

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

Unaudited Balance Sheets as at 30/06/2003

	<u>Group</u>		<u>Bank</u>	
	Current Financial Half-Year 30/06/2003 RM'000	Previous Financial Year-End 31/12/2002 RM'000	Current Financial Half-Year 30/06/2003 RM'000	Previous Financial Year-End 31/12/2002 RM'000
<u>ASSETS</u>				
Cash and short term funds	2,296,980	2,234,069	2,296,980	2,234,069
Deposits and placements with banks and other financial institutions	19,000	815,200	19,000	815,200
Dealing securities	588,025	364,356	588,025	364,356
Investment securities	3,846,962	3,621,202	3,846,962	3,621,202
Loans, advances and financing	14,571,453	13,550,858	14,571,453	13,550,858
Other assets	114,748	113,594	114,748	113,594
Statutory deposits with Bank Negara Malaysia	418,000	398,000	418,000	398,000
Investments in subsidiary companies	-	-	22	22
Property, plant and equipment	74,426	90,100	74,426	90,100
Total Assets	<u>21,929,594</u>	<u>21,187,379</u>	<u>21,929,616</u>	<u>21,187,401</u>
<u>LIABILITIES AND SHAREHOLDERS' FUNDS</u>				
Deposits from customers	12,899,676	13,432,902	12,899,676	13,432,902
Deposits and placement of banks and other financial institutions	4,229,301	3,435,230	4,229,301	3,435,230
Obligations on securities sold under repurchase agreements	2,124,455	1,675,996	2,124,455	1,675,996
Bills and acceptances payable	248,353	300,571	248,353	300,571
Other liabilities	905,005	821,573	905,027	821,595
Redeemable preference shares	190,000	190,000	190,000	190,000
Total Liabilities	<u>20,596,790</u>	<u>19,856,272</u>	<u>20,596,812</u>	<u>19,856,294</u>
Share Capital	125,000	125,000	125,000	125,000
Reserves	1,207,804	1,206,107	1,207,804	1,206,107
Shareholders' Funds	<u>1,332,804</u>	<u>1,331,107</u>	<u>1,332,804</u>	<u>1,331,107</u>
Total Liabilities and Shareholders' Funds	<u>21,929,594</u>	<u>21,187,379</u>	<u>21,929,616</u>	<u>21,187,401</u>
<u>COMMITMENTS AND CONTINGENCIES</u>	<u>34,460,077</u>	<u>31,787,669</u>	<u>34,460,077</u>	<u>31,787,669</u>
<u>CAPITAL ADEQUACY</u>				
Core capital ratio	10.72%	10.95%	10.72%	10.95%
Risk-weighted capital ratio	14.00%	14.48%	14.00%	14.48%

**STANDARD CHARTERED BANK MALAYSIA BERHAD
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**Unaudited Income Statement
For the Half-Year Ended 30/06/2003**

	Group and Bank	
	Current Financial Half-Year 30/06/2003 RM'000	Preceding Year Corresponding Half-Year 30/06/2002 RM'000
Interest income	569,554	562,177
Interest expense	(238,302)	(262,088)
Net interest income	<u>331,252</u>	<u>300,089</u>
Net Islamic Banking Operating Income	1,749	1,749
Non-Interest Income	<u>131,059</u>	<u>118,045</u>
Operating Income	464,060	419,883
Staff Cost and Overheads	(217,916)	(224,386)
Profit Before Provision	<u>246,144</u>	<u>195,497</u>
Allowance for bad and doubtful debts and financing	(26,730)	(34,549)
Profit Before Taxation (and Zakat)	<u>219,414</u>	<u>160,948</u>
Taxation	(58,417)	(43,061)
Profit After Taxation	<u><u>160,997</u></u>	<u><u>117,887</u></u>
Earnings Per Share (sen)	<u><u>129</u></u>	<u><u>94</u></u>

NOTES TO THE HALF YEAR FINANCIAL ACCOUNTS AS AT 30 JUNE 2003

1 Accounting Policies

The accounting policies and methods of computation for these financial statements are consistent to those adopted for the annual financial statements for the year ended 31 December 2002. There have been no significant changes to these policies.

2 Exceptional Items

There were no exceptional items for the half year ended 30 June 2003.

3 Extraordinary Items

There were no extraordinary items for the half year ended 30 June 2003.

4 Taxation

There were no material transfers in respect of deferred taxation and no material adjustments made for over or under provision for taxation of prior years.

5 Pre-acquisition Profit

There were no pre-acquisition profits for the half year ended 30 June 2003.

6 Profit on Sale of Investments and/or Properties

There were no sale of investments or properties for the half year ended 30 June 2003 other than in the ordinary course of business.

7 Quoted Shares

There were no purchases or disposals of quoted shares for the half year ended 30 June 2003 other than in the ordinary course of business.

8 Changes in the composition of the company

There were no significant changes in the composition of the Bank for the half year ended 30 June 2003.

9 Status of Corporate Proposals

There were no corporate proposals that have been announced but not completed as at the date of this report.

10 Seasonal or Cyclical Factors

The business operations of the Group have not been affected by any material seasonal or cyclical factors.

11 Issuance and Repayment of Debt and Equity Securities

There were no issuances and repayment of debt and equity securities, share-buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current half year ended 30 June 2003.

12 Deposits and Placements of Banks and Other Financial Institutions and Debt Securities

Items	Group and Bank	
	Current Financial Half-Year 30/06/2003 RM'000	Previous Financial Year-End 31/12/2002 RM'000
Deposits from customers		
- Fixed deposits and negotiable instruments of deposits		
One year or less (short-term)	7,966,660	7,794,792
More than one year (medium/long term)	94,214	240,623
- Other Deposits	4,838,802	5,397,487
	12,899,676	13,432,902
Deposits and Placements of Banks and Other Financial Institutions		
One year or less (short-term)	4,179,301	3,435,230
More than one year (medium/long term)	50,000	0
	4,229,301	3,435,230

13 Commitments and Contingencies

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

Risk Weighted Exposures of the Group and Bank as at 30/06/2003

	Current Financial Half-Year 30/06/2003		Previous Financial Year-End 31/12/2002	
	Principal Amount RM'm	Credit Equivalent Amount RM'm	Principal Amount RM'm	Credit Equivalent Amount RM'm
Direct credit substitutes	407,322	407,322	459,506	459,506
Transaction-related contingent items	2,068,403	1,034,202	2,451,481	1,225,741
Short-term self-liquidating trade-related contingencies	474,508	94,902	284,119	56,824
Irrevocable commitments to extend credit				
- maturity more than one year	1,632,406	816,203	2,003,992	1,001,996
- maturity less than one year	4,796,546	0	4,969,440	0
Foreign exchange related contracts	11,964,327	204,110	9,622,836	196,540
Interest rate related contracts	12,448,669	198,018	11,404,600	164,474
Miscellaneous	667,896	0	591,695	0
Total	34,460,077	2,754,757	31,787,669	3,105,081

14 Off Balance Sheet Financial Instruments

Value of Contracts Classified by Remaining Period to Maturity/Next Repricing Date (whichever earlier).

Group and Bank

Items	Principal Amount RM'000	1 mth or less RM'000	>1 - 3 mths RM'000	>3 - 6 mths RM'000	>6 - 12 mths RM'000	>1 - 5 yrs RM'000	>5 yrs RM'000
Foreign exchange related contracts							
- forwards	10,826,971	3,963,259	3,508,475	2,948,766	400,634	5,837	0
- swaps	494,000	0	0	0	0	494,000	0
- options	643,356	18,918	615,010	9,428	0	0	0
Interest rate related contracts							
- futures	7,710,200	0	1,096,200	838,000	2,039,000	3,737,000	0
- swaps	4,738,469	80,000	305,000	55,000	1,133,488	3,124,981	40,000
Total	24,412,996	4,062,177	5,524,685	3,851,194	3,573,122	7,361,818	40,000

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of 30 June 2003, the amount of contracts which were not hedged and, hence, exposed to market risk was RM 53 million (FYE 31 Dec 2002: RM14 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Bank has a gain position. As at end of 30 June 2003, the amount of credit risk, measured in term of the cost to replace the profitable contracts, was RM 103 million (FYE 31 Dec 2002: RM 94 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related accounting policies

(i) Forward Exchange Contracts

Unmatured forward exchange contracts are valued at forward rates as at balance sheet date, applicable to their respective dates of maturity, and unrealised losses and gains are recognised in the profit and loss account for the year.

(ii) Interest Rate Swaps, Futures, Forward and Option Contracts

The Bank acts as an intermediary with counterparties who wish to swap their interest rate obligations. The Bank also uses derivative financial instruments interest rate swaps, futures, forward and option contracts in its trading account activities and in overall interest rate risk management.

Derivative financial instruments used for hedging purposes are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rate swaps, futures, forward and option contracts that qualify as hedges are generally deferred and amortised over the life of the hedged assets or liabilities as adjustments to interest income or expense. Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current year using the mark-to-market method, and are included in the net result from dealing securities.

15 Material Litigation

The Bank does not have any material litigation which in the opinion of the Directors would have a material adverse effect on the financial results of the Bank.

16 Segmental Reporting on Revenue, Profit and Assets

STANDARD CHARTERED BANK MALAYSIA BERHAD	<u>Group</u>		<u>Bank</u>	
	Current Financial Half-Year 30/06/2003 RM'000	Preceding Year Corresponding Half-Year 30/06/2002 RM'000	Current Financial Half-Year 30/06/2003 RM'000	Preceding Year Corresponding Half-Year 30/06/2002 RM'000
<u>Commercial Bank</u>				
Turnover	702,362	681,971	702,362	681,971
Profit Before Tax	219,414	160,948	219,414	160,948
Total Assets	21,929,594	20,351,404	21,929,616	20,351,426
<u>Grand Total</u>				
Turnover	702,362	681,971	702,362	681,971
Profit Before Tax	219,414	160,948	219,414	160,948
Total Assets	21,929,594	20,351,404	21,929,616	20,351,426

SEGMENTAL REPORTING ON LOANS, ADVANCES AND FINANCING ANALYSED BY THEIR ECONOMIC PURPOSES

	<u>Group and Bank</u>	
	Current Financial Half-Year 30/06/2003 RM'000	Previous Financial Year-End 31/12/2002 RM'000
Agriculture	164,518	217,859
Mining and quarrying	21,877	18,495
Manufacturing	1,061,066	1,429,467
Electricity, gas and water	2,487	4,517
Construction	261,385	393,815
Real estate	106,308	119,068
Purchase of landed property	9,822,827	9,002,692
(of which - residential	8,551,445	7,894,338
- non-residential)	1,271,382	1,108,354
General commerce	821,950	914,270
Transport, storage and communication	665,032	120,467
Finance, insurance and business services	556,138	511,936
Purchase of securities	91	127
Consumption credit	1,594,086	1,010,478
Others	724,138	1,242,687
Total	15,801,903	14,985,878

NON-PERFORMING LOANS

	Group and Bank	
	Current Financial Half-Year 30/06/2003 RM'000	Previous Financial Year-End 31/12/2002 RM'000
Opening balance	1,891,261	2,111,085
Non-performing during the period/year (gross)	674,574	1,080,228
Performing during the year	(275,730)	(489,844)
Amount recovered	(332,979)	(639,572)
Amount written-off	(270,308)	(132,543)
Amount converted to debt securities/equities	(8,385)	(38,093)
Closing balance	1,678,433	1,891,261
Total net non-performing loans (and financing)	664,783	695,236
(as % of total loans)	4.50%	5.04%

LOAN LOSS ALLOWANCE

Movements in the allowance for bad and doubtful debts (and financing) and interest-in-suspense (income-in-suspense) accounts are as follows:

	Group and Bank	
	Current Financial Half-Year 30/06/2003 RM'000	Previous Financial Year-End 31/12/2002 RM'000
<u>General Provision</u>		
Opening balance	238,995	306,180
Provision made during the period	13,780	4,840
Amount written back to income statement	(35,975)	(72,025)
Closing balance	216,800	238,995
<u>Specific Provision</u>		
Opening balance	808,839	796,714
Provision made during the period	71,518	138,658
Amount recovered	(33,908)	(72,324)
Amount written-off	(193,957)	(37,857)
Amount transferred to provision for diminution in value	(4,557)	(16,352)
Closing balance	647,935	808,839
<u>Interest-in-suspense / income-in-suspense</u>		
Opening balance	387,186	321,785
Provision made during the period	69,980	158,849
Amount recovered	(41,342)	(68,751)
Amount written-off	(46,214)	(24,697)
Amount transferred to provision for diminution in value	(3,895)	-
Closing balance	365,715	387,186

17 Material Changes in Profit for the Half-Year

The Bank registered a profit before tax of **RM 219 million** as compared to **RM 161 million** for the corresponding period in 2002 principally from higher net interest income and fee income and from lower loans loss and allowance.

18 Review of Group Results

This note is not applicable as all transactions of the Group are done through the Bank.

19 Prospects for the Current Financial Year

The Bank will continue to focus on its core areas of operations as well as other areas where it has the expertise and competitive strength. The Bank remains committed to grow its business in Malaysia and will continue to play its role in the economic development of the country. Barring any unforeseen circumstances, the prospects of the Bank for the rest of the year are expected to be in line with the current economic conditions.

20 Dividends Declared

Interim dividends (gross) of 152 sen per share less tax (Dec 2002:177 sen per share less tax), totalling RM 136.80 million in respect of the half year ended 30 June 2003 will be declared. The interim dividends declared have not been accounted for in the financial statements of the Bank as at 30 June 2003.

21 Risk-weighted Capital Ratio

Profit after tax of **RM161 million** for the current half-year which was included in the capital base, was subjected to a limited review by the external auditors in accordance with Technical Bulletin 4.