call with Subsidiary Independent Directors

Apart from attending the various programmes, a number of the Directors have also been invited to speak at conferences and seminars organised by professional associations and bodies.

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) Datuk Yvonne Chia

Datuk Yvonne Chia was appointed as an Independent Non-Executive Director on 4 August 2016. She is currently a Independent Non-Executive Director of Standard Chartered Saadiq Berhad, Shell Refining Company (Federation of Malaya) Berhad, Astro Malaysia Holdings Berhad and Silverlake Axis Limited, a company listed on the Main Board of Singapore Stock Exchange. She has also been appointed to the Board of Trustees for PEMANDU Corporation in July 2014 and for Teach For Malaysia (“TFM”) Foundation in May 2015 and is a Council Member of the Asian Institute of Chartered Bankers (“AICB”). She was conferred as a Fellow Chartered Banker of AICB in November 2015. Datuk Yvonne Chia has a Bachelor of Economics from the University of Malaya.

(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 Petroliam 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").

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 to the Board on 15 June 2009 as an Independent Non-Executive Director. He qualified as a professional corporate member and Fellow of the Chartered Institute of Building and also as a Fellow of the Royal Institution of Chartered Surveyors Malaysia following his graduation in building and management studies from the University of Westminster, London in 1979. He is currently the Managing Director and CEO of Impetus Alliance Advisor Sdn Bhd. He is also an independent director on the Boards of Paramount Corporation Berhad, Sunway Berhad, Malaysia Airports Holdings Berhad, Cahya Mata Sarawak Berhad and Government-incorporated companies CLAB Berhad and Malaysia Property Incorporated. He is the incumbent Chairman of InvestKL Malaysia and the immediate past President of the Real Estate and Housing Developers' Association Malaysia. He also serves as a member of the Board of Trustees of Standard Chartered Charity Trust and is a director of British Malaysian Chamber of Commerce.

(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) 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 including 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) and 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.

(f) Lai Pei Si

Lai Pei Si was appointed to the Board of Standard Chartered Bank Malaysia Berhad on 5 April 2016 as the Non-Executive Director and member to the Nomination Committee. Pei Si is currently the Head, Strategic Programmes, based in Singapore. She was also the Chief Executive Officer and Head, Retail Clients for Standard Chartered Bank, Brunei from 1 May 2011 and 31 October 2014, taking on the dual role of both governance and business head during which she helped build a sustainable franchise in the country. She returned to Singapore in 2014 to resume the role of Head of CEO Office and later the role of Head of Regional CEO Office, ASEAN and South Asia. Pei Si holds a Bachelor’s (Honours) degree in Economics & Political Science from National University of Singapore, Singapore.

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 and Remuneration Committee (formerly known as 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 and Remuneration Committee

The former Nomination Committee ("NC") was established on 27 October 2005. In accordance with Paragraph 12.1 of the BNM Guidelines whereby all financial institutions must establish a board remuneration committee, the Board has on 1 December 2016 approved the set up of the Nomination and Remuneration Committee ("NRC"). The NRC is a combined board nomination committee and board remuneration committee as allowed by the BNM Guidelines under Paragraph 12.2.

Membership and composition

The members of the NRC are:-
Datuk Ishak bin Imam Abas - Chairman (appointed on 1 December 2016)
Datuk Seri Michael Yam Kong Choy (appointed on 1 December 2016)
Datuk Yvonne Chia (appointed on 1 December 2016)

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

Functions, responsibilities and terms of reference

The Terms of Reference of the NRC was approved by the Board on 1 December 2016.

The primary functions of the NRC 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.
- To support the Board in actively overseeing the design and operation of the Bank's remuneration system.
- To approve the remuneration for each director, senior management including material risk takers on annual basis and regularly review the list of material risk takers.

In 2016, prior to the set up of the NRC, the NC has made an assessment for the appointment of two (2) directors and was convinced that the new 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 and as part of the Board Sucession Plan.

For 2016, the Board has adopted a self-evaluation initiative 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.

Committees (continued)

a) Nomination and Remuneration Committee (continued)

Number of meetings held

The Nomination Committee meets at least once a year and during the financial year 2016, the committee met three (3) times and the attendance of the NC members are as follows. There is no NRC meeting held during the financial year 2016 after its establishment on 1 December 2016.

Members	Attendance and Number of Meetings
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman (resigned on 24 February 2017)	3/3
Datuk Ishak bin Imam Abas	3/3
Datuk Seri Michael Yam Kong Choy	3/3
Lai Pei Si (appointed on 5 April 2016)	1/2
Lim Cheng Teck - Deputy Chairman (resigned on 5 April 2016)	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
Datuk Seri Michael Yam Kong Choy
Datuk Khairil Anuar Abdullah

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 Head of 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 2016, the committee met four (4) times and the attendance of the members are as follows:-

Members	Attendance and Number of Meetings
Datuk Ishak bin Imam Abas - Chairman	4/4
Datuk Khairil Anuar Abdullah	4/4
Datuk Seri Michael Yam Kong Choy	3/4

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
Datuk Ishak bin Imam Abas
Datuk Khairil Anuar Abdullah

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, 31 July 2013 and 14 June 2016.

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 framework and policies 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 2016, the committee met four (4) times and the attendance of the members are as follows:-

Members	Attendance and Number of Meetings
Datuk Seri Michael Yam Kong Choy - Chairman	4/4
Datuk Ishak bin Imam Abas	3/4
Datuk Khairil Anuar Abdullah	4/4

d) Syariah Advisory Committee

Membership and composition

The members of the Syariah Advisory Committee ("SAC") are:-
Dr. Hikmatullah Babu Sahib - Lead Adviser
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 ("SCSB") 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.

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 SCSB 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 business 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 use 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 SCSB'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 two (2015: one) Syariah non-compliant income events being detected. Total Syariah non-compliant income for 2016 was RM347,009 comprising of one event in 2016 amounting to RM339,509 and one event detected in 2015 which was classified Syariah non-compliant income in 2016 amounting to RM7,500 (2015: RM111,848).

RM339,509 was refunded to the customer and the remaining balance was channelled to a non-profit organization as part of channelling the Syariah non-compliant income for charity purposes.

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

Number of meetings held

Members	Attendance and Number of Meetings
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

Risk Management

A risk management framework:
- establishes common principles & standards for the mangement 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 optimise 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

<u>Risk Governance</u>

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 the Group Risk Committee. In addition, ERC has risk management oversight over entities and branches of Standard Chartered Bank, UK incorporated and domiciled in Malaysia.

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.

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

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 2016, 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 32.

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 2016.

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 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 1.1.2016	Number of shares Acquired	Disposed	As at 31.12.2016
Ordinary shares of US$0.50 each				
Mahendra Gursahani	75,268	-	-	75,268

	As at 1.1.2016	Number of options Awarded/ Granted	Lapsed/ Exercised	As at 31.12.2016
Deferred Restricted Share Scheme				
Mahendra Gursahani	9,912	102	-	10,014
Performance Share Award				
Mahendra Gursahani	21,760	-	(10,302)	11,458

Board of Directors and their interests in shares (continued)

	Number of options			
	As at 1.1.2016	Awarded/ Granted	Lapsed/ Exercised	As at 31.12.2016
<u>Management Long Term Incentive Plan</u>				
Mahendra Gursahani	-	90,951	-	90,951

The other Directors did not hold or deal in the shares and options over 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 remuneration received or due and receivable by Directors as shown in Note 29 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 Deferred Restricted Share Scheme, Performance Share Award and Management Long Term Incentive Plan.

Indemnity and insurance costs

As at 31 December 2016, the total amount of indemnity given to the Directors and officers of the Group and the Bank is RM20,516,500.

Auditors

The auditors, Messrs KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in note 28 of the financial statements.

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

....
Datuk Yvonne Chia

....
Mahendra Gursahani

Kuala Lumpur
Date: 13 April 2017

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

Statement by Directors pursuant to
Section 251(2) of the Companies Act, 2016

In the opinion of the Directors, the financial statements set out on pages 21 to 144 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 2016 and of their financial performance and cash flows for the financial year then ended.

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

....
Datuk Yvonne Chia
Director

....
Mahendra Gursahani
Director

Kuala Lumpur
Date: 13 April 2017

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

Statutory Declaration pursuant to
Section 251(1)(b) of the Companies Act, 2016

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 21 to 144 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Mabel Lau Kit Cheng, I/C No.: 770411-10-5300 in Kuala Lumpur on 13 April 2017.

....
Mabel Lau Kit Cheng

Before me:

Independent Auditors' Report to the member of
Standard Chartered Bank Malaysia Berhad
(Company No. 115793 P)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Standard Chartered Bank Malaysia Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Bank, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 144.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2016, 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.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the ability of the Group and of the Bank to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Bank.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Bank to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Matter(s)

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Foong Mun Kong
Approval Number: 02613/12/18 J
Chartered Accountant

Petaling Jaya
Date: 13 April 2017

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short term funds	3	6,500,523	6,889,236	5,345,827	5,907,593
Deposits and placements with banks and other financial institutions	4	1,278,509	16,475	5,507,040	5,697,714
Securities purchased under resale agreements	5	109,778	529,245	109,778	529,245
Financial assets held for trading	6	1,582,445	1,545,132	1,582,445	1,545,132
Investment securities available-for-sale	7	2,813,353	4,022,314	2,713,777	3,415,898
Loans, advances and financing	8	29,027,623	29,616,404	22,427,136	22,886,385
Derivative financial assets	44	4,437,138	4,686,880	4,485,347	4,687,947
Other assets	10	404,157	678,462	874,590	1,196,909
Current tax assets		72,381	129,293	67,674	113,311
Statutory deposits with Bank Negara Malaysia	11	750,302	876,100	607,152	615,014
Investments in subsidiaries	12	-	-	411,522	411,522
Property, plant and equipment	13	60,327	82,941	60,176	82,543
Deferred tax assets	33	57,319	44,780	51,432	42,953
Total assets		**47,093,855**	**49,117,262**	**44,243,896**	**47,132,166**
Liabilities					
Deposits from customers	14	31,530,426	32,229,895	29,136,849	29,495,746
Investment account of customers	15	668,677	731,155	-	-
Deposits and placements of banks and other financial institutions	16	3,810,994	4,142,685	3,749,974	4,025,867
Obligations on securities sold under repurchase agreements	5	-	352,549	-	352,549
Derivative financial liabilities	44	4,056,364	4,441,039	4,091,140	4,439,370
Other liabilities	17	1,509,139	1,895,175	1,937,328	3,680,843
Provision for credit commitments and contingencies	18	-	97,852	-	97,852
Subordinated debts	19	1,000,000	1,000,000	1,000,000	1,000,000
Total liabilities		**42,575,600**	**44,890,350**	**39,915,291**	**43,092,227**
Equity					
Share capital	21	163,000	163,000	163,000	163,000
Reserves	22	4,355,255	4,063,912	4,165,605	3,876,939
Total equity		**4,518,255**	**4,226,912**	**4,328,605**	**4,039,939**
Total liabilities and equity		**47,093,855**	**49,117,262**	**44,243,896**	**47,132,166**
Commitments and contingencies	38	**178,001,105**	**174,002,214**	**179,724,304**	**171,897,267**

The notes set out on pages 29 to 144 form an integral part of, and should be read in conjuction with these financial statements.

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	24	1,432,804	1,647,564	1,598,055	1,798,777
Interest expense	25	(642,318)	(745,811)	(642,318)	(745,811)
Net interest income		**790,486**	**901,753**	**955,737**	**1,052,966**
Net income from Islamic Banking operations	26	369,561	326,494	-	-
		1,160,047	1,228,247	955,737	1,052,966
Other operating income	27	606,739	532,105	720,649	620,539
Total net income		1,766,786	1,760,352	1,676,386	1,673,505
Other operating expenses	28	(1,006,464)	(1,034,630)	(966,462)	(986,727)
Operating profit		**760,322**	**725,722**	**709,924**	**686,778**
Provisions for loans, advances and financing	30	(350,918)	(569,708)	(316,617)	(553,654)
Provisions related to credit commitments and contingencies		-	(113,917)	-	(113,917)
Profit before taxation		**409,404**	**42,097**	**393,307**	**19,207**
Tax expense	33	(107,552)	(16,246)	(96,800)	(10,534)
Profit for the year		**301,852**	**25,851**	**296,507**	**8,673**
Other comprehensive (expense)/income, net of income tax					
Items that may be reclassified subsequently to profit or loss					
Fair value reserve (investment securities available-for-sale):-					
Net changes in fair value		(7,260)	28,222	(4,592)	26,339
Net amount transferred to profit or loss		(5,987)	(9,578)	(5,987)	(9,578)
Cash flow hedges:-					
Effective portion of changes in fair value		2,730	3,052	2,730	3,052
Net amount transferred to profit or loss		8	(146)	8	(146)
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains from defined benefit plan		-	19	-	19
Other comprehensive (expense)/income for the year, net of income tax		**(10,509)**	**21,569**	**(7,841)**	**19,686**
Total comprehensive income for the year		**291,343**	**47,420**	**288,666**	**28,359**
Profit attributable to:					
Owner of the Bank		301,852	25,851	296,507	8,673
Total comprehensive income attributable to:					
Owner of the Bank		291,343	47,420	288,666	28,359
Basic earnings per ordinary share (sen)	37	241	21		
Diluted earnings per ordinary share (sen)	37	137	12		

The notes set out on pages 29 to 144 form an integral part of, and should be read in conjuction with these financial statements.

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

GROUP	*Attributable to owner of the Bank*										
		Non-Distributable Reserves						*Distributable Reserves*			
	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	Total RM'000	Non-controlling interest RM'000	Total RM'000
At 1 January 2016	163,000	717,000	265,750	260,000	190	8,828	(5,789)	2,817,933	4,226,912	-	4,226,912
Fair value reserve (investment securities available-for-sale):-											
Net changes in fair value	-	-	-	-	-	(7,260)	-	-	(7,260)	-	(7,260)
Net amount transferred to profit or loss	-	-	-	-	-	(5,987)	-	-	(5,987)	-	(5,987)
Cash flow hedges:-											
Effective portion of changes in fair value	-	-	-	-	-	-	2,730	-	2,730	-	2,730
Net amount transferred to profit or loss	-	-	-	-	-	-	8	-	8	-	8
Total other comprehensive (expense)/income for the year	-	-	-	-	-	(13,247)	2,738	-	(10,509)	-	(10,509)
Profit for the year	-	-	-	-	-	-	-	301,852	301,852	-	301,852
Total comprehensive (expense)/income for the year	-	-	-	-	-	(13,247)	2,738	301,852	291,343	-	291,343
At 31 December 2016	**163,000**	**717,000**	**265,750**	**260,000**	**190**	**(4,419)**	**(3,051)**	**3,119,785**	**4,518,255**	**-**	**4,518,255**
	Note 21	Note 22	Note 22	Note 22	Note 22	Note 22	Note 22	Note 22			

The notes set out on pages 29 to 144 form an integral part of, and should be read in conjuction with these financial statements.

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

GROUP		Attributable to owner of the Bank										
		Non-Distributable Reserves							Distributable Reserves			
	Note	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Capital redemption reserves RM'000	AFS reserves RM'000	Cash flow hedge reserves RM'000	Retained profits RM'000	Total RM'000	Non-controlling interest RM'000	Total 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
Distributions to Owner of the Bank												
Dividend (preference shares) - 2014 final	23	-	-	-	-	-	-	-	(12,825)	(12,825)	-	(12,825)
Dividend (ordinary shares) - 2014 final	23	-	-	-	-	-	-	-	(24,300)	(24,300)	-	(24,300)
Transactions of owner of the Bank/ other equity movements		-	-	-	-	-	-	-	(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 21	Note 22	Note 22	Note 22	Note 22	Note 22	Note 22	Note 22			

The notes set out on pages 29 to 144 form an integral part of, and should be read in conjuction with these financial statements.

STANDARD CHARTERED BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

BANK	← *Non-Distributable Reserves*						→	*Distributable Reserves*	
	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**	**Total RM'000**
At 1 January 2016	163,000	717,000	163,000	260,000	190	6,966	(5,789)	2,735,572	4,039,939
Fair value reserve (investment securities available-for-sale):-									
Net changes in fair value	-	-	-	-	-	(4,592)	-	-	(4,592)
Net amount transferred to profit or loss	-	-	-	-	-	(5,987)	-	-	(5,987)
Cash flow hedges:-									
Effective portion of changes in fair value	-	-	-	-	-	-	2,730	-	2,730
Net amount transferred to profit or loss	-	-	-	-	-	-	8	-	8
Total other comprehensive (expense)/income for the year	-	-	-	-	-	(10,579)	2,738	-	(7,841)
Profit for the year	-	-	-	-	-	-	-	296,507	296,507
Total comprehensive (expense)/income for the year	-	-	-	-	-	(10,579)	2,738	296,507	288,666
At 31 December 2016	**163,000**	**717,000**	**163,000**	**260,000**	**190**	**(3,613)**	**(3,051)**	**3,032,079**	**4,328,605**
	Note 21	Note 22	Note 22	Note 22	Note 22	Note 22	Note 22	Note 22	

The notes set out on pages 29 to 144 form an integral part of, and should be read in conjuction with these financial statements.

STANDARD CHARTERED BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

BANK	Note	←		Non-Distributable Reserves				→	Distributable Reserves	
		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	Total 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
Distributions to Owner of the Bank										
Dividend (preference shares) - 2014 final	23	-	-	-	-	-	-	-	(12,825)	(12,825)
Dividend (ordinary shares) - 2014 final	23	-	-	-	-	-	-	-	(24,300)	(24,300)
Transactions of owner of the Bank/ other equity movements		-	-	-	-	-	-	-	(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 21	Note 22	Note 22	Note 22	Note 22	Note 22	Note 22	Note 22	

The notes set out on pages 29 to 144 form an integral part of, and should be read in conjuction with these financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before taxation	409,404	42,097	393,307	19,207
Adjustments for:-				
Dividend income	(1,128)	(3,074)	(22,672)	(3,074)
Depreciation	31,443	28,121	31,151	26,509
Gain on disposal of property, plant and equipment	-	(190)	-	(190)
Provisions for loans, advances and financing	350,918	569,708	316,617	553,654
Provisions related to credit commitments and contingencies	-	113,917	-	113,917
Gain on disposal of investment securities available-for-sale	(4,855)	(10,782)	(4,855)	(10,782)
Amortisation of premium less accretion of discount on investment securities available-for-sale	(1,256)	(30,601)	(604)	(27,567)
Operating profit before working capital changes	784,526	709,196	712,944	671,674
Changes in working capital:-				
Deposits and placements with banks and other financial institutions	(1,262,028)	52,049	190,674	(2,022,277)
Securities purchased under resale agreements	419,467	21,832	419,467	21,832
Financial assets held for trading	(37,313)	1,988,963	(37,313)	1,988,963
Loans, advances and financing	140,009	3,600,503	44,780	3,250,276
Derivative financial instruments	(131,330)	(93,263)	(142,027)	(92,328)
Other assets	274,312	25,965	322,468	(109,534)
Statutory deposits with Bank Negara Malaysia	125,798	276,591	7,862	286,227
Deposits from customers	(699,469)	(3,563,530)	(358,897)	(3,560,465)
Investment account of customers	(62,478)	(731,155)	-	-
Deposits and placements of banks and other financial institutions	(331,691)	(2,466,445)	(275,893)	(3,157,509)
Obligations on securities sold under repurchase agreements	(352,549)	(144,835)	(352,549)	(144,835)
Other liabilities	(386,052)	170,613	(1,743,664)	1,026,721
Cash used in operations	(1,518,798)	(153,516)	(1,212,148)	(1,841,255)
Income taxes paid	(59,856)	(109,340)	(57,166)	(101,855)
Net cash used in operating activities	**(1,578,654)**	**(262,856)**	**(1,269,314)**	**(1,943,110)**
Cash flows from investing activities				
Dividends received	1,128	3,074	22,672	3,074
Purchase of property, plant and equipment	(8,829)	(39,760)	(8,784)	(39,625)
Proceeds from disposal of property, plant and equipment	-	190	-	190
Purchase of investment securities available-for-sale	(4,564,095)	(11,993,611)	(4,464,095)	(11,388,611)
Proceeds from disposal of investment securities available-for-sale	5,761,737	13,399,709	5,157,755	13,299,748
Disposal of a subsidiary, net of cash disposed	-	(5,743)	-	-
Net cash generated from investing activities	**1,189,941**	**1,363,859**	**707,548**	**1,874,776**

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Group		Bank	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash flows from financing activities				
Dividends paid (Note 23)	-	(37,125)	-	(37,125)
Net cash used in financing activities	**-**	**(37,125)**	**-**	**(37,125)**
Net (decrease) / increase in cash and cash equivalents	(388,713)	1,063,878	(561,766)	(105,459)
Cash and cash equivalents at beginning of year	6,889,236	5,825,358	5,907,593	6,013,052
Cash and cash equivalents at end of year	**6,500,523**	**6,889,236**	**5,345,827**	**5,907,593**
Cash and cash equivalents comprise:				
Cash and short term funds (Note 3)	**6,500,523**	**6,889,236**	**5,345,827**	**5,907,593**

The notes set out on pages 29 to 144 form an integral part of, and should be read in conjuction with these financial statements.

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 April 2017.

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 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.

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2015, except for the adoption of the following MFRS and Amendments to MFRSs during the current financial year end:

i) MFRS 14 *Regulatory Deferral Accounts*
ii) *Investment Entities: Applying the Consolidation Exception* (Amendments to MFRS 10, MFRS 12 and MFRS 128)
iii) *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to MFRS 11)
iv) *Disclosure Initiative* (Amendments to MFRS 101)
v) *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to MFRS 116 and MFRS 138)
vi) *Agriculture: Bearer Plants* (Amendments to MFRS 116 and MFRS 141)
vii) *Equity Method in Separate Financial Statements* (Amendments to MFRS 127)
viii) *Annual Improvements to MFRSs 2012-2014 Cycle*

The adoption of the above MFRS and Amendments to MFRSs do not have any material impacts on the financial statements of the Group and the Bank.

Accounting standards not yet effective

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

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2017

i)	Amendments to MFRS 12	*Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
ii)	Amendments to MFRS 107	*Statement of Cash Flows – Disclosure Initiative*
iii)	Amendments to MFRS 112	*Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

(a) Statement of compliance (continued)

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

i)	MFRS 9	*Financial Instruments (2014)*
ii)	MFRS 15	*Revenue from Contracts with Customers*
iii)	Clarifications to MFRS 15	*Revenue from Contracts with Customers*
iv)	IC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
v)	Amendments to MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
vi)	Amendments to MFRS 2	*Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
vii)	Amendments to MFRS 4	*Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
viii)	Amendments to MFRS 128	*Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
ix)	Amendments to MFRS 140	*Investment Property – Transfers of Investment Property*

MFRS effective for annual periods beginning on or after 1 January 2019

i)	MFRS 16	*Leases*

Amendments to MFRSs effective for a date yet to be confirmed

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

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 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.

MFRS 15 *Revenue from Contracts with Customers*

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

MFRS 16 *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement* contains a Lease, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The adoption of MFRS 9, MFRS 15 and MFRS 16 will result in a change in accounting policies. The Group and the Bank are currently assessing the financial impact that may arise from the adoption of MFRS 9, MFRS 15 and MFRS 16.

(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.

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

(d) Use of estimates and judgements (continued)

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 44)

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 2016 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.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

ii) Financial instrument categories and subsequent measurement

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

Financial assets

A) Financial assets at fair value through profit or loss

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

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

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

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

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

B) Investment securities held-to-maturity

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

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

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 include 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.

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, Investment account of 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.

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 43. 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.

<u>Fair value hedge</u>

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.

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.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

viii) Impairment of financial assets

The Group and the Bank assesses at each reporting date 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 bankrupty 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.

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 debt are 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

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

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.

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 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 plans 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 their estimates of the number of options that are expected to vest. The Group and the Bank recognise 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.

2. Significant accounting policies (continued)

(l) Recognition of fees and other income

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

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

Service charges and processing fees are recognised when earned.

(m) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in 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.

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 of 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 the Bank use 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 identifical 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 the Bank recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Cash and short term funds

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	169,503	193,561	163,071	161,344
Money at call and deposit placements maturing within one month	6,331,020	6,695,675	5,182,756	5,746,249
	6,500,523	6,889,236	5,345,827	5,907,593

4. Deposits and placements with banks and other financial institutions

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Licensed banks	478,509	-	4,707,040	5,681,239
Bank Negara Malaysia	800,000	-	800,000	-
Other financial institutions	-	16,475	-	16,475
	1,278,509	16,475	5,507,040	5,697,714

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 16 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. The Group and the Bank also receive 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	
	2016	2015
	RM'000	RM'000
Statement of Financial Position - Assets		
Securities and collaterals which can be re-pledged or sold	109,778	529,245
Statement of Financial Position - Liabilities		
Obligations on securities sold under repurchase agreements	-	352,549

6. Financial assets held for trading

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government treasury bills	69,439	1,348	69,439	1,348
Malaysian Government bonds/securities	1,278,102	1,201,068	1,278,102	1,201,068
Government Islamic bonds	163,017	172,537	163,017	172,537
Bank Negara Malaysia bills	57,006	1,576	57,006	1,576
Sukuk	14,881	168,603	14,881	168,603
	1,582,445	1,545,132	1,582,445	1,545,132

7. Investment securities available-for-sale

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government treasury bills	3,364	74,542	3,364	-
Malaysian Government bonds/securities	1,900,798	1,069,435	1,900,798	1,069,435
Bank Negara Malaysia bills	-	49,860	-	-
Bankers' acceptances and Islamic acceptance bills	54,597	211,395	54,597	211,395
Negotiable instruments of deposits	400,116	1,975,397	400,116	1,975,397
Government Islamic bonds	293,436	482,014	193,860	-
Corporate bonds	151,701	150,330	151,701	150,330
	2,804,012	4,012,973	2,704,436	3,406,557
Unquoted securities:-				
Equity shares, at cost	9,098	9,098	9,098	9,098
Corporate bonds, at fair value	243	243	243	243
	2,813,353	4,022,314	2,713,777	3,415,898

8. Loans, advances and financing

(i) By type

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At amortised cost				
Overdrafts	331,972	519,042	331,972	519,042
Term loans/financing				
- Housing loans/financing	12,464,983	13,277,804	9,396,817	10,041,505
- Syndicated term loans/financing	223,932	128,762	223,932	128,762
- Hire purchase receivables	101,619	154,638	-	-
- Lease receivables	256,026	234,699	-	-
- Other term loans/financing	8,282,077	8,429,728	6,151,476	5,899,840
Bills receivable	3,416,766	3,074,787	2,782,340	2,790,475
Trust receipts	826,250	1,293,058	530,700	776,980
Staff loans/financing	32,633	38,903	28,072	36,631
Loans/financing to banks and other financial institutions	56,964	188,731	56,964	188,731
Credit card receivables	2,099,819	2,249,159	2,099,819	2,249,159
Revolving credit	2,624,462	1,803,494	1,899,107	1,229,055
	30,717,503	31,392,805	23,501,199	23,860,180
Less: Unearned interest and income	(520,128)	(692,028)	(11,139)	(11,393)
Gross loans, advances and financing	30,197,375	30,700,777	23,490,060	23,848,787
Less: Impairment provisions on loans, advances and financing:-				
- Individual impairment provisions	(768,121)	(702,759)	(741,959)	(674,137)
- Collective impairment provisions	(401,631)	(381,614)	(320,965)	(288,265)
Total net loans, advances and financing	29,027,623	29,616,404	22,427,136	22,886,385

(ii) By type of customer

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Domestic banking institutions	280,915	395,793	280,915	395,793
Domestic non-bank financial institutions	593,846	345,052	295,221	144,157
Domestic business enterprises	12,225,884	11,574,613	9,268,203	8,738,891
Small medium enterprises	*3,602,842*	*3,995,283*	*2,601,474*	*2,896,906*
Others	*8,623,042*	*7,579,330*	*6,666,729*	*5,841,985*
Individuals	14,726,991	16,033,328	11,884,963	12,872,440
Other domestic entities	98	227	98	227
Foreign entities	2,369,641	2,351,764	1,760,660	1,697,279
	30,197,375	30,700,777	23,490,060	23,848,787

8. Loans, advances and financing (continued)

(iii) By interest/profit rate sensitivity

	Group		Bank	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Fixed rate				
Housing loans/financing	18,224	20,657	16,861	18,903
Other fixed rate loans/financing	4,546,758	4,898,140	3,353,485	3,310,005
Variable rate				
BLR/ Base rate plus	15,441,067	16,360,951	12,374,272	13,126,406
Cost plus	9,361,732	8,451,830	7,638,644	7,271,748
Other variable rates	829,594	969,199	106,798	121,725
	30,197,375	30,700,777	23,490,060	23,848,787

(iv) By sector

	Group		Bank	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Agriculture	188,613	111,073	58,373	108,257
Mining and quarrying	280,017	269,982	40,168	88,750
Manufacturing	4,303,284	4,518,644	3,618,096	3,676,446
Electricity, gas and water	46,022	40,474	44,328	38,151
Construction	640,761	658,498	471,977	502,528
Real estate	1,691,471	1,508,374	1,351,849	1,174,690
Wholesale & retail trade and restaurants & hotels	3,018,359	2,765,848	2,202,584	2,042,969
Transportation, storage and communication	695,474	368,000	621,720	267,489
Finance, insurance and business services	1,979,674	1,827,324	1,314,262	1,269,414
Household	16,835,624	18,134,039	13,491,067	14,460,336
Others	518,076	498,521	275,636	219,757
	30,197,375	30,700,777	23,490,060	23,848,787

(v) By purpose

	Group		Bank	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Purchase of landed property	15,511,969	16,583,181	11,815,880	12,713,896
- Residential	*12,329,533*	*13,133,873*	*9,508,447*	*10,186,013*
- Non-residential	*3,182,436*	*3,449,308*	*2,307,433*	*2,527,883*
Fixed assets excluding land & building	95,725	147,954	-	-
Personal use	1,272,681	1,471,987	964,301	985,537
Credit cards	2,099,819	2,249,159	2,099,819	2,249,159
Working capital	11,160,217	10,059,957	8,553,096	7,711,656
Others	56,964	188,539	56,964	188,539
	30,197,375	30,700,777	23,490,060	23,848,787

8. Loans, advances and financing (continued)

(vi) By maturity structure

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Maturing within one year	10,624,843	9,293,539	8,916,301	8,057,483
One year to three years	1,302,063	1,947,164	835,582	1,383,929
Three years to five years	2,068,483	2,236,844	1,478,567	1,245,065
Over five years	16,201,986	17,223,230	12,259,610	13,162,310
	30,197,375	30,700,777	23,490,060	23,848,787

(vii) By geographical distribution

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Within Malaysia	30,052,975	30,523,963	23,452,112	23,813,643
Outside Malaysia	144,400	176,814	37,948	35,144
	30,197,375	30,700,777	23,490,060	23,848,787

(viii) Analysis of foreign currency exposure

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
USD	4,618,011	3,864,791	3,566,151	2,785,732
GBP	90,393	24,066	90,393	24,066
Other foreign currencies	36,431	12,244	26,455	12,244

9. Impaired loans, advances and financing

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	1,287,013	1,124,432	1,250,196	1,086,311
Currency translation differences	6,913	11,280	6,913	11,280
Classified as impaired during the financial year	927,329	1,059,936	807,245	984,838
Reclassified as performing during the financial year	(294,854)	(187,648)	(240,231)	(174,737)
Amount recovered during the financial year	(136,878)	(360,356)	(133,470)	(347,291)
Amount written off during the financial year	(410,481)	(360,631)	(368,494)	(310,205)
At 31 December	1,379,042	1,287,013	1,322,159	1,250,196
Individual impairment provisions	(768,121)	(702,759)	(741,959)	(674,137)
Net impaired loans, advances and financing	610,921	584,254	580,200	576,059

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Collective impairment provisions				
At 1 January	381,614	354,529	288,265	235,492
Impairment made during the financial year	114,209	110,319	93,750	92,574
Amount written back	(94,192)	(83,234)	(61,050)	(39,801)
At 31 December	401,631	381,614	320,965	288,265
As a percentage of gross loans, advances and financing less individual impairment provisions	1.36%	1.27%	1.41%	1.24%
Individual impairment provisions				
At 1 January	702,759	406,631	674,137	382,841
Currency translation differences	6,913	11,280	6,913	11,280
Impairment made during the financial year	340,783	561,307	266,578	496,187
Transfer from Provision for credit commitments and contingencies (Note 18)	102,388	-	102,388	-
Amount written back	(81,446)	(75,507)	(67,498)	(65,197)
Amount written off	(303,276)	(200,952)	(240,559)	(150,974)
At 31 December	768,121	702,759	741,959	674,137

9. Impaired loans, advances and financing (continued)

(ii) Impaired loans, advances and financing by sector

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Agriculture	19,938	33,741	19,938	33,741
Mining and quarrying	28,386	1,519	28,386	1,519
Manufacturing	899,069	805,653	898,230	804,065
Construction	2,876	4,437	2,421	4,373
Wholesale & retail trade and restaurants & hotels	109,073	150,369	102,801	148,418
Transportation, storage and communication	6,990	7,053	3,453	6,428
Finance, insurance and business services	2,097	1,469	1,011	1,469
Real estate	77,798	28,801	77,798	28,801
Household	224,946	252,952	183,734	220,475
Others	7,869	1,019	4,387	907
	1,379,042	1,287,013	1,322,159	1,250,196

(iii) Impaired loans, advances and financing by purpose

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Purchase of landed property	174,127	132,685	143,700	121,838
- Residential	*134,614*	*125,113*	*109,352*	*115,359*
- Non-residential	*39,513*	*7,572*	*34,348*	*6,479*
Fixed assets excluding land & building	2,743	859	-	-
Personal use	88,804	95,067	73,254	73,437
Credit cards	15,328	18,728	15,328	18,728
Working capital	1,098,040	1,039,674	1,089,877	1,036,193
	1,379,042	1,287,013	1,322,159	1,250,196

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Within Malaysia	1,378,962	1,286,748	1,322,079	1,249,931
Outside Malaysia	80	265	80	265
	1,379,042	1,287,013	1,322,159	1,250,196

10. Other assets

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest/Income receivable	53,949	43,383	72,269	51,685
Unquoted Subordinated Sukuk of a subsidiary company	-	-	100,000	100,000
Other receivables, deposits and prepayments	350,208	635,079	702,321	1,045,224
	404,157	678,462	874,590	1,196,909

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	
	2016 RM'000	2015 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 2016	2015
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%
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.

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

13. Property, plant and equipment

Group Cost	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
At 1 January 2016	756	5,337	8,602	133,463	5,183	574	153,915
Additions	-	-	6,533	2,272	-	24	8,829
Reclassification	-	(1,980)	702	279	999	-	-
Fully depreciated assets written off	-	-	(5,353)	(25,990)	(4,234)	-	(35,577)
At 31 December 2016	756	3,357	10,484	110,024	1,948	598	127,167
Accumulated Depreciation							
At 1 January 2016	15	334	7,947	57,577	5,059	42	70,974
Charge for the year	15	30	4,047	26,744	473	134	31,443
Fully depreciated assets written off	-	-	(5,353)	(25,990)	(4,234)	-	(35,577)
At 31 December 2016	30	364	6,641	58,331	1,298	176	66,840
Net book value							
At 31 December 2016	726	2,993	3,843	51,693	650	422	60,327

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

13. Property, plant and equipment (continued)

Group Cost	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
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	756	5,337	8,602	133,463	5,183	574	153,915
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	15	334	7,947	57,577	5,059	42	70,974
Net book value							
At 31 December 2015	741	5,003	655	75,886	124	532	82,941

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

13. Property, plant and equipment (continued)

Bank **Cost**	**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**
At 1 January 2016	756	5,339	3,223	129,720	217	573	139,828
Additions	-	-	6,467	2,272	-	24	8,763
Reclassification	-	(1,980)	727	147	1,127	-	21
Fully depreciated assets written off	-	-	(185)	(23,283)	(615)	-	(24,083)
At 31 December 2016	756	3,359	10,232	108,856	729	597	124,529
Accumulated Depreciation							
At 1 January 2016	18	334	2,600	54,074	217	42	57,285
Charge for the year	15	30	3,991	26,508	473	134	31,151
Fully depreciated assets written off	-	-	(185)	(23,283)	(615)	-	(24,083)
At 31 December 2016	33	364	6,406	57,299	75	176	64,353
Net book value							
At 31 December 2016	723	2,995	3,826	51,557	654	421	60,176

13. Property, plant and equipment (continued)

Bank Cost	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
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	756	5,339	3,223	129,720	217	573	139,828
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	18	334	2,600	54,074	217	42	57,285
Net book value							
At 31 December 2015	738	5,005	623	75,646	-	531	82,543

14. Deposits from customers

(i) By type of deposits

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Demand deposits	13,730,530	14,595,339	12,973,291	13,828,705
Savings deposits	3,363,025	3,485,688	3,276,238	3,385,688
Fixed/Investment deposits	12,680,721	13,719,872	11,254,465	11,963,418
Negotiable instruments of deposits	1,756,150	428,996	1,632,855	317,935
	31,530,426	32,229,895	29,136,849	29,495,746

(ii) By type of customers

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Government and statutory bodies	713,030	205,497	45,800	69,440
Business enterprises	13,066,289	13,220,656	12,444,490	12,198,045
Individuals	12,014,405	14,752,421	11,370,312	13,619,376
Others	5,736,702	4,051,321	5,276,247	3,608,885
	31,530,426	32,229,895	29,136,849	29,495,746

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

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Due within six months	10,841,975	10,982,067	9,570,813	9,647,974
Six months to one year	2,513,855	2,375,496	2,357,965	1,976,490
One year to three years	561,334	259,541	556,844	125,125
Three years to five years	181,303	531,655	63,294	531,655
Over five years	338,404	109	338,404	109
	14,436,871	14,148,868	12,887,320	12,281,353

15. Investment account of customers

	Group 2016 RM'000	Group 2015 RM'000
Unrestricted investment accounts	668,677	731,155

Movement in the Unrestricted Investment Account

	2016 RM'000	2015 RM'000
As at 1 January	731,155	-
Conversion (to)/from deposits from customers	(90,122)	607,756
New placements during the year	1,289,739	834,225
Redemption during the year	(1,285,026)	(720,504)
Income from investment	30,566	12,955
Profit distributed to the Bank	(7,635)	(3,277)
As at 31 December	668,677	731,155
Investment asset:		
Commodity Murabahah Placement-i ("CMP-i")	668,677	731,155
Total investment asset	668,677	731,155

The average profit sharing ratio and average rate of return are as follows:

	Group 2016 %	Group 2015 %
Unrestricted investment accounts		
Average profit sharing ratio	75	75
Average rate of return	5	5

16. Deposits and placements of banks and other financial institutions

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Licensed banks	1,842,393	1,030,085	1,842,393	1,030,084
Bank Negara Malaysia	30,000	144,505	30,000	144,505
Other financial institutions	1,938,601	2,968,095	1,877,581	2,851,278
	3,810,994	4,142,685	3,749,974	4,025,867

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.

17. Other liabilities

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest/Income payable	139,940	187,214	137,232	183,862
Amount owing to subsidiaries	-	-	22	22
Other payables and accruals	1,369,199	1,707,961	1,800,074	3,496,959
	1,509,139	1,895,175	1,937,328	3,680,843

18. Provision for credit commitments and contingencies

	Group and Bank	
	2016	2015
	RM'000	RM'000
At 1 January	97,852	-
Currency translation difference	4,536	(3,920)
Transfer to Individual impairment provision (Note 9)	(102,388)	-
Provision made during the financial year	-	113,917
Provision written off during the financial year	-	(12,145)
At 31 December	-	97,852

Provision for credit commitments and contingencies comprises those undrawn contractually committed facilities and contingent exposures where there is doubt as to the borrowers' ability to meet their repayment obligations.

19. Subordinated debts

	Group and Bank	
	2016	2015
	RM'000	RM'000
At cost		
Subordinated bond	1,000,000	1,000,000

On 11 October 2012 and 28 August 2013, the Bank issued 2 tranches of RM 500 million nominal value Subordinated Bond ("the Bonds") which bear 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.

20. Redeemable preference shares

	Group and Bank	
	2016	2015
	RM'000	RM'000
Authorised		
Redeemable preference shares of RM1.00 each	300,000	300,000

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 22).

21. Share capital

	Group and Bank			
	2016		2015	
	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
	776,000	1,460,000	776,000	1,460,000
Issued and fully paid				
Ordinary shares of RM1.00 each				
At 1 January/ 31 December	125,000	125,000	125,000	125,000
Irredeemable Convertible Preference Shares ("ICPS") of RM0.10 each				
At 1 January/ 31 December	38,000	380,000	38,000	380,000
	163,000	505,000	163,000	505,000

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.

22. Reserves

	Note	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Non-distributable :					
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 20)		190	190	190	190
AFS reserves	(ii)	(4,419)	8,828	(3,613)	6,966
Regulatory reserves	(iii)	260,000	260,000	260,000	260,000
Cash flow hedge reserves	(iv)	(3,051)	(5,789)	(3,051)	(5,789)
		1,235,470	1,245,979	1,133,526	1,141,367
Distributable :					
Retained profits	(v)	3,119,785	2,817,933	3,032,079	2,735,572
		4,355,255	4,063,912	4,165,605	3,876,939

(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.

23. Dividends

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

	Group and Bank	
	2016 RM'000	2015 RM'000
Ordinary:-		
Final paid:-		
19.44 sen per ordinary share in respect of year ended 31 December 2014	-	24,300
Interim paid:-		
3.38 sen per preference share in respect of year ended 31 December 2014	-	12,825
	-	37,125

The Directors recommend the payment of a final single tier dividend of 69.40 sen per share totalling RM86,750,000 on the issued and fully paid-up ordinary shares and single-tier dividend of 6.75 sen per share totalling RM25,650,000 on the Irredeemable Convertible Preference shares of the Bank in respect of the current financial year (2015: RM Nil).

24. Interest income

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans and advances				
- Interest income other than recoveries from impaired loans	1,174,166	1,295,676	1,174,166	1,292,942
- Recoveries from impaired loans	24,948	52,901	24,948	52,901
Money at call and deposit placements with banks and other financial institutions	67,093	85,371	232,344	239,318
Financial assets held for trading	63,774	63,222	63,774	63,222
Investment securities available-for-sale	102,823	150,394	102,823	150,394
	1,432,804	1,647,564	1,598,055	1,798,777

25. Interest expense

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits and placements of banks and other financial institutions	71,090	55,231	71,090	55,231
Deposits from customers	520,122	640,116	520,122	640,116
Subordinated debts	51,106	50,464	51,106	50,464
	642,318	745,811	642,318	745,811

26. Net income from Islamic Banking operations

	Group	
	2016 RM'000	2015 RM'000 Restated
Income derived from investment of depositors' funds and others	305,993	347,005
Income derived from investment account funds	98,312	56,772
Income attributable to depositors	(86,995)	(134,829)
Income attributable to investment account holders	(22,931)	(9,678)
Income attributable to the equity holders of the Bank	294,379	259,270
Income derived from investment of Islamic banking capital funds and shareholder's funds	75,182	67,224
	369,561	326,494

27. Other operating income

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fee and commission				
Fee and commission income:-				
Arising from financial instruments not fair valued through profit or loss	258,055	313,136	258,055	313,136
- Commission income	*146,532*	*171,503*	*146,532*	*171,503*
- Service fees	*63,839*	*91,161*	*63,839*	*91,161*
- Guarantee fees	*47,684*	*50,472*	*47,684*	*50,472*
Fee and commission expense:-				
Arising from financial instruments not fair valued through profit or loss	(60,548)	(59,487)	(60,548)	(59,487)
- Commission charges	*(21,489)*	*(19,559)*	*(21,489)*	*(19,559)*
- Service charges	*(39,059)*	*(39,928)*	*(39,059)*	*(39,928)*
	197,507	253,649	197,507	253,649
Net trading income				
(Loss)/gain from sale of financial assets held for trading and derivative financial instruments	(199,778)	198,487	(199,778)	198,487
Unrealised gain/(loss) on revaluation of financial assets held for trading and other financial instruments	241,449	(181,070)	252,189	(181,070)
Foreign exchange currency				
- Gain from dealing in foreign currency	112,518	247,194	112,518	247,194
- Unrealised gain/(loss) from foreign exchange translation	248,794	(277)	248,794	(277)
	402,983	264,334	413,723	264,334
Other income				
Gains on disposal of investment securities available-for-sale	4,855	10,782	4,855	10,782
Gross dividends from unquoted investments	1,128	3,074	22,672	3,074
Rental income	33	32	33	32
Gain on disposal of property, plant and equipment	-	190	-	190
Others	233	44	81,859	88,478
	6,249	14,122	109,419	102,556
Total other operating income	**606,739**	**532,105**	**720,649**	**620,539**

28. Other operating expenses

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Personnel costs				
- Salaries, bonuses, wages and allowances	345,233	346,947	335,797	338,046
- Pension fund contributions	39,762	40,877	38,618	39,398
- Other staff related cost	48,999	43,445	47,221	40,792
	433,994	431,269	421,636	418,236
Establishment costs				
- Depreciation of property, plant and equipment	31,443	28,121	31,151	26,509
- Rental	26,290	27,388	24,688	25,369
- Information technology and project expenses	152,446	128,008	152,422	127,895
- Others	64,075	63,180	59,797	59,548
	274,254	246,697	268,058	239,321
Marketing expenses				
- Advertisement and publicity	13,965	9,871	13,916	9,399
- Others	13,235	13,924	13,101	13,452
	27,200	23,795	27,017	22,851
Administration and general expenses				
- Communication expenses	9,126	17,564	8,964	17,325
- Group administration and business support expenses	93,888	126,177	77,996	104,276
- Outsourcing expenses	104,731	100,681	104,731	100,681
- Others	63,271	88,447	58,060	84,037
	271,016	332,869	249,751	306,319
Total other operating expenses	**1,006,464**	**1,034,630**	**966,462**	**986,727**

The above expenditure includes the following items:-

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' remuneration, excluding benefits-in-kind (Note 29):-				
- Directors of the Bank	2,304	5,017	2,304	5,017
- Directors of the subsidiaries	1,520	1,625	-	-
Share-based payments	3,177	3,122	3,177	3,122
Defined benefit obligations cost (Note 35)	-	25	-	25
Contributions to defined contribution plan (included in personnel costs)	39,762	40,852	38,618	39,373
Hire of equipment	849	561	849	561
Auditor's remuneration:-				
- Statutory audit	679	678	525	492
- Other services	709	587	516	382
Rental of premises	25,397	27,113	25,397	27,113

29. Key management personnel compensation

The key management personnel compensation are as follows:-

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors of the Bank:-				
- Fees	511	410	511	410
- Remuneration	1,793	4,607	1,793	4,607
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	528	650	528	650
Total short-term employee benefits*	2,832	5,667	2,832	5,667
Directors of the subsidiaries:-				
- Fees	98	94	-	-
- Remuneration	1,422	1,531	-	-
- Other short term employee benefits (including estimated monetary value of benefits-in-kind)	7	1	-	-
Total short-term employee benefits	1,527	1,626	-	-
Syariah Advisory Committee members	341	335	-	-
	4,700	7,628	2,832	5,667
Other key management personnel:-				
- Short-term employee benefits	14,865	16,425	16,251	17,917
- Share-based payments	410	748	410	748
	15,275	17,173	16,661	18,665

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:-

2016	Salary and other remuneration, including meeting allowance RM'000	Fees RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Directors and Chief Executive Officers:-				
Mahendra Gursahani	1,723	-	528	2,251
Non-executive Directors:-				
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim	9	170	-	179
Datuk Ishak bin Imam Abas	23	100	-	123
Datuk Seri Michael Yam Kong Choy	22	100	-	122
Datuk Khairil Anuar Abdullah	16	100	-	116
Datuk Yvonne Chia (appointed on 4 August 2016)	-	41	-	41
	1,793	511	528	2,832

29. Key management personnel compensation (continued)

2015	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:-				
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
	4,607	410	650	5,667

30. Provisions for loans, advances and financing

	Group 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Provisions for loans, advances and financing:-				
Individual impairment provisions	286,914	512,531	226,657	457,721
- Made in the financial year	291,931	512,830	217,726	447,710
- Discounting of collaterals	55,765	59,757	55,765	59,757
- Written back	(60,782)	(60,056)	(46,834)	(49,746)
Collective impairment provisions	20,017	27,085	32,700	52,773
- Made in the financial year	114,209	110,319	93,750	92,574
- Written back	(94,192)	(83,234)	(61,050)	(39,801)
Bad and doubtful debts on loans, advances and financing:-				
Written off	127,553	131,088	127,553	131,088
Recovered	(83,566)	(100,996)	(70,293)	(87,928)
	350,918	569,708	316,617	553,654

31. 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 2016 RM'000	Group 2015 RM'000	Bank 2016 RM'000	Bank 2015 RM'000
Aggregate value of outstanding credit exposures to connected parties	2,601,515	2,422,784	2,803,396	2,850,423
As a percentage of total credit exposures	5.4%	4.7%	6.9%	6.6%

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

32. 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	
	2016	**2015**
	RM'000	**RM'000**
Transactions		
Income		
Interest on placements or loans	165,263	153,961
Management fee	81,859	88,478
Dividends	21,544	-
	268,666	242,439

	Bank	
	2016	**2015**
	RM'000	**RM'000**
Balances		
Amount due from subsidiaries		
Inter-company placements	4,466,186	6,103,816
Derivative financial instruments	339,249	301,722
Other balances	380,089	464,784
	5,185,524	6,870,322
Amount due to subsidiaries		
Derivative financial instruments	(4,191)	(32,825)
Other balances	(619,064)	(1,927,051)
	(623,255)	(1,959,876)

32. Significant related party transactions and balances (continued)

(b) Transactions and balances with fellow subsidiaries of Standard Chartered PLC

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Transactions				
Income				
Interest on placements or loans	21	3,339	-	3,314
Interest on deposits	675	970	675	970
	696	4,309	675	4,284
Expenditure				
Interest on borrowings	51,641	67,358	51,641	67,358
Interest on deposits	2,155	2,401	2,155	2,401
Other operating expenses	231,192	297,908	214,953	274,122
	284,988	367,667	268,749	343,881

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Balances				
Amount due from fellow subsidiaries of Standard Chartered PLC				
Inter-company loans	110,334	134,050	110,334	134,050
Current accounts	204,744	290,843	204,744	290,843
Derivative financial instruments	1,303,996	1,279,956	1,303,996	1,279,956
Other balances	421,242	435,758	420,844	433,056
	2,040,316	2,140,607	2,039,918	2,137,905
Amount due to fellow subsidiaries of Standard Chartered PLC				
Inter-company deposits	(11,051)	(178,868)	(11,051)	(178,868)
Current accounts	(11,096)	(460,025)	(11,096)	(460,025)
Derivative financial instruments	(689,747)	(817,538)	(689,747)	(817,538)
Amount due in respect of support charges	(73,869)	(133,433)	(58,107)	(118,702)
Other balances	(1,335,786)	(279,678)	(1,329,016)	(268,971)
	(2,121,549)	(1,869,542)	(2,099,017)	(1,844,104)

32. 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 29.

Transactions and balances other than compensation

	Group		Bank	
	2016	2015	2016	2015
Transactions	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Income				
Interest on loans, advances and financing				
- Directors	46	54	46	54
- Other key management personnel	279	298	221	233
- Companies under control or significant influence of key management personnel	1,021	2,231	1,021	2,231
	1,346	2,583	1,288	2,518

	Group		Bank	
	2016	2015	2016	2015
Expenditure	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Interest on deposits				
- Directors	52	68	33	58
- Other key management personnel	90	34	32	14
	142	102	65	72

	Group		Bank	
	2016	2015	2016	2015
Balances	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Loans, advances and financing				
- Directors	888	1,127	888	1,127
- Other key management personnel	6,312	7,044	5,062	5,409
- Companies under control or significant influence of key management personnel	36,029	142,862	36,029	142,862
Deposits				
- Directors	(3,798)	(5,574)	(2,472)	(5,151)
- Other key management personnel	(3,685)	(4,123)	(2,975)	(3,056)
- Companies under control or significant influence of key management personnel	(119,446)	(48,303)	(119,446)	(48,303)

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.

33. Tax expense

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Income tax expense:-				
- Current year	104,964	10,887	90,700	5,798
- Underprovision in prior years	11,862	246	11,873	174
	116,826	11,133	102,573	5,972
Deferred tax expense (Note 34):-				
- Origination/reversal of temporary differences	2,670	3,427	5,875	2,714
- (Over)/under provision in prior years	(11,944)	1,686	(11,648)	1,848
	(9,274)	5,113	(5,773)	4,562
Total tax expense	107,552	16,246	96,800	10,534
Reconciliation of tax expense:-				
Profit before taxation	409,404	42,097	393,307	19,207
Income tax using Malaysian tax rate @ 24% (2015: 25%)	98,257	10,524	94,394	4,802
Non-deductible expenses	9,648	2,656	7,622	2,677
Non-taxable income	(271)	(768)	(5,441)	(768)
Effect of change in tax rate	-	1,902	-	1,801
	107,634	14,314	96,575	8,512
Under/(over) provision in prior years				
- Income tax	11,862	246	11,873	174
- Deferred tax	(11,944)	1,686	(11,648)	1,848
Total tax expense	107,552	16,246	96,800	10,534
Tax recognised directly in equity:-				
AFS reserves	(4,137)	6,066	(3,578)	5,755
Cash flow hedge reserves	865	1,070	865	1,070
Actuarial gains or losses	7	(53)	7	(53)
Total tax recognised directly in equity (Note 34)	(3,265)	7,083	(2,706)	6,772

34. Deferred tax

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

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(10,877)	(8,789)	(11,129)	(9,112)
Other temporary differences	67,076	55,676	61,781	53,991
Tax losses carried forward	85	123	-	-
Actuarial gains or losses	(1,271)	(1,264)	(1,271)	(1,264)
Reserves				
- Available-for-sale	1,343	(2,794)	1,088	(2,490)
- Cash flow hedge	963	1,828	963	1,828
	57,319	44,780	51,432	42,953

34. Deferred tax (continued)

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

	At 1 January 2015 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	Disposal during the year RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2016 RM'000
Group									
Property, plant and equipment	(8,496)	-	(293)	-	(8,789)	-	(2,088)	-	(10,877)
Other temporary differences	64,625	(3,846)	(5,103)	-	55,676	-	11,400	-	67,076
Tax losses carried forward	124	-	(1)	-	123	-	(38)	-	85
Actuarial gains or losses	(1,317)	-	-	53	(1,264)	-	-	(7)	(1,271)
Reserves									
- Available-for-sale	3,272	-	-	(6,066)	(2,794)	-	-	4,137	1,343
- Cash flow hedge	2,898	-	-	(1,070)	1,828	-	-	(865)	963
	61,106	(3,846)	(5,397)	(7,083)	44,780	-	9,274	3,265	57,319
			Note 33	Note 33			Note 33	Note 33	

34. Deferred tax (continued)

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

	At 1 January 2015 RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2015 RM'000	Recognised in statements of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2016 RM'000
Bank							
Property, plant and equipment	(8,846)	(266)	-	(9,112)	(2,017)	-	(11,129)
Other temporary differences	58,287	(4,296)	-	53,991	7,790	-	61,781
Actuarial gains or losses	(1,317)	-	53	(1,264)	-	(7)	(1,271)
Reserves							
- Available-for-sale	3,265	-	(5,755)	(2,490)	-	3,578	1,088
- Cash flow hedge	2,898	-	(1,070)	1,828	-	(865)	963
	54,287	(4,562)	(6,772)	42,953	5,773	2,706	51,432
		Note 33	Note 33		Note 33	Note 33	

35. 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**	
	2016	**2015**
	RM'000	**RM'000**
Amounts of net liabilities recognised in the statement of financial position		
Present value of defined benefit obligations (funded)	-	-
Fair value of plan assets	-	-
Recognised liability for defined benefit obligations	-	-
Movement in present value of defined benefit obligations		
Benefit obligation at 1 January	-	575
Current service cost	-	25
Interest cost	-	12
Settlements	-	110
Actuarial gain recognised in equity	-	(122)
Benefits paid	-	(600)
Benefit obligation at 31 December	-	-
Movement in present value of plan assets		
Fair value at 1 January	-	575
Expected return on plan assets	-	12
Actuarial gain recognised in equity	-	(97)
Employer contributions	-	110
Benefits paid	-	(600)
Fair value at 31 December	-	-

	Group and Bank	
	2016	**2015**
	RM'000	**RM'000**
Components of pension cost		
Amount recognised in statements of comprehensive income		
Current service cost	-	25
Interest cost	-	12
Expected return on plan assets	-	(12)
Total pension cost recognised in statements of comprehensive income (Note 28)	-	25
Actual return on assets		
Actual return on plan assets	-	(85)

35. Staff retirement and service benefits (continued)

	Group and Bank	
	2016	2015
	RM'000	RM'000
Actuarial gains recognised directly in equity		
Cumulative amount at 1 January	5,296	5,271
Recognised during the year	-	25
Cumulative amount at 31 December	5,296	5,296

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

	Group and Bank	
	2016	2015
	Rate per annum	Rate per annum
Discount rate	-	3.0%

	Funded Scheme	
	2016	2015
	RM'000	RM'000
Plan assets comprise:-		
Short term money market instruments and cash	-	-
Total fair value of assets	-	-

35. Staff retirement and service benefits (continued)

Historical information

	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Present value of defined benefit obligations	-	-	575	1,060	1,589
Fair value of plan assets	-	-	(575)	(569)	(1,151)
Deficit in the plan recognised as liabilities of the Bank	-	-	-	491	438
Experience adjustments arising on plan liabilities	-	(122)	(590)	-	-
Experience adjustments arising on plan assets	-	(97)	6	4	-

The Group does not expect to pay contributions to defined benefit plans in 2017 (2016: RM Nil).

36. 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:-

	2016	**2015**
Grant date	4 October	7 October
Share price at grant date	£6.50	£7.41
Exercise price	£5.30	£5.86
Shares granted ('000)	41	83
Vesting period (years)	3	3
Expected volatility (%)	34.2	28
Expected option life (years)	2.41	3.33
Risk free rate (%)	0.1	0.9
Expected dividends (yield) (%)	3.04	6.3
Fair value (£)	1.71	1.40

36. 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:-

	2016 Number ('000)	Weighted average exercise price	2015 Number ('000)	Weighted average exercise price
At 1 January	152	£9.12	142	£11.15
Granted during the year	41	£5.30	83	£5.86
Additional shares for rights issue	0	-	8	-
Exercised during the year	0	-	(4)	£9.65
Lapsed during the year	(50)	£9.52	(76)	£10.81
At 31 December	143	£3.24	152	£9.12
Exercisable at 31 December	8	£11.21	12	£10.98

	2016				2015			
			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
£9.80 / £14.63	£3.24	143	2.41	0.00	£9.12	152	3.33	0.44

36. 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 have 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:-

	2016 Number ('000)	Weighted average exercise price	2015 Number ('000)	Weighted average exercise price
At 1 January	8	-	14	-
Granted during the year	-	-	-	-
Notional dividend	-	-	-	-
Exercised during the year	(1)	-	(4)	-
Lapsed during the year	(1)	-	(2)	-
At 31 December	6	-	8	-
Exercisable at 31 December	6	-	8	-

	2016				2015			
			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	-	6	-	1.17	-	8	-	3.07

36. 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:-

	2016 Number ('000)	Weighted average exercise price	2015 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	1	-	1	-
Exercisable at 31 December	-	-	-	-

	2016				2015			
			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	-	1	-	0.00	-	1	-	0.00

36. 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 four years.

(a) (i) 2011 Performance Share Awards/ Long Term Incentive Plan Award ("LTIP")

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 vesting of awards granted in 2016 are subject to the satisfaction of RoE (subject to a capital underpin) and relative TSR performance measures and achievement of a strategic scorecard. The fair value of the TSR component is calculated using the probability of meeting the measures over a three year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the RoE and strategic measures in the scorecard, to determine the accounting charge.

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.

	2016			2015	
Grant date	15 June	04 May	11 March	10 December	10 December
Share price at grant date	£5.05	£5.08	£4.68	£10.51	£9.34
Shares granted ('000)	-	-	-	-	-
Vesting period (years)	3	3, 3/4/5/6/7	3	5	3
Expected dividends (yield) (%)	-	-	-	5.7	5.7
Fair value (EPS) (£)	-	-	-	2.7	2.6
Fair value (RoRWA) (£)	-	-	-	2.7	2.6
Fair value (TSR) (£)	1.24	1.25, 1.12	1.15	1.1	1.1

36. Equity Compensation Benefits (continued)

iv) 2011 Standard Chartered Share Plan (continued)

(a) (ii) 2011 Performance Share Awards (continued)

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

	2016 Number ('000)	Weighted average exercise price	2015 Number ('000)	Weighted average exercise price
At 1 January	34	-	54	-
Additional shares for rights issue	-	-	2	-
Granted during the year	-	-	-	-
Exercised during the year	-	-	(2)	-
Lapsed during the year	(18)	-	(20)	-
At 31 December	16	-	34	-
Exercisable at 31 December	-	-	-	-

	2016				2015			
			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	-	16	-	7.20	-	34	-	7.71

36. Equity Compensation Benefits (continued)

iv) 2011 Standard Chartered Share Plan (continued)

(a) (iii) Long Term Incentive Plan Award

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

	2016 Number ('000)	Weighted average exercise price	2015 Number ('000)	Weighted average exercise price
At 1 January	-	-	-	-
Granted during the year	91	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
At 31 December	91	-	-	-
Exercisable at 31 December	-	-	-	-

	2016				2015			
			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	-	91	-	9.20	-	-	-	-

36. 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.

			2016				2015		
Grant date	30 November	4 October	15 June	04 May	11 March	1 December	22 September	17 June	19 March
Share price at grant date	£6.41	£6.50	£5.05	£5.08	£4.68	£5.57	£6.73	£10.28	£10.51
Vesting period (years)	2/3, 1, 2, 3	2/3, 1, 2, 3, 4	2/3	2/3, 3, 4, 2/3/4	2/3, 1/2/3/4	2/3	2/3, 1/2/3/4, 2/3/4	2/3	2/3
Expected dividends (yield) (%)	2.48, 0, 2.4, 2.99	2.48, 0, 2.4, 2.99, 3.06	3.6	3.59, 3.37, 3.41, 3.76	3.45, 3.45	6.4	6.4	7.0	7.0
Fair value (£)	6.03, 6.41, 6.11, 5.87	6.11, 6.5, 6.2, 5.95, 5.76	4.6	4.65, 4.6, 4.44, 4.65	4.3, 4.3	4.8	5.8	8.7	8.9

36. 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:-

	2016 Number ('000)	Weighted average exercise price	2015 Number ('000)	Weighted average exercise price
At 1 January	156	-	117	-
Additional shares for rights issue	-	-	8	-
Notional dividend	1	-	5	-
Granted during the year	59	-	73	-
Exercised during the year	(41)	-	(41)	-
Lapsed during the year	(23)	-	(6)	-
At 31 December	152	-	156	-
Exercisable at 31 December	39	-	22	-

	2016				2015			
			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	-	152	-	8.18	-	156	-	5.45

37. 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	
	2016 RM'000	2015 RM'000
Net profit attributable to ordinary shareholder	301,852	25,851

	Group	
	2016 Number ('000)	2015 Number ('000)
Number of ordinary shares outstanding (basic)	125,000	125,000
Effect of conversion of ICPS	95,000	95,000
Weighted average number of ordinary shares (diluted)	220,000	220,000
Basic earnings per ordinary share (sen)	241	21
Diluted earnings per ordinary share (sen)	137	12

38. 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:-

Group	31 December 2016 Principal amount RM'000	31 December 2016 Credit equivalent amount RM'000	31 December 2016 Risk weighted amount RM'000	31 December 2015 Principal amount RM'000	31 December 2015 Credit equivalent amount RM'000	31 December 2015 Risk weighted amount RM'000
Direct credit substitutes	2,141,367	2,141,367	1,284,151	3,057,485	3,057,485	1,177,455
Transaction-related contingent items	3,776,779	3,776,779	1,175,690	4,143,266	4,143,266	1,052,663
Short-term self liquidating trade-related contingencies	184,446	183,862	37,893	257,117	256,653	69,028
Other commitments to extend credit:-						
- maturity not exceeding one year	36,257,881	4,172,955	1,740,395	36,650,829	4,284,899	1,630,547
- maturity exceeding one year	2,429,059	694,304	587,007	3,307,784	1,139,661	846,055
Foreign exchange related contracts:-						
- less than one year	49,581,064	3,009,224	689,570	37,895,111	1,980,582	480,918
- one year to less than five years	12,551,181	1,961,981	772,759	17,890,717	3,331,736	761,596
- five years and above	2,641,904	870,460	136,908	2,775,301	849,789	187,708
Interest rate related contracts:-						
- less than one year	21,155,218	53,426	7,569	14,047,615	36,978	7,203
- one year to less than five years	32,199,345	890,570	188,180	44,620,631	1,241,425	198,539
- five years and above	7,761,427	618,786	120,372	7,017,272	566,229	87,435
Miscellaneous commitments and contingencies	7,321,434	646,066	261,846	2,339,086	173,793	28,981
	178,001,105	19,019,780	7,002,340	174,002,214	21,062,496	6,528,128

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

38. Commitments and contingencies (continued)

	31 December 2016			31 December 2015		
Bank	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Risk weighted amount RM'000**	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Risk weighted amount RM'000**
Direct credit substitutes	2,138,550	2,139,904	1,283,614	3,056,141	3,056,141	1,177,153
Transaction-related contingent items	3,564,104	3,619,175	1,153,576	3,972,160	3,972,160	1,010,282
Short-term self liquidating trade-related contingencies	143,256	146,281	28,906	132,058	131,594	30,604
Other commitments to extend credit:-						
- maturity not exceeding one year	38,692,777	3,833,121	1,573,827	36,010,526	3,939,414	1,494,253
- maturity exceeding one year	2,024,073	601,746	509,514	2,598,880	880,538	647,950
Foreign exchange related contracts:-						
- less than one year	49,536,213	3,007,750	686,077	37,956,009	1,981,713	479,727
- one year to less than five years	12,551,180	2,249,466	868,321	17,890,717	3,331,736	527,351
- five years and above	2,641,904	870,460	136,908	2,775,301	849,789	187,708
Interest rate related contracts:-						
- less than one year	21,155,218	53,426	7,569	14,360,918	36,978	7,203
- one year to less than five years	32,174,557	889,910	206,389	43,768,589	1,215,706	196,205
- five years and above	7,761,427	618,786	120,372	7,017,272	566,229	87,435
Miscellaneous commitments and contingencies	7,341,045	648,386	262,731	2,358,696	176,856	29,880
	179,724,304	18,678,411	6,837,804	171,897,267	20,138,854	5,875,751

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

39. 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 the Group's 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's 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 the 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.

39. 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 ("CRC"), 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.

39. 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's 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.

39. 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 collection 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 PD, LGD, 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.

39. 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 39(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.

39. 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 collection 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.

39. 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 Corporate, 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 41 provides further analysis on the Group's and the Bank's exposure to credit risk.

39. 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 2016.

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.

39. 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.

39. 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 the 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 matching 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)

	←	2016	→	Actual as at
	Average	**High**	**Low**	**31 December 2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trading				
Interest rate risk	2,640	4,255	1,121	3,802
Foreign exchange risk	849	4,246	306	1,266
Non-trading				
Interest rate risk	3,713	5,976	1,962	2,060

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

Note 43 provides further analysis on the Group's and the Bank's exposure to market risk.

39. 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 42 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.

40. 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 2016	Carrying amount RM'000	L&R / OL RM'000	FVTPL HFT/ DUIR RM'000	HFH RM'000	AFS RM'000
Financial assets					
Cash and short term funds	6,500,523	6,500,523	-	-	-
Deposits and placements with banks and other financial institutions	1,278,509	1,278,509	-	-	-
Securities purchased under resale agreements	109,778	109,778	-	-	-
Financial assets held for trading	1,582,445	-	1,582,445	-	-
Investment securities available-for-sale	2,813,353	-	-	-	2,813,353
Loans, advances and financing	29,027,623	29,027,623	-	-	-
Derivative financial assets	4,437,138	-	4,335,971	101,167	-
Other assets	404,157	404,157	-	-	-
Statutory deposits with Bank Negara Malaysia	750,302	750,302	-	-	-
Total financial assets	**46,903,828**	**38,070,892**	**5,918,416**	**101,167**	**2,813,353**
Financial liabilities					
Deposits from customers	31,530,426	31,458,253	72,173	-	-
Investment account of customers	668,677	668,677	-	-	-
Deposits and placements of banks and other financial institutions	3,810,994	3,766,921	44,073	-	-
Obligations on securities sold under repurchase agreements	-	-	-	-	-
Derivative financial liabilities	4,056,364	-	4,046,526	9,838	-
Other liabilities	1,509,139	1,509,139	-	-	-
Subordinated debts	1,000,000	1,000,000	-	-	-
Total financial liabilities	**42,575,600**	**38,402,990**	**4,162,772**	**9,838**	**-**

40. Financial instruments (continued)

Categories of financial instruments (continued)

Group 2015	Carrying amount RM'000	L&R / OL RM'000	FVTPL HFT/ DUIR RM'000	HFH RM'000	AFS RM'000
Financial assets					
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 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	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**
Financial liabilities					
Deposits from customers	32,229,895	32,120,244	109,651	-	-
Investment account of customers	731,155	731,155	-	-	-
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**	**-**

40. Financial instruments (continued)

Categories of financial instruments (continued)

Bank 2016	Carrying amount RM'000	L&R / OL RM'000	FVTPL HFT/ DUIR RM'000	HFH RM'000	AFS RM'000
Financial assets					
Cash and short term funds	5,345,827	5,345,827	-	-	-
Deposits and placements with banks and other financial institutions	5,507,040	5,507,040	-	-	-
Securities purchased under resale agreements	109,778	109,778	-	-	-
Financial assets held for trading	1,582,445	-	1,582,445	-	-
Investment securities available-for-sale	2,713,777	-	-	-	2,713,777
Loans, advances and financing	22,427,136	22,427,136	-	-	-
Derivative financial assets	4,485,347	-	4,384,180	101,167	-
Other assets	874,590	874,590	-	-	-
Statutory deposits with Bank Negara Malaysia	607,152	607,152	-	-	-
Total financial assets	**43,653,092**	**34,871,523**	**5,966,625**	**101,167**	**2,713,777**
Financial liabilities					
Deposits from customers	29,136,849	29,082,275	54,574	-	-
Deposits and placements of banks and other financial institutions	3,749,974	3,709,506	40,468	-	-
Obligations on securities sold under repurchase agreements	-	-	-	-	-
Derivative financial liabilities	4,091,140	-	4,081,302	9,838	-
Other liabilities	1,937,328	1,937,328	-	-	-
Subordinated debts	1,000,000	1,000,000	-	-	-
Total financial liabilities	**39,915,291**	**35,729,109**	**4,176,344**	**9,838**	**-**

40. 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
Financial assets					
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 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	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**
Financial liabilities					
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**	**-**

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

40. Financial instruments (continued)

Net gains and losses arising from financial instruments

	Group		Bank	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net gains/(losses) arising on:-				
Fair value through profit or loss:	466,909	292,175	477,649	292,175
- *Held for trading*	*457,312*	*336,940*	*468,052*	*336,940*
- *Held for hedging*	*9,597*	*(44,765)*	*9,597*	*(44,765)*
Available-for-sale financial assets:	91,148	178,676	119,771	181,011
- *Recognised in other comprehensive income*	*(13,247)*	*18,644*	*(10,579)*	*16,761*
- *Interest income*	*98,412*	*146,176*	*102,823*	*150,394*
- *Reclassified from equity to profit or loss*	*4,855*	*10,782*	*4,855*	*10,782*
- *Dividend income*	*1,128*	*3,074*	*22,672*	*3,074*
Loans and receivables	1,874,987	2,145,902	1,628,965	1,838,810
Financial liabilities measured at amortised costs	(679,771)	(830,398)	(642,470)	(710,430)
	1,753,273	1,786,355	1,583,915	1,601,566

41. Credit risk

(i) Maximum exposure to credit risk

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

	Group				Bank			
	Maximum exposures to credit risk	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures to credit risk	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures to credit risk	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures to credit risk	Credit exposures covered by collaterals and other credit enhancements
	2016		2015		2016		2015	
	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	6,331,020	-	6,695,675	-	5,182,756	-	5,746,249	-
Deposits and placements with banks and other financial institutions	1,278,509	-	16,475	-	5,507,040	-	5,697,714	-
Securities purchased under resale agreements	109,778	109,778	529,245	529,245	109,778	109,778	529,245	529,245
Financial assets held for trading	1,582,445	-	1,545,132	-	1,582,445	-	1,545,132	-
Investment securities available-for-sale (excludes equity shares)	2,804,255	-	4,013,216	-	2,704,679	-	3,406,800	-
Loans, advances and financing	29,027,623	14,378,647	29,616,404	14,403,377	22,427,136	11,321,299	22,886,385	11,434,075
Derivative financial assets	4,437,138	-	4,686,880	-	4,485,347	-	4,687,947	-
Interest/Income receivables	53,949	-	43,383	-	72,269	-	51,685	-
Statutory deposits with Bank Negara Malaysia	750,302	-	876,100	-	607,152	-	615,014	-
	46,375,019	14,488,425	48,022,510	14,932,622	42,678,602	11,431,077	45,166,171	11,963,320

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

41. Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

	Group				Bank			
	Maximum exposures to credit risk	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures to credit risk	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures to credit risk	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures to credit risk	Credit exposures covered by collaterals and other credit enhancements
	2016		2015		2016		2015	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Off-balance sheet items								
Contingent commitments	6,102,592	146,655	7,457,868	1,215,095	5,845,910	124,761	7,160,359	1,204,006
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	38,686,940	772,436	39,958,613	430,178	40,716,850	674,524	38,609,406	264,741
	44,789,532	919,091	47,416,481	1,645,273	46,562,760	799,285	45,769,765	1,468,747

41. 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			
2016			
Derivative financial assets	4,437,138	(1,729,098)	2,708,040
Derivative financial liabilities	(4,056,364)	1,729,098	(2,327,266)
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)
Bank			
2016			
Derivative financial assets	4,485,347	(1,757,029)	2,728,318
Derivative financial liabilities	(4,091,140)	1,757,029	(2,334,111)
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)

41. Credit risk (continued)

(iii) Summary analysis of loans, advances and financing

Group	2016 RM'000	2015 RM'000
Individually impaired loans *	610,921	682,107
Impairment provision on off-balance sheet items	-	(97,852)
Past due but not impaired loans	1,743,306	1,788,933
Neither past due nor impaired loans	27,075,027	27,624,830
Total loans, advances and financing	29,429,254	29,998,018
Collective impairment provisions	(401,631)	(381,614)
	29,027,623	29,616,404

* Included in the balance is RM 162,977,000 (2015: RM 121,068,000), 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	2016 RM'000	2015 RM'000
Individually impaired loans *	580,200	673,912
Impairment provision on off-balance sheet items	-	(97,852)
Past due but not impaired loans	1,321,609	1,354,758
Neither past due nor impaired loans	20,846,292	21,243,832
Total loans, advances and financing	22,748,101	23,174,650
Collective impairment provisions	(320,965)	(288,265)
	22,427,136	22,886,385

* Included in the balance is RM 141,001,000 (2015: RM 108,828,000), 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.

41. 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Neither past due nor individually impaired				
- Grades 1-5	9,009,766	7,381,553	7,312,062	6,731,672
- Grades 6-7	9,281,203	10,945,637	7,061,326	8,325,250
- Grades 8-9	5,934,982	6,015,578	4,090,863	3,837,725
- Grades 10-12	2,849,076	3,282,063	2,382,041	2,349,186
	27,075,027	27,624,831	20,846,292	21,243,833

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Up to 30 days past due	1,392,380	1,451,763	1,033,142	1,086,928
Between 31 - 60 days past due	228,837	241,417	180,051	191,993
Between 61 - 90 days past due	122,089	95,753	108,416	75,837
	1,743,306	1,788,933	1,321,609	1,354,758

41. 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
2016			
Gross impaired loans, advances and financing	1,378,962	80	1,379,042
Individual impairment provisions	768,041	80	768,121
Collective impairment provisions	401,096	535	401,631
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	381,177	437	381,614

Bank	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
2016			
Gross impaired loans, advances and financing	1,322,079	80	1,322,159
Individual impairment provisions	741,879	80	741,959
Collective impairment provisions	320,430	535	320,965
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	287,828	437	288,265

41. 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

	2016			2015		
	Standard & Poors RM'000	RAM RM'000	Total RM'000	Standard & Poors RM'000	RAM RM'000	Total RM'000
AAA	-	2,855,610	2,855,610	-	1,244,628	1,244,628
AA- to AA+	-	467,276	467,276	-	-	-
A- to A+	-	-	-	16,476	-	16,476
	-	3,322,886	3,322,886	16,476	1,244,628	1,261,104

Bank

	2016			2015		
	Standard & Poors RM'000	RAM RM'000	Total RM'000	Standard & Poors RM'000	RAM RM'000	Total RM'000
AAA	-	7,321,796	7,321,796	-	7,348,445	7,348,445
AA- to AA+	-	467,276	467,276	-	-	-
A- to A+	-	-	-	16,476	-	16,476
	-	7,789,072	7,789,072	16,476	7,348,445	7,364,921

(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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Government securities	3,874,941	3,581,625	3,775,365	2,975,209
Debt securities	621,537	2,505,968	621,537	2,505,968
AAA	*200,058*	*1,286,123*	*200,058*	*1,286,123*
AA- to AA+	*421,236*	*1,180,166*	*421,236*	*1,180,166*
A- to A+	-	-	-	-
Lower than A-	-	-	-	-
Unrated	*243*	*39,679*	*243*	*39,679*
Total securities portfolio	4,496,478	6,087,593	4,396,902	5,481,177

42. 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 **As at 31 December 2016**	**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	6,512,939	-	-	-	6,512,939
Deposits and placements with banks and other financial institutions	1,283,925	-	-	-	1,283,925
Securities purchased under resale agreements	110,030	-	-	-	110,030
Financial assets held for trading	68,021	196,711	1,254,450	223,907	1,743,089
Investment securities available-for-sale	67,267	405,098	2,624,462	93,765	3,190,592
Loans, advances and financing					
- Performing	7,031,943	4,280,735	3,030,308	26,532,413	40,875,399
- Impaired	-	-	-	610,921	610,921
Derivative financial assets	974,173	1,448,366	1,385,939	628,660	4,437,138
Other balances	1,172,575	-	-	-	1,172,575
	17,220,873	**6,330,910**	**8,295,159**	**28,089,666**	**59,936,608**
Financial liabilities					
Deposits from customers	27,120,766	4,366,220	943,209	-	32,430,195
Investment account of customers	670,503	-	-	-	670,503
Deposits and placements of banks and other financial institutions	3,777,791	-	49,231	-	3,827,022
Obligations on securities sold under repurchase agreements	-	-	-	-	-
Derivative financial liabilities	586,809	1,337,666	1,718,810	413,079	4,056,364
Other balances	1,256,115	252,875	-	-	1,508,990
Subordinated debts	-	-	-	1,293,100	1,293,100
	33,411,984	**5,956,761**	**2,711,250**	**1,706,179**	**43,786,174**
Net liquidity gap	**(16,191,111)**	**374,149**	**5,583,909**	**26,383,487**	**16,150,434**
Gross loans/financing commitments	**421,788**	**26,886,591**	**7,726,486**	**9,754,668**	**44,789,533**

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

42. Liquidity risk (continued)

Group 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	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	26,064,951	5,511,213	926,927	16,120	32,519,211
Investment account of customers	732,873	-	-	-	732,873
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**

42. 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 2016**	**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	5,354,644	-	-	-	5,354,644
Deposits and placements with banks and other financial institutions	3,034,923	2,515,802	-	-	5,550,725
Securities purchased under resale agreements	110,030	-	-	-	110,030
Financial assets held for trading	68,021	196,711	1,254,450	223,907	1,743,089
Investment securities available-for-sale	67,267	405,088	2,509,356	93,732	3,075,443
Loans, advances and financing					
- Performing	5,768,219	3,330,417	1,975,766	20,839,549	31,913,951
- Impaired	-	-	-	580,200	580,200
Derivative financial assets	974,894	1,448,275	1,433,294	628,884	4,485,347
Other balances	1,381,742	-	-	129,100	1,510,842
	16,759,740	**7,896,293**	**7,172,866**	**22,495,372**	**54,324,271**
Financial liabilities					
Deposits from customers	24,694,661	3,861,844	804,493	-	29,360,998
Deposits and placements of banks and other financial institutions	3,720,320	-	45,170	-	3,765,490
Derivative financial liabilities	587,370	1,337,670	1,754,566	411,534	4,091,140
Other balances	1,686,192	251,114	-	22	1,937,328
Subordinated debts	-	-	-	1,293,100	1,293,100
	30,688,543	**5,450,628**	**2,604,229**	**1,704,656**	**40,448,056**
Net liquidity gap	**(13,928,803)**	**2,445,665**	**4,568,637**	**20,790,716**	**13,876,215**
Gross loans/financing commitments	**384,207**	**29,303,975**	**7,306,725**	**10,135,282**	**47,130,189**

42. Liquidity risk (continued)

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**

43. 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 2016	Non-trading books 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	Trading books RM'000	Total RM'000
Financial assets							
Cash and short term funds	4,980,378	-	-	-	1,520,145	-	6,500,523
Deposits and placements with banks and other financial institutions	1,278,509	-	-	-	-	-	1,278,509
Securities purchased under resale agreements	109,778	-	-	-	-	-	109,778
Financial assets held for trading	-	-	-	-	-	1,582,445	1,582,445
Investment securities available-for-sale	57,961	400,116	2,269,582	76,596	9,098	-	2,813,353
Loans, advances and financing							
- Performing	23,607,623	2,733,344	1,344,815	730,920	-	-	28,416,702
- Impaired	-	-	-	-	610,921	-	610,921
Derivative financial assets	5,690	512	288,698	-	-	4,142,238	4,437,138
Other balances	-	-	-	-	1,154,459	-	1,154,459
	30,039,939	3,133,972	3,903,095	807,516	3,294,623	5,724,683	46,903,828
Financial liabilities							
Deposits from customers	20,050,448	4,297,650	844,730	-	6,337,598	-	31,530,426
Investment account of customers	668,677	-	-	-	-	-	668,677
Deposits and placements of banks and other financial institutions	3,767,380	-	43,614	-	-	-	3,810,994
Derivative financial liabilities	6,088	346	301,899	-	-	3,748,031	4,056,364
Other balances	-	-	-	-	1,509,139	-	1,509,139
Subordinated debts	-	-	-	1,000,000	-	-	1,000,000
	24,492,593	4,297,996	1,190,243	1,000,000	7,846,737	3,748,031	42,575,600
On-balance sheet interest sensitivity gap	5,547,346	(1,164,024)	2,712,852	(192,484)	(4,552,114)	1,976,652	
Off-balance sheet interest sensitivity gap	(1,540,530)	(278,580)	2,143,171	54,803	-	-	
Total interest sensitivity gap	**4,006,816**	**(1,442,604)**	**4,856,023**	**(137,681)**	**(4,552,114)**	**1,976,652**	

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

43. Market risk (continued)

Interest rate risk (continued)

Group As at 31 December 2015	Non-trading books 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	Trading books RM'000	Total 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	18,606,308	5,409,829	813,519	13,611	7,386,628	-	32,229,895
Investment account of customers	731,155	-	-	-	-	-	731,155
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**	

43. Market risk (continued)

Interest rate risk (continued)

Bank As at 31 December 2016	Non-trading books 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	Trading books RM'000	Total RM'000
Financial assets							
Cash and short term funds	3,832,032	-	-	-	1,513,795	-	5,345,827
Deposits and placements with banks and other financial institutions	3,019,237	2,487,803	-	-	-	-	5,507,040
Securities purchased under resale agreements	109,778	-	-	-	-	-	109,778
Financial assets held for trading	-	-	-	-	-	1,582,445	1,582,445
Investment securities available-for-sale	57,961	400,116	2,170,006	76,596	9,098	-	2,713,777
Loans, advances and financing							
- Performing	18,733,777	2,061,956	320,283	730,920	-	-	21,846,936
- Impaired	-	-	-	-	580,200	-	580,200
Derivative financial assets	-	-	-	-	-	4,485,347	4,485,347
Other balances	-	-	-	100,000	1,381,742	-	1,481,742
	25,752,785	**4,949,875**	**2,490,289**	**907,516**	**3,484,835**	**6,067,792**	**43,653,092**
Financial liabilities							
Deposits from customers	18,294,507	3,795,771	708,973	-	6,337,598	-	29,136,849
Deposits and placements of banks and other financial institutions	3,709,974	-	40,000	-	-	-	3,749,974
Derivative financial liabilities	-	-	-	-	-	4,091,140	4,091,140
Other balances	-	-	-	-	1,937,328	-	1,937,328
Subordinated debts	-	-	-	1,000,000	-	-	1,000,000
	22,004,481	**3,795,771**	**748,973**	**1,000,000**	**8,274,926**	**4,091,140**	**39,915,291**
On-balance sheet interest sensitivity gap	3,748,304	1,154,104	1,741,316	(92,484)	(4,790,091)	1,976,652	
Off-balance sheet interest sensitivity gap	(1,540,530)	(278,580)	2,143,171	54,803	-	-	
Total interest sensitivity gap	**2,207,774**	**875,524**	**3,884,487**	**(37,681)**	**(4,790,091)**	**1,976,652**	

43. Market risk (continued)

Interest rate risk (continued)

Bank **As at 31 December 2015**	**Non-trading books** 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	**Trading books RM'000**	**Total 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**	

43. 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:-

2016 Type of Currency	Group Impact on Positions as at Reporting Period (200 basis points) Parallel Shift Increase/(Decline) in profit before taxation RM'000	Group (200 basis points) Parallel Shift Increase/(Decline) in equity RM'000	Bank (200 basis points) Parallel Shift Increase/(Decline) in profit before taxation RM'000	Bank (200 basis points) Parallel Shift Increase/(Decline) in equity RM'000
MYR	15,543	11,812	808	614
USD	6,479	4,924	11,174	8,492
EUR	(5,248)	(3,988)	(5,249)	(3,989)
GBP	(3,633)	(2,761)	(3,633)	(2,761)
JPY	(37)	(28)	(37)	(28)
SGD	(2,426)	(1,844)	(2,426)	(1,844)
AUD	(4,615)	(3,507)	(4,615)	(3,507)
NZD	(378)	(287)	(378)	(287)
HKD	(299)	(227)	(299)	(227)
BND	108	82	108	82
CNY	201	153	201	153
CAD	383	291	383	291
CHF	188	143	188	143
QAR	19	14	19	14
NOK	27	21	27	21

43. Market risk (continued)

Interest rate risk (continued)

	Group		Bank	
2015	**Impact on Positions as at Reporting Period**			
Type of Currency	**(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

43. 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 2016**	**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	3,378,024	2,891,313	-	33,239	197,947	6,500,523
Deposits and placements with banks and other financial institutions	830,000	448,509	-	-	-	1,278,509
Securities purchased under resale agreements	109,778	-	-	-	-	109,778
Financial assets held for trading	1,582,445	-	-	-	-	1,582,445
Investment securities available-for-sale	2,813,353	-	-	-	-	2,813,353
Loans, advances and financing	24,282,788	4,618,011	90,393	6,503	29,928	29,027,623
Derivative financial assets	1,280,973	3,033,044	38,532	58,021	26,568	4,437,138
Other balances	1,039,415	112,936	-	32	2,076	1,154,459
	35,316,776	**11,103,813**	**128,925**	**97,795**	**256,519**	**46,903,828**
Financial liabilities						
Deposits from customers	25,936,298	4,528,927	-	158,297	906,904	31,530,426
Investment account of customers	668,677	-	-	-	-	668,677
Deposits and placements of banks and other financial institutions	1,502,913	1,772,453	-	-	535,628	3,810,994
Derivative financial liabilities	1,897,779	1,786,490	82,448	54,449	235,198	4,056,364
Other balances	981,898	1,300,240	-	(121,479) *	(651,520) *	1,509,139
Subordinated debts	1,000,000	-	-	-	-	1,000,000
	31,987,565	**9,388,110**	**82,448**	**91,267**	**1,026,210**	**42,575,600**
Total foreign currency sensitivity gap	**3,329,211**	**1,715,703**	**46,477**	**6,528**	**(769,691)**	

* Included in 'other balances' is a receivable from an entity amounting to SGD 123,992,444 and AUD 265,622,728 and past due receivable amounting to RM 62,067,112, which will be settled net together with balances in other currencies.

43. Market risk (continued)

Foreign currency risk (continued)

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	26,621,140	4,503,756	-	104,502	1,000,497	32,229,895
Investment account of customers	731,155	-	-	-	-	731,155
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.

43. Market risk (continued)

Foreign currency risk (continued)

Bank As at 31 December 2016	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	2,002,826	3,111,815	-	33,239	197,947	5,345,827
Deposits and placements with banks and other financial institutions	4,485,399	1,011,684	-	-	9,957	5,507,040
Securities purchased under resale agreements	109,778	-	-	-	-	109,778
Financial assets held for trading	1,582,445	-	-	-	-	1,582,445
Investment securities available-for-sale	2,713,777	-	-	-	-	2,713,777
Loans, advances and financing	18,744,137	3,566,151	90,393	6,503	19,952	22,427,136
Derivative financial assets	1,114,985	3,247,241	38,532	58,021	26,568	4,485,347
Other balances	1,385,619	106,708	-	(1,979) *	(8,606) *	1,481,742
	32,138,966	**11,043,599**	**128,925**	**95,784**	**245,818**	**43,653,092**
Financial liabilities						
Deposits from customers	23,699,771	4,374,205	-	158,038	904,835	29,136,849
Deposits and placements of banks and other financial institutions	1,441,893	1,772,453	-	-	535,628	3,749,974
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-
Derivative financial liabilities	1,932,564	1,786,490	82,448	51,953	237,685	4,091,140
Other balances	1,039,347	1,307,641	-	(148,310) **	(261,350) **	1,937,328
Subordinated debts	1,000,000	-	-	-	-	1,000,000
	29,113,575	**9,240,789**	**82,448**	**61,681**	**1,416,798**	**39,915,291**
Total foreign currency sensitivity gap	**3,025,391**	**1,802,810**	**46,477**	**34,103**	**(1,170,980)**	

* Included in 'other balances' is a liability from an entity amounting to SGD 2,010,594 and HKD 9,118,476, which will be settled net together with balances in other currencies.

** Included in 'other balances' is a receivable from an entity amounting to SGD 123,992,444 and AUD 265,622,728 and past due receivable amounting to RM 62,067,112, which will be settled net together with balances in other currencies.

43. 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 and SGD 45,596,000, 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 2015: 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 44 million in profit before tax and RM 33 million in equity (31 December 2015: RM 50 million in profit before tax and RM 38 million in equity).

44. 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial assets				
Cash and short term funds	6,500,523	6,889,236	6,500,523	6,889,236
Deposits and placements with banks and other financial institutions	1,278,509	16,475	1,278,509	16,475
Securities purchased under resale agreement	109,778	529,245	109,778	529,245
Financial assets held for trading	1,582,445	1,545,132	1,582,445	1,545,132
Investment securities available-for-sale	2,813,353	4,022,314	2,813,353	4,022,314
Loans, advances and financing *	29,429,254	29,998,018	29,455,755	29,934,470
Derivative financial assets	4,437,138	4,686,880	4,437,138	4,686,880
Financial liabilities				
Deposits from customers	31,530,426	32,961,050	31,541,114	33,000,619
Investment account of customers	668,677	731,155	668,677	731,155
Deposits and placements of banks and other financial institutions	3,810,994	4,142,685	3,810,994	4,142,685
Obligations on securities sold under repurchase agreements	-	352,549	-	352,549
Subordinated debts	1,000,000	1,000,000	1,000,000	1,000,000
Derivative financial liabilities	4,056,364	4,441,039	4,056,364	4,441,039

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 RM401,631,000 (31 December 2015: RM 381,614,000) is not included in the carrying amount.

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

	Bank			
	Carrying value		Fair value	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Cash and short term funds	5,345,827	5,907,593	5,345,827	5,907,593
Deposits and placements with banks and other financial institutions	5,507,040	5,697,714	5,507,040	5,697,714
Securities purchased under resale agreement	109,778	529,245	109,778	529,245
Financial assets held for trading	1,582,445	1,545,132	1,582,445	1,545,132
Investment securities available-for-sale	2,713,777	3,415,898	2,713,777	3,415,898
Loans, advances and financing *	22,748,101	23,174,650	22,760,629	23,192,909
Derivative financial assets	4,485,347	4,687,947	4,485,347	4,687,947
Financial liabilities				
Deposits from customers	29,136,849	29,495,746	29,145,891	29,504,915
Deposits and placements of banks and other financial institutions	3,749,974	4,025,867	3,749,974	4,025,867
Obligations on securities sold under repurchase agreements	-	352,549	-	352,549
Subordinated debts	1,000,000	1,000,000	1,000,000	1,000,000
Derivative financial liabilities	4,091,140	4,439,370	4,091,140	4,439,370

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 RM320,965,000 (31 December 2015: RM 288,265,000) is not included in the carrying amount.

44. 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) Investment accounts of customers

The fair value of investment accounts of customers is equivalent to placement value as it is regarded as short term financial instrument, defined as those with remaining maturities of less than one year and the carrying fair value is considered to be a reasonable estimate of its fair values.

(iii) Subordinated debts

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

(iv) Obligations on securities sold under repurchase agreements

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

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

Methods and Assumptions (continued)

Financial Liabilities (continued)

(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.

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 detemined 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	Private debt equity investments
		Over-the-counter ("OTC") derivatives	Corporate bonds with illiquid markets
		Cash and short term funds	Loans, advances and financing
		Deposits and placements with banks and other financial institutions	
		Securities purchased under resale agreements	
		Other assets	
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	

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

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total	Carrying
2016	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	fair value	amount
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short term funds	-	-	-	-	-	6,500,523	-	6,500,523	6,500,523	6,500,523
Deposits and placements with banks and other financial institutions	-	-	-	-	-	1,278,509	-	1,278,509	1,278,509	1,278,509
Securities purchased under resale agreement	-	-	-	-	-	109,778	-	109,778	109,778	109,778
Loans, advances and financing	-	-	-	-	-	-	29,455,755	29,455,755	29,455,755	29,429,254
Financial assets held for trading										
Malaysian Government / Bank Negara Bills	-	126,445	-	126,445	-	-	-	-	126,445	126,445
Debt securities	-	1,456,000	-	1,456,000	-	-	-	-	1,456,000	1,456,000
Derivative financial instruments	495	4,436,643	-	4,437,138	-	-	-	-	4,437,138	4,437,138
Investment securities available-for-sale										
Malaysian Government / Bank Negara Bills	-	3,364	-	3,364	-	-	-	-	3,364	3,364
Debt securities	-	2,800,891	-	2,800,891	-	-	-	-	2,800,891	2,800,891
Unquoted equity securities, at cost	-	-	-	-	-	-	9,098	9,098	9,098	9,098
Other assets	-	-	-	-	-	404,157	-	404,157	404,157	404,157
At 31 December 2016	495	8,823,343	-	8,823,838	-	8,292,967	29,464,853	37,757,820	46,581,658	46,555,157

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

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Group 2016 Liabilities	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Deposits from customers	-	72,173	-	72,173	-	31,468,941	-	31,468,941	31,541,114	31,530,426
Investment accounts of customers	-	-	-	-	-	668,677	-	668,677	668,677	668,677
Deposits and placements of banks and other financial institutions	-	44,073	-	44,073	-	3,766,921	-	3,766,921	3,810,994	3,810,994
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	267	4,056,097	-	4,056,364	-	-	-	-	4,056,364	4,056,364
Other liabilities	-	-	-	-	-	1,509,139	-	1,509,139	1,509,139	1,509,139
Subordinated debts	-	-	-	-	-	1,000,000	-	1,000,000	1,000,000	1,000,000
At 31 December 2016	267	4,172,343	-	4,172,610	-	38,413,678	-	38,413,678	42,586,288	42,575,600

44. 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	Carrying
	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	fair value RM'000	amount 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

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

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Group 2015 Liabilities	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	RM'000	RM'000
Deposits from customers	-	109,651	-	109,651	-	32,890,968	-	32,890,968	33,000,619	32,961,050
Investment accounts of customers	-	-	-	-	-	731,155	-	731,155	731,155	731,155
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	-	40,679,427	-	40,679,427	45,708,057	45,523,653

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

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Bank	**Fair value of financial instruments carried at fair value**				**Fair value of financial instruments not carried at fair value**				**Total**	**Carrying**
2016	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**fair value**	**amount**
Assets	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short term funds	-	-	-	-	-	5,345,827	-	5,345,827	5,345,827	5,345,827
Deposits and placements with banks and other financial institutions	-	-	-	-	-	5,507,040	-	5,507,040	5,507,040	5,507,040
Securities purchased under resale agreement	-	-	-	-	-	109,778	-	109,778	109,778	109,778
Loans, advances and financing	-	-	-	-	-	-	22,760,629	22,760,629	22,760,629	22,748,101
Financial assets held for trading										
Malaysian Government / Bank Negara Bills		126,445	-	126,445	-	-	-	-	126,445	126,445
Debt securities		1,456,000	-	1,456,000	-	-	-	-	1,456,000	1,456,000
Derivative financial instruments	495	4,484,852	-	4,485,347	-	-	-	-	4,485,347	4,485,347
Investment securities available-for-sale										
Malaysian Government / Bank Negara Bills	-	3,364	-	3,364	-	-	-	-	3,364	3,364
Debt securities	-	2,701,315	-	2,701,315	-	-	-	-	2,701,315	2,701,315
Unquoted equity securities, at cost	-	-	-	-	-	-	9,098	9,098	9,098	9,098
Other assets	-	-	-	-	-	874,590	-	874,590	874,590	874,590
At 31 December 2016	495	8,771,976	-	8,772,471	-	11,837,235	22,769,727	34,606,962	43,379,433	43,366,905

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

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Bank 2016 Liabilities	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Deposits from customers	-	54,574	-	54,574	-	29,091,317	-	29,091,317	29,145,891	29,136,849
Deposits and placements of banks and other financial institutions	-	40,468	-	40,468	-	3,709,506	-	3,709,506	3,749,974	3,749,974
Obligations on securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	267	4,090,873	-	4,091,140	-	-	-	-	4,091,140	4,091,140
Other liabilities	-	-	-	-	-	1,937,328	-	1,937,328	1,937,328	1,937,328
Subordinated debts	-	-	-	-	-	1,000,000	-	1,000,000	1,000,000	1,000,000
At 31 December 2016	267	4,185,915	-	4,186,182	-	35,738,151	-	35,738,151	39,924,333	39,915,291

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

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Bank	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total	Carrying
2015	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	fair value	amount
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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

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

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Bank	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total	Carrying
2015	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	fair value	amount
Liabilities	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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

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

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

Methods and Assumptions (continued)

Fair value hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments:

	2016 Investment securities available-for-sale	2015 Investment securities available-for-sale
Group	**RM'000**	**RM'000**
At 1 January	-	1,404
Arising from disposal of a subsidiary	-	(1,404)
At 31 December	-	-

Derivative financial instruments

Group

(i) Derivatives held for trading

	2016 Principal amounts RM'000	2016 Positive fair value RM'000	2016 Negative fair value RM'000	2015 Principal amounts RM'000	2015 Positive fair value RM'000	2015 Negative fair value RM'000
Foreign exchange derivative contracts:-						
- Forward foreign exchange	36,856,271	815,138	531,576	29,420,442	755,846	547,685
- Currency swaps	23,737,883	2,870,548	2,814,136	24,744,461	3,078,911	3,116,365
- Options purchased	2,356,197	160,247	-	2,197,997	251,074	-
- Options sold	1,823,795	-	134,993	2,198,227	-	170,386
Interest rate derivative contracts:-						
- Swaps	59,301,855	254,180	333,453	62,402,604	292,958	386,905
- Options purchased	165,953	2	551	1,168,753	7,732	-
- Options sold	201,347	-	(57)	511,030	-	1,222
- Exchange traded futures	-	-	-	-	-	-
Equity derivative contracts:-						
- Equity swaps and forwards	133,463	3,702	252	378,913	17,345	14,199
Commodity derivative contracts:-						
- Forward rate agreements and options	7,167,496	231,622	231,622	1,810,943	185,883	185,971
Credit derivative contracts	20,475	532	-	149,229	3,912	-
Total derivatives held for trading	**131,764,735**	**4,335,971**	**4,046,526**	**124,982,599**	**4,593,661**	**4,422,733**

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

Derivative financial instruments (continued)

Group

(ii) Derivatives held-for-hedging

	2016 Principal amounts RM'000	2016 Positive fair value RM'000	2016 Negative fair value RM'000	2015 Principal amounts RM'000	2015 Positive fair value RM'000	2015 Negative fair value RM'000
Derivatives designated as fair value hedges:-						
- Swaps	778,838	101,167	8,970	835,134	93,219	12,514
Derivatives designated as cash flow hedges:-						
- Swaps	668,000	-	868	768,000	-	5,792
Total derivatives held-for-hedging	**1,446,838**	**101,167**	**9,838**	**1,603,134**	**93,219**	**18,306**
	133,211,573	**4,437,138**	**4,056,364**	**126,585,733**	**4,686,880**	**4,441,039**

Bank

(i) Derivatives held for trading

	2016 Principal amounts RM'000	2016 Positive fair value RM'000	2016 Negative fair value RM'000	2015 Principal amounts RM'000	2015 Positive fair value RM'000	2015 Negative fair value RM'000
Foreign exchange derivative contracts:-						
- Forward foreign exchange	36,811,421	814,995	529,850	29,392,914	753,836	547,558
- Currency swaps	23,737,883	2,918,149	2,850,306	24,744,461	3,078,910	3,116,364
- Options purchased	2,356,197	160,247	-	2,242,132	252,658	-
- Options sold	1,823,795	-	134,993	2,242,518	-	170,813
Interest rate derivative contracts:-						
- Swaps	59,277,067	254,180	333,454	62,177,169	292,958	381,470
- Options purchased	165,953	2	551	855,450	7,732	-
- Options sold	201,347	-	(57)	511,030	-	1,222
- Exchange traded futures	-	-	-	-	-	-
Equity derivative contracts:-						
- Equity swaps and forwards	153,074	4,453	583	398,524	18,839	14,199
Commodity derivative contracts:-						
- Forward rate agreements and options	7,167,496	231,622	231,622	1,810,943	185,883	189,438
Credit derivative contracts	20,475	532	-	149,229	3,912	-
Total derivatives held for trading	**131,714,708**	**4,384,180**	**4,081,302**	**124,524,370**	**4,594,728**	**4,421,064**

(ii) Derivatives held-for-hedging

	2016 Principal amounts RM'000	2016 Positive fair value RM'000	2016 Negative fair value RM'000	2015 Principal amounts RM'000	2015 Positive fair value RM'000	2015 Negative fair value RM'000
Derivatives designated as fair value hedges:-						
- Swaps	778,836	101,167	8,970	835,132	93,219	12,514
Derivatives designated as cash flow hedges:-						
- Swaps	668,000	-	868	768,000	-	5,792
Total derivatives held-for-hedging	**1,446,836**	**101,167**	**9,838**	**1,603,132**	**93,219**	**18,306**
	133,161,544	**4,485,347**	**4,091,140**	**126,127,502**	**4,687,947**	**4,439,370**

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

Derivative financial instruments by sector

Group	2016 Principal amounts RM'000	2016 Positive fair value RM'000	2016 Negative fair value RM'000
Agriculture	34,984	1,801	1,441
Mining and quarrying	876,642	21,231	68,065
Manufacturing	7,633,786	199,510	81,361
Electricity, gas and water	70,451	-	10,083
Construction	1,142,071	9,330	48,095
Real estate	1,496,771	12,580	244,522
Wholesale & retail trade and restaurants & hotels	-	-	-
Transportation, storage and communication	2,136,606	36,891	314,233
Finance, insurance and business services	113,416,646	4,068,062	3,097,241
Others	6,403,616	87,733	191,323
	133,211,573	**4,437,138**	**4,056,364**

Group	2015 Principal amounts RM'000	2015 Positive fair value RM'000	2015 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**

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

Derivative financial instruments by sector (continued)

Bank	2016 Principal amounts RM'000	2016 Positive fair value RM'000	2016 Negative fair value RM'000
Agriculture	34,984	1,801	1,441
Mining and quarrying	876,642	21,231	68,065
Manufacturing	7,608,998	199,510	81,361
Electricity, gas and water	70,451	-	10,083
Construction	1,142,071	9,330	48,095
Real estate	1,496,771	12,580	244,522
Transportation, storage and communication	2,136,606	36,891	314,233
Finance, insurance and business services	114,214,812	4,144,672	3,136,631
Others	5,580,209	59,332	186,709
	133,161,544	**4,485,347**	**4,091,140**

Bank	2015 Principal amounts RM'000	2015 Positive fair value RM'000	2015 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**

45. 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Less than one year	26,644	26,392	25,781	25,178
Between one and five years	73,309	51,082	72,534	50,738
More than five years	22,416	28,461	22,416	28,461
	122,369	105,935	120,731	104,377

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.

46. Capital commitments

	Group		Bank	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capital Expenditure:-				
- authorised and contracted for	-	306	-	306

47. 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.

47. 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 48 and Note 21 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”).

47. 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.

48. Capital adequacy

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

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	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	3,384,655	3,065,962	3,194,199	2,880,851
Less: Deferred tax assets	(55,589)	(44,485)	(49,841)	(42,335)
Excess of expected loss over eligible provisions under AIRB approach	-	-	-	-
Unrealised gains and losses on 'available-for-sale' financial instruments	(4,417)	3,973	(3,613)	3,135
Investment in subsidiaries deducted from CET 1 capital	-	-	(246,913)	(164,609)
CET 1 capital	3,824,649	3,525,450	3,393,832	3,177,042
Irredeemable Convertible Preference Shares	380,000	380,000	380,000	380,000
Eligible Tier 1 capital	4,204,649	3,905,450	3,773,832	3,557,042
Tier 2 Capital				
Subordinated bonds	1,000,000	1,000,000	1,000,000	1,000,000
Collective impairment provisions under standardised approach	13,558	16,411	6,339	6,969
Surplus of total eligible provisions over total expected loss under AIRB approach	73,115	92,612	61,683	105,124
Non-controlling interest	-	-	-	-
	1,086,673	1,109,023	1,068,022	1,112,093
Less: Investment in subsidiaries	-	-	(264,609)	(346,913)
Eligible Tier 2 capital	1,086,673	1,109,023	803,413	765,180
Total capital base	5,291,322	5,014,473	4,577,245	4,322,222

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

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total risk-weighted assets:-				
Credit risk	26,688,495	24,770,839	24,229,571	21,834,621
Market risk	898,151	1,550,201	898,151	1,550,201
Operational risk	3,344,050	3,473,947	3,195,375	3,273,059
	30,930,696	29,794,987	28,323,097	26,657,881

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

	Group		Bank	
	2016	2015	2016	2015
Before proposed dividend:-				
CET 1 capital ratio	12.365%	11.832%	11.983%	11.918%
Tier 1 capital ratio	13.594%	13.108%	13.324%	13.343%
Risk-weighted capital ratio	17.107%	16.830%	16.161%	16.214%

48. Capital adequacy (continued)

	Group 2016	Group 2015	Bank 2016	Bank 2015
After proposed dividend:-				
CET 1 capital ratio	12.002%	11.832%	11.586%	11.918%
Tier 1 capital ratio	13.230%	13.108%	12.927%	13.343%
Risk-weighted capital ratio	16.744%	16.830%	15.764%	16.214%

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

	2016	2015
CET 1 capital ratio	15.806%	13.129%
Tier 1 capital ratio	15.806%	13.129%
Risk-weighted capital ratio	18.739%	15.711%

49. Comparative figures

For the financial year ended 31 December 2016, the Bank's subsidiary, SCSB is required to disclose its 'Income derived from investment of Islamic banking capital funds and shareholders' funds' into the various categories of 'Income derived from investment of depositors' funds and others, investment account funds and Islamic banking capital funds and shareholder's funds'. Accordingly, the 'Income attributable to investment account holders' is also disclosed separately from the 'Income attributable to depositors'.

For the financial year ended 31 December 2015, 'Income derived from investment of investment account funds' was shown on a net basis of income from investment, less profit distributed to investment account holders. In 2016, the Group decided to present the gross balances in line with the presentation of the related investment account assets and liabilities.

Arising from the above, the Group amended certain prior year comparative figures to conform to the current year's presentation, as follows:

Net income from Islamic Banking operations

	As previously reported RM'000	Re-classification RM'000	As restated RM'000
Income derived from investment of depositors' funds and others	296,371	50,634	347,005
Income derived from investment account funds	-	56,772	56,772
Income attributable to depositors	(102,083)	(32,746)	(134,829)
Income attributable to investment account holders	-	(9,678)	(9,678)
Income derived from investment of Islamic banking capital funds and shareholder's funds	132,206	(64,982)	67,224