



**Standard Chartered Bank
Malaysia Berhad**
(Company No. 115793P)
(Incorporated in Malaysia)
and its subsidiaries

**Financial statements for the financial half
year ended 30 June 2008**

Domiciled in Malaysia
Principal place of business
Level 16, Menara Standard Chartered
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEET AS AT 30 JUNE 2008

| | Note | Group | | Bank | |
|--|------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | | 30 June 2008 RM'000 | 31 December 2007 RM'000 | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Assets | | | | | |
| Cash and short term funds | | 13,560,501 | 14,819,024 | 13,560,501 | 14,819,024 |
| Deposits and placements with banks and other financial institutions | | 450,000 | 1,205,475 | 450,000 | 1,205,475 |
| Securities purchased under resale agreements | | 1,333,135 | 96,473 | 1,333,135 | 96,473 |
| Securities held for trading | 11 | 736,566 | 2,206,946 | 736,566 | 2,206,946 |
| Securities available-for-sale | 12 | 5,109,331 | 1,357,729 | 5,109,331 | 1,357,729 |
| Loans, advances and financing | 13 | 20,302,737 | 19,551,580 | 20,302,737 | 19,551,580 |
| Other receivables | 15 | 3,779,526 | 1,862,384 | 3,779,526 | 1,862,384 |
| Prepaid lease payments | | 1,161 | 1,173 | 1,161 | 1,173 |
| Statutory deposits with Bank Negara Malaysia | | 615,520 | 667,233 | 615,520 | 667,233 |
| Investments in subsidiaries | | - | - | 22 | 22 |
| Property, plant and equipment | | 56,453 | 57,674 | 56,453 | 57,674 |
| Deferred tax assets | | 99,589 | 89,225 | 99,589 | 89,225 |
| Total assets | | 46,044,519 | 41,914,916 | 46,044,541 | 41,914,938 |
| Liabilities | | | | | |
| Deposits from customers | 16 | 30,439,527 | 30,724,716 | 30,439,527 | 30,724,716 |
| Deposits and placements of banks and other financial institutions | 17 | 7,408,266 | 4,736,148 | 7,408,266 | 4,736,148 |
| Bills and acceptances payable | | 1,058,128 | 872,710 | 1,058,128 | 872,710 |
| Recourse obligations on loans sold to Cagamas | | 218,234 | 290,733 | 218,234 | 290,733 |
| Other payables | 18 | 4,241,414 | 2,640,389 | 4,241,436 | 2,640,411 |
| Tax payable | | 74,588 | 22,009 | 74,588 | 22,009 |
| Subordinated debts | | 852,755 | 875,916 | 852,755 | 875,916 |
| Total liabilities | | 44,292,912 | 40,162,621 | 44,292,934 | 40,162,643 |
| Equity | | | | | |
| Share capital | | 125,000 | 125,000 | 125,000 | 125,000 |
| Reserves | | 1,626,607 | 1,627,295 | 1,626,607 | 1,627,295 |
| Total equity attributable to equity holders of the Bank | 19 | 1,751,607 | 1,752,295 | 1,751,607 | 1,752,295 |
| Total liabilities and equity | | 46,044,519 | 41,914,916 | 46,044,541 | 41,914,938 |
| Commitments and contingencies | 27 | 189,607,088 | 149,290,462 | 189,607,088 | 149,290,462 |
| CAPITAL ADEQUACY | | | | | |
| Core capital ratio | 26 | 6.72% | 6.11% | 6.72% | 6.11% |
| Risk-weighted capital ratio | 26 | 11.55% | 11.81% | 11.55% | 11.81% |

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2007.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2008

| | Note | Group and Bank 2nd Quarter ended | | Group and Bank Six months ended | |
|---|------|-------------------------------------|---------------------------|------------------------------------|---------------------------|
| | | 30 June 2008 RM'000 | 30 June 2007 RM'000 | 30 June 2008 RM'000 | 30 June 2007 RM'000 |
| Interest income | 20 | 398,477 | 508,489 | 850,498 | 978,850 |
| Interest expense | 21 | (222,163) | (273,829) | (456,299) | (520,341) |
| Net interest income | | 176,314 | 234,660 | 394,199 | 458,509 |
| Net income from Islamic Banking operations | 29 | 19,176 | 12,036 | 34,479 | 30,467 |
| | | 195,490 | 246,696 | 428,678 | 488,976 |
| Other operating income | 22 | 162,544 | 84,048 | 493,590 | 185,175 |
| Total net income | | 358,034 | 330,744 | 922,268 | 674,151 |
| Other operating expenses | 23 | (160,199) | (148,402) | (338,680) | (297,732) |
| Operating profit | | 197,835 | 182,342 | 583,588 | 376,419 |
| Allowance for bad and doubtful debts and financing | 24 | (26,508) | (32,190) | (60,418) | (66,872) |
| Profit before taxation | | 171,327 | 150,152 | 523,170 | 309,547 |
| Tax expense | | (32,484) | (42,642) | (130,249) | (88,427) |
| Profit for the period | | 138,843 | 107,510 | 392,921 | 221,120 |

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2007.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2008

| | Note | Group and Bank | |
|--|------|---------------------------|---------------------------|
| | | 30 June 2008 RM'000 | 30 June 2007 RM'000 |
| Unrealised net gain on revaluation of securities available-for-sale | | 10,317 | 12,806 |
| Realised gain from disposal of securities available-for-sale transferred to income statements | | (3,407) | (12,372) |
| Unrealised loss on cash flow hedge | | (32,820) | (6,290) |
| Realised loss/(gain) on cash flow hedge transferred to income statements | | 8,817 | (689) |
| Tax on income and expense recognised directly in equity | | 4,284 | 1,833 |
| Income and expense recognised directly in equity | 19 | (12,809) | (4,712) |
| Profit for the period | | 392,921 | 221,120 |
| Total recognised income and expense for the period attributable to equity holders of the Bank | | 380,112 | 216,408 |

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2007.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2008

| | Group and Bank | |
|--|---------------------------|---------------------------|
| | 30 June 2008 RM'000 | 30 June 2007 RM'000 |
| Profit before taxation | 523,170 | 309,547 |
| Adjustment for non-operating items | (1,719) | (484) |
| Adjustment for non-cash items | 223 | 4,979 |
| Operating profit before working capital changes | 521,674 | 314,042 |
| Changes in working capital:- | | |
| Net changes in operating assets | (1,651,396) | 330,760 |
| Net changes in operating liabilities | 4,077,087 | 6,588,973 |
| Income taxes paid | (83,750) | (67,422) |
| Net cash generated from operating activities | 2,863,615 | 7,166,353 |
| Net cash (used in)/generated from investing activities | (3,741,338) | 1,092,399 |
| Net cash used in financing activities | (380,800) | (208,780) |
| Net (decrease)/increase in cash and cash equivalents | (1,258,523) | 8,049,972 |
| Cash and cash equivalent at beginning of the year | 14,819,024 | 5,220,283 |
| Cash and cash equivalent at end of the period | 13,560,501 | 13,270,255 |

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2007.

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REVIEW OF PERFORMANCE

The Bank's profit before taxation for the financial half year ended 30 June 2008 was RM 523.17 million, which is RM 213.62 million or 69.01% higher than the corresponding period last year. Net interest income declined by 14.03% to RM 394.20 million while other operating income (including income from Islamic Banking operations) increased by RM 312.43 million to RM 528.07 million. Allowance for bad and doubtful debts was lower by RM 6.45 million while overheads increased by RM 40.95 million. Total assets registered an increase of RM 4.13 billion or 9.85% to RM 46.04 billion compared to the last financial year ended 31 December 2007. The Bank's core capital ratio and risk-weighted capital ratio remained strong at 6.72% and 11.55% respectively.

PROSPECTS

The Bank will continue to grow its business in Malaysia in support of a focused strategic agenda to achieve the Standard Chartered PLC's ambition to be the best international bank, leading the way in Asia, Africa and the Middle East. Over the past few years, the Bank has built significant momentum to lead the way in product innovation, service, performance culture, corporate governance and enhancing shareholder value. The strategic agenda for 2008 is set out below:-

- Deliver superior financial performance, consistently delivering double digit growth
- Continuously improve the way we work, to make things simpler, faster and better
- Massively multiply our leadership capability, attracting and retaining more talent and turning managers into true leaders
- Reinforce the brand, making it even more powerful and well-known across our footprint
- Building our Saadiq brand name to grow our Islamic Banking business

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Notes to the financial statements for the financial half year ended 30 June 2008

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the second quarter and the financial half year ended 30 June 2008 have been prepared in accordance with FRS 134, Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB") and Bank Negara Malaysia guidelines.

The financial statements incorporate those activities relating to Islamic Banking which have been undertaken by the Bank. Islamic Banking refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The accounting policies and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2007.

The MASB issued a number of new and revised Financial Reporting Standards ("FRSs"), which is applicable for the current financial reporting period. The unaudited condensed interim financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRSs.

The adoption of these new and revised FRSs does not have significant financial impact on the Group or the Bank.

2. Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2007 was not qualified.

3. Seasonal or cyclical factors

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

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank in the second quarter and the financial half year ended 30 June 2008.

5. Changes in accounting estimates

There were no material changes in estimates of amounts reported that have a material effect on the unaudited condensed interim financial statements in the second quarter and the financial half year ended 30 June 2008.

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6. Issuances, cancellations, repurchases, resale and repayments of securities portfolio

There were no issuance and repayment of debt and equity securities, share-buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the financial half year ended 30 June 2008.

7. Dividend

During the financial half year ended 30 June 2008, a special dividend (gross) of 76 sen per share less tax, totalling RM 70,000,000 and a final dividend (gross) of 336 sen per share, less income tax, amounting to RM 310,800,000 in respect of the financial year ended 31 December 2007 were paid on 17 March 2008.

8. Carrying amount of revalued assets

The Group's and the Bank's property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The valuations of certain land and buildings of the Group and the Bank have been brought forward without amendment from the previous audited annual financial statements for the financial year ended 31 December 2007.

9. Subsequent events

There were no material events subsequent to the balance sheet date that requires disclosure or adjustments to the unaudited condensed interim financial statements.

10. Changes in the composition of the Group

There were no significant changes in the composition of the Group in the financial half year ended 30 June 2008, other than as disclosed in Note 12.

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11. Securities held for trading

| | Group and Bank | |
|---------------------------------------|-----------------|---------------------|
| | 30 June 2008 | 31 December 2007 |
| | RM'000 | RM'000 |
| <u>At fair value</u> | | |
| Quoted securities:- | | |
| Malaysian Government treasury bills | 11,996 | 44,889 |
| Malaysian Government bonds/securities | 91,764 | 621,551 |
| Government Islamic bonds | - | 1,156 |
| Bank Negara Malaysia bills | 219,484 | 968,219 |
| Cagamas bonds | 9,600 | - |
| Negotiable instrument of deposits | 99,993 | - |
| Private debt securities | 303,729 | 571,131 |
| | <u>736,566</u> | <u>2,206,946</u> |

12. Securities available-for-sale

| | Group and Bank | |
|---------------------------------------|------------------|---------------------|
| | 30 June 2008 | 31 December 2007 |
| | RM'000 | RM'000 |
| <u>At fair value</u> | | |
| Quoted securities:- | | |
| Malaysian Government bonds/securities | 77,920 | 495,792 |
| Bank Negara Malaysia bills | 4,490,551 | 423,251 |
| Cagamas bonds | 97,144 | 98,999 |
| Negotiable instruments of deposit | 244,993 | 84,997 |
| Government Islamic bonds | 24,713 | 70,142 |
| Private debt securities | 122,545 | 156,816 |
| Equity shares | 23,842 | 109 |
| | <u>5,081,708</u> | <u>1,330,106</u> |
| Unquoted securities:- | | |
| Equity shares | 9,098 | 9,098 |
| Private debt securities | 18,525 | 18,525 |
| | <u>5,109,331</u> | <u>1,357,729</u> |

Included in unquoted equity shares are 51% shareholdings held in Popular Ambience Sdn. Bhd. ("PASB") and Resolution Alliance Sdn Bhd ("RASB"), amounting to RM 51 each. Both companies are incorporated in Malaysia. The remaining 49% shareholdings are held by Standard Chartered Bank (Hong Kong) Limited ("SCBHK"). The principal activities of PASB and RASB are that of special purpose vehicles established to undertake the purchase of non-performing loans.

In accordance with paragraphs 12 and 13 of FRS 127, Consolidated and Separate Financial Statements, consolidated financial statements shall include the financial statements of all subsidiaries of the parent where control exists.

The shareholders of PASB and RASB have signed a Master Shareholders' Agreement in which the Bank had assigned its rights over all the profits or losses of PASB and RASB and the entitlement to appoint Directors of PASB and RASB to SCBHK. Pursuant to these Master Shareholders' Agreement, the Bank therefore ceased to have control over PASB and RASB as it does not have the ability to exercise its power to govern the financial and operating policies of PASB and RASB so as to obtain benefits from its activities. On this basis, PASB and RASB are excluded from the Group's consolidation and they are classified under securities available-for-sale.

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

| | Group and Bank | |
|--|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Overdrafts | 793,585 | 827,879 |
| Term loans/financing | | |
| - Housing loans/financing | 10,516,637 | 10,605,666 |
| - Syndicated term loan/financing | 93,025 | 104,805 |
| - Lease receivables | 23,672 | 20,477 |
| - Other term loans/financing | 3,752,063 | 3,561,782 |
| Bills receivable | 2,021,218 | 1,426,634 |
| Trust receipts | - | 2,825 |
| Claims on customers under acceptance credits | 1,051,389 | 876,907 |
| Staff loans/financing (of which loans to Directors - Nil for 2008 and 2007) | 92,422 | 96,051 |
| Loans/financing to banks and other financial institutions | 80,344 | 77,380 |
| Credit card receivables | 1,363,867 | 1,454,096 |
| Revolving credit | 1,365,621 | 1,289,039 |
| | <u>21,153,843</u> | <u>20,343,541</u> |
| Less unearned interest and income | (343,420) | (294,122) |
| Gross loans, advances and financing | 20,810,423 | 20,049,419 |
| Less allowance for bad and doubtful debts and financing:- | | |
| Specific | (197,765) | (197,418) |
| General | (309,921) | (300,421) |
| Total net loans, advances and financing | <u>20,302,737</u> | <u>19,551,580</u> |

(ii) By type of customer

| | Group and Bank | |
|--|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Domestic banking institutions | 80,344 | 77,380 |
| Domestic non-bank financial institutions | 708,179 | 379,847 |
| <i>Stockbroking companies</i> | - | - |
| <i>Others</i> | 708,179 | 379,847 |
| Domestic business enterprises | 5,518,599 | 4,982,658 |
| <i>Small medium enterprises</i> | 1,591,994 | 1,611,805 |
| <i>Others</i> | 3,926,605 | 3,370,853 |
| Government and statutory bodies | - | - |
| Individuals | 14,058,576 | 14,313,914 |
| Other domestic entities | 912 | 1,136 |
| Foreign entities | 443,813 | 294,484 |
| | <u>20,810,423</u> | <u>20,049,419</u> |

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

| | Group and Bank | |
|---------------------------------|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Fixed rate | | |
| Housing loans/financing | 76,114 | 78,659 |
| Other fixed rate loan/financing | 2,009,528 | 1,970,533 |
| Variable rate | | |
| BLR plus | 12,868,595 | 12,942,834 |
| Cost plus | 3,608,704 | 2,814,564 |
| Other variable rates | <u>2,247,482</u> | <u>2,242,829</u> |
| | <u>20,810,423</u> | <u>20,049,419</u> |

(iv) By sector

| | Group and Bank | |
|---|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Agriculture | 149,736 | 150,748 |
| Mining and quarrying | 70,315 | 19,498 |
| Manufacturing | 2,000,222 | 1,874,006 |
| Electricity, gas and water | 7,095 | 3,284 |
| Construction | 236,687 | 167,119 |
| Real estate | 48,038 | 76,254 |
| Purchase of landed property | 12,292,125 | 12,480,472 |
| - Residential | <u>10,558,133</u> | <u>10,695,345</u> |
| - Non-residential | <u>1,733,992</u> | <u>1,785,127</u> |
| Wholesale & retail trade and restaurants & hotels | 1,997,487 | 1,526,502 |
| Transport, storage and communication | 155,899 | 173,925 |
| Finance, insurance and business services | 1,053,866 | 662,300 |
| Consumption credit | 2,683,306 | 2,710,557 |
| Others | <u>115,647</u> | <u>204,754</u> |
| | <u>20,810,423</u> | <u>20,049,419</u> |

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14. Non-performing loans/financing (NPL/NPF)**(i) Movements in the non-performing loans, advances and financing**

| | Group and Bank | |
|--|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| At 1 January | 556,673 | 797,750 |
| Classified as non-performing during the financial period | 230,240 | 521,187 |
| Reclassified as performing during the financial period | (128,428) | (289,357) |
| Amount recovered during the financial period | (34,869) | (53,183) |
| Amount written off | (78,394) | (153,706) |
| Sale of non-performing loans | - | (266,018) |
| At end of reporting period | <u>545,222</u> | <u>556,673</u> |
| Specific allowance | <u>(197,765)</u> | <u>(197,418)</u> |
| Net non-performing loans, advances and financing | <u><u>347,457</u></u> | <u><u>359,255</u></u> |
| Ratio of net non-performing loans, advances and financing to net loans, advances and financing | <u>1.69%</u> | <u>1.81%</u> |

(ii) Movements in allowance for bad and doubtful debts

| | Group and Bank | |
|--|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| General Allowance | | |
| At 1 January | 300,421 | 298,410 |
| Allowance made during the financial period | <u>9,500</u> | <u>2,011</u> |
| At end of reporting period | <u><u>309,921</u></u> | <u><u>300,421</u></u> |
| As a percentage of total gross loans less specific allowance | <u>1.5%</u> | <u>1.5%</u> |
| Specific Allowance | | |
| At 1 January | 197,418 | 328,116 |
| Allowance made during the financial period | 100,572 | 247,834 |
| Amount written back in respect of recoveries | (56,914) | (149,992) |
| Amount written off | (43,311) | (87,702) |
| Sale of non-performing loans | - | (140,838) |
| At end of reporting period | <u><u>197,765</u></u> | <u><u>197,418</u></u> |

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14. Non-performing loans/financing (NPL/NPF) (continued)**(iii) NPL/NPF by sector**

| | Group and Bank | |
|---|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Mining and quarrying | 500 | 500 |
| Manufacturing | 65,078 | 72,659 |
| Construction | 4,237 | 4,104 |
| Real estate | 734 | - |
| Purchase of landed property | 376,975 | 398,472 |
| - Residential | 352,694 | 369,834 |
| - Non-residential | 24,281 | 28,638 |
| Wholesale & retail trade and restaurants & hotels | 13,200 | 13,971 |
| Transport, storage and communication | 89 | 363 |
| Finance, insurance and business services | 9,038 | 9,743 |
| Consumption credit | 47,258 | 52,335 |
| Others | 28,113 | 4,526 |
| | 545,222 | 556,673 |

15. Other receivables

| | Group and Bank | |
|--|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Derivatives | 1,988,361 | 1,216,288 |
| Interest/Income receivable | 79,294 | 90,098 |
| Other receivables, deposit and prepayments | 1,711,871 | 555,998 |
| | 3,779,526 | 1,862,384 |

16. Deposits from customers**(i) By type of deposit**

| | Group and Bank | |
|------------------------------------|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Demand deposits | 8,974,435 | 9,206,601 |
| Savings deposits | 3,831,149 | 3,544,097 |
| Fixed/Investment deposits | 15,803,424 | 16,249,026 |
| Negotiable instruments of deposits | 1,830,519 | 1,724,992 |
| | 30,439,527 | 30,724,716 |

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16. Deposits from customers (continued)**(ii) By type of customers**

| | Group and Bank | |
|---------------------------------|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Government and statutory bodies | 43,907 | 9,661 |
| Business enterprises | 11,170,425 | 12,240,336 |
| Individuals | 16,067,857 | 15,358,050 |
| Others | 3,157,338 | 3,116,669 |
| | <u>30,439,527</u> | <u>30,724,716</u> |

17. Deposits and placements of banks and other financial institutions

| | Group and Bank | |
|------------------------------|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Licensed banks | 1,299,993 | 741,911 |
| Bank Negara Malaysia | 63,792 | 689,028 |
| Other financial institutions | 6,044,481 | 3,305,209 |
| | <u>7,408,266</u> | <u>4,736,148</u> |

18. Other payables

| | Group | |
|-----------------------------|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Derivatives | 1,825,321 | 1,093,286 |
| Interest/Profit payable | 199,590 | 195,305 |
| Other payables and accruals | 2,216,503 | 1,351,798 |
| | <u>4,241,414</u> | <u>2,640,389</u> |

| | Bank | |
|------------------------------|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Derivatives | 1,825,321 | 1,093,286 |
| Interest/Profit payable | 199,590 | 195,305 |
| Amount owing to subsidiaries | 22 | 22 |
| Other payables and accruals | 2,216,503 | 1,351,798 |
| | <u>4,241,436</u> | <u>2,640,411</u> |

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19. Capital and reserves**Reconciliation of movement in capital and reserves**

| GROUP AND BANK | ← <i>Non Distributable Reserves</i> → | | | | | → <i>Distributable Reserves</i> | | Total RM'000 |
|---|---------------------------------------|----------------------------|---------------------------------|---|---------------------------|--|-------------------------------|------------------|
| | Share capital RM'000 | Share premium RM'000 | Statutory reserves RM'000 | Capital redemption reserves RM'000 | AFS reserves RM'000 | Cash flow hedge reserves RM'000 | Retained profits RM'000 | |
| At 1 January 2007 | 125,000 | 375,000 | 125,000 | 190 | 9,111 | 22,226 | 1,317,547 | 1,974,074 |
| Unrealised net gain on revaluation of securities available-for-sale | - | - | - | - | 9,221 | - | - | 9,221 |
| Realised gain from disposal of securities available-for-sale transferred to income statements | - | - | - | - | (8,908) | - | - | (8,908) |
| Unrealised loss on cash flow hedge | - | - | - | - | - | (4,529) | - | (4,529) |
| Realised gain on cash flow hedge transferred to income statements | - | - | - | - | - | (496) | - | (496) |
| Net gains/(losses) recognised directly in equity | - | - | - | - | 313 | (5,025) | - | (4,712) |
| Profit for the period | - | - | - | - | - | - | 221,120 | 221,120 |
| Total recognised income and expense for the period | - | - | - | - | 313 | (5,025) | 221,120 | 216,408 |
| Dividends (ordinary shares):- - 2006 final | - | - | - | - | - | - | (208,780) | (208,780) |
| At 30 June 2007 | 125,000 | 375,000 | 125,000 | 190 | 9,424 | 17,201 | 1,329,887 | 1,981,702 |

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19. Capital and reserves (continued)**Reconciliation of movement in capital and reserves (continued)**

| GROUP AND BANK | ← <i>Non Distributable Reserves</i> → | | | | | → <i>Distributable Reserves</i> | | Total RM'000 |
|---|---------------------------------------|----------------------------|---------------------------------|---|---------------------------|--|-------------------------------|------------------|
| | Share capital RM'000 | Share premium RM'000 | Statutory reserves RM'000 | Capital redemption reserves RM'000 | AFS reserves RM'000 | Cash flow hedge reserves RM'000 | Retained profits RM'000 | |
| At 1 January 2008 | 125,000 | 375,000 | 125,000 | 190 | (1,102) | 4,571 | 1,123,636 | 1,752,295 |
| Unrealised net gain on revaluation of securities available-for-sale | - | - | - | - | 7,748 | - | - | 7,748 |
| Realised gain from disposal of securities available-for-sale transferred to income statements | - | - | - | - | (2,555) | - | - | (2,555) |
| Unrealised loss on cash flow hedge | - | - | - | - | - | (24,615) | - | (24,615) |
| Realised loss on cash flow hedge transferred to income statements | - | - | - | - | - | 6,613 | - | 6,613 |
| Net gains/(losses) recognised directly in equity | - | - | - | - | 5,193 | (18,002) | - | (12,809) |
| Profit for the period | - | - | - | - | - | - | 392,921 | 392,921 |
| Total recognised income and expense for the period | - | - | - | - | 5,193 | (18,002) | 392,921 | 380,112 |
| Dividends (ordinary shares):- | | | | | | | | |
| - 2008 special | - | - | - | - | - | - | (70,000) | (70,000) |
| - 2007 final | - | - | - | - | - | - | (310,800) | (310,800) |
| At 30 June 2008 | 125,000 | 375,000 | 125,000 | 190 | 4,091 | (13,431) | 1,135,757 | 1,751,607 |

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20. Interest income

| | Group and Bank | | Group and Bank | |
|--|--------------------------|----------------|-------------------------|----------------|
| | 2nd Quarter ended | | Six months ended | |
| | 30 June | 30 June | 30 June | 30 June |
| | 2008 | 2007 | 2008 | 2007 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans and advances | | | | |
| - Interest income other than recoveries from NPLs | 253,752 | 314,960 | 547,805 | 611,131 |
| - Recoveries from NPLs | 12,663 | 15,897 | 25,807 | 31,315 |
| Money at call and deposit placements with banks and other financial institutions | 112,756 | 148,648 | 239,724 | 278,310 |
| Securities held for trading | 4,242 | 9,719 | 9,274 | 15,106 |
| Securities available-for-sale | 8,755 | 20,257 | 19,696 | 48,014 |
| | <u>392,168</u> | <u>509,481</u> | <u>842,306</u> | <u>983,876</u> |
| Amortisation of premium less accretion of discount | 15,112 | 8,431 | 21,412 | 14,336 |
| Interest suspended | (8,803) | (9,423) | (13,220) | (19,362) |
| Total interest income | <u>398,477</u> | <u>508,489</u> | <u>850,498</u> | <u>978,850</u> |

21. Interest expense

| | Group and Bank | | Group and Bank | |
|---|--------------------------|----------------|-------------------------|----------------|
| | 2nd Quarter ended | | Six months ended | |
| | 30 June | 30 June | 30 June | 30 June |
| | 2008 | 2007 | 2008 | 2007 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits and placements of banks and other financial institutions | 32,541 | 51,786 | 78,396 | 83,526 |
| Deposits from customers | 182,006 | 216,897 | 362,035 | 426,147 |
| Loans sold to Cagamas | 2,229 | 5,146 | 5,146 | 10,668 |
| Subordinated debt | 5,387 | - | 10,722 | - |
| | <u>222,163</u> | <u>273,829</u> | <u>456,299</u> | <u>520,341</u> |

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22. Other operating income

| | Group and Bank 2nd Quarter ended | | Group and Bank Six months ended | |
|---|-------------------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2008 RM'000 | 30 June 2007 RM'000 | 30 June 2008 RM'000 | 30 June 2007 RM'000 |
| Fee income:- | | | | |
| Commission | 36,096 | 35,998 | 74,215 | 73,744 |
| Service charges and fees | 1,498 | 4,848 | 7,295 | 12,631 |
| Guarantee fees | 5,938 | 3,434 | 11,475 | 7,250 |
| | <u>43,532</u> | <u>44,280</u> | <u>92,985</u> | <u>93,625</u> |
| Gain/(loss) from sale of securities and other financial instruments | | | | |
| - Securities held for trading and other financial instruments | 201,644 | (21,329) | 211,787 | (19,831) |
| - Securities available-for-sale | 238 | 2,955 | 3,937 | 5,412 |
| Unrealised (loss)/gain on revaluation of securities held-for-trading and other financial instruments | (137,251) | 18,377 | 32,611 | 23,482 |
| Gross dividends from unquoted investments | 1,442 | 484 | 1,719 | 484 |
| | <u>66,073</u> | <u>487</u> | <u>250,054</u> | <u>9,547</u> |
| Other income:- | | | | |
| Foreign exchange currency gains | | | | |
| - Gain from dealing in foreign currency | 1,776 | 27,385 | 81,188 | 57,689 |
| - Unrealised gain from foreign exchange translation | 51,066 | 11,776 | 40,118 | 24,041 |
| Rental income | 97 | 120 | 251 | 269 |
| Gain on disposal of property, plant and equipment | - | - | 139 | 4 |
| Others | - | - | 28,855 | - |
| | <u>52,939</u> | <u>39,281</u> | <u>150,551</u> | <u>82,003</u> |
| Total other operating income | <u>162,544</u> | <u>84,048</u> | <u>493,590</u> | <u>185,175</u> |

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23. Other operating expenses

| | Group and Bank 2nd Quarter ended | | Group and Bank Six months ended | |
|--|---|------------------------------------|--|------------------------------------|
| | 30 June 2008 RM'000 | 30 June 2007 RM'000 | 30 June 2008 RM'000 | 30 June 2007 RM'000 |
| Personnel costs | | | | |
| - Salaries, bonus, wages and allowances | 63,015 | 54,184 | 126,232 | 111,785 |
| - Pension fund contributions | 5,987 | 5,400 | 12,364 | 10,769 |
| - Other staff related cost | 6,517 | 6,619 | 11,757 | 12,139 |
| | <u>75,519</u> | <u>66,203</u> | <u>150,353</u> | <u>134,693</u> |
| Establishment costs | | | | |
| - Depreciation | 5,064 | 5,436 | 10,039 | 10,476 |
| - Amortisation of prepaid lease payments | 6 | 6 | 12 | 12 |
| - Rental | 4,744 | 4,945 | 10,328 | 10,231 |
| - Information technology and project expenses | 25,439 | 14,108 | 45,226 | 33,881 |
| - Others | 7,610 | 8,822 | 13,770 | 14,955 |
| | <u>42,863</u> | <u>33,317</u> | <u>79,375</u> | <u>69,555</u> |
| Marketing expenses | | | | |
| - Advertisement and publicity | 2,747 | 5,425 | 8,810 | 9,567 |
| - Others | 3,952 | 4,166 | 6,377 | 7,557 |
| | <u>6,699</u> | <u>9,591</u> | <u>15,187</u> | <u>17,124</u> |
| Administration and general expenses | | | | |
| - Communication expenses | 3,874 | 3,709 | 7,929 | 7,390 |
| - Group administration and business support expenses | 18,745 | 12,247 | 44,357 | 19,849 |
| - Outsourcing expenses | 7,377 | 6,692 | 14,966 | 12,987 |
| - Others | 5,122 | 16,643 | 26,513 | 36,134 |
| | <u>35,118</u> | <u>39,291</u> | <u>93,765</u> | <u>76,360</u> |
| Total other operating expenses | <u>160,199</u> | <u>148,402</u> | <u>338,680</u> | <u>297,732</u> |

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24. Allowance for bad and doubtful debts and financing

| | Group and Bank | | Group and Bank | |
|---|--------------------------|----------------|-------------------------|----------------|
| | 2nd Quarter ended | | Six months ended | |
| | 30 June | 30 June | 30 June | 30 June |
| | 2008 | 2007 | 2008 | 2007 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Allowance for bad and doubtful debts on loans, advances and financing:- | | | | |
| Specific allowance (net) | 24,230 | 23,010 | 43,658 | 46,696 |
| - Made in the financial period | 53,478 | 60,992 | 100,572 | 122,181 |
| - Written back | (29,248) | (37,982) | (56,914) | (75,485) |
| General allowance | | | | |
| - Made in the financial period | - | - | 9,500 | 2,811 |
| Bad and doubtful debts on loans and financing:- | | | | |
| Written off | 18,394 | 19,890 | 36,504 | 37,739 |
| Recovered | (16,116) | (10,710) | (29,244) | (20,374) |
| | <u>26,508</u> | <u>32,190</u> | <u>60,418</u> | <u>66,872</u> |

25. Credit exposure to connected parties

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

| | Group | |
|--|----------------|--------------------|
| | 30 June | 31 December |
| | 2008 | 2007 |
| | RM'000 | RM'000 |
| Aggregate value of outstanding credit exposures to connected parties | 1,674,564 | 1,637,907 |
| As a percentage of total credit exposures | 4.4% | 4.8% |
| Aggregate value of outstanding credit exposures to connected parties which is non-performing or in default | 692 | 266 |
| As a percentage of total credit exposures | 0.0% | 0.0% |
| | Bank | |
| | 30 June | 31 December |
| | 2008 | 2007 |
| | RM'000 | RM'000 |
| Aggregate value of outstanding credit exposures to connected parties | 1,991,921 | 1,708,131 |
| As a percentage of total credit exposures | 5.2% | 5.0% |
| Aggregate value of outstanding credit exposures to connected parties which is non-performing or in default | 692 | 266 |
| As a percentage of total credit exposures | 0.0% | 0.0% |

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26. Capital adequacy

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

| | Group and Bank | |
|---|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Tier 1 Capital | | |
| Paid-up ordinary share capital | 125,000 | 125,000 |
| Share premium | 375,000 | 375,000 |
| Other reserves | 1,260,947 | 868,027 |
| Less: Deferred tax assets | (108,380) | (105,220) |
| Total Tier 1 Capital | <u>1,652,567</u> | <u>1,262,807</u> |
| Tier 2 Capital | | |
| Islamic subordinated debt | 380,000 | 380,000 |
| Subordinated bonds | 500,000 | 500,000 |
| General allowance for bad and doubtful debts and financing | 309,921 | 300,421 |
| Total Tier 2 Capital | <u>1,189,921</u> | <u>1,180,421</u> |
| Total capital | 2,842,488 | 2,443,228 |
| Less: Investment in subsidiaries | (22) | (22) |
| Total Capital Base | <u>2,842,466</u> | <u>2,443,206</u> |

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

| | 2008 | | 2007 | |
|-----------------------------|--|--|--|--|
| | Principal amount RM'000 | Risk weight amount RM'000 | Principal amount RM'000 | Risk weight amount RM'000 |
| 0% | 19,188,698 | - | 15,318,050 | - |
| 10% | - | - | - | - |
| 20% | 7,586,114 | 1,517,223 | 7,052,759 | 1,410,552 |
| 50% | 13,119,934 | 6,559,967 | 11,407,134 | 5,703,567 |
| 100% | 12,328,599 | 12,328,599 | 11,905,849 | 11,905,849 |
| | <u>52,223,345</u> | <u>20,405,789</u> | <u>45,683,792</u> | <u>19,019,968</u> |
| 2008 | | | | |
| RM'000 | | | | |
| Total risk-weighted assets | | | 20,405,789 | 19,019,968 |
| - credit risk (as above) | | | 4,195,103 | 1,663,443 |
| - market risk | | | <u>24,600,892</u> | <u>20,683,411</u> |
| 2008 | | | | |
| 2007 | | | | |
| Core capital ratio | | | 6.72% | 6.11% |
| Risk-weighted capital ratio | | | 11.55% | 11.81% |

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27. Commitments and contingencies

In the 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:-

| | As at 30 June 2008 | | | As at 31 December 2007 | | |
|---|-------------------------------|--|--|-------------------------------|--|--|
| | 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 |
| Group and Bank | | | | | | |
| Direct credit substitutes | 882,215 | 882,215 | 746,673 | 1,078,978 | 1,078,978 | 796,409 |
| Transaction-related contingent items | 2,698,092 | 1,349,046 | 1,189,194 | 2,306,605 | 1,153,303 | 979,748 |
| Short-term self liquidating trade-related contingencies | 487,623 | 97,525 | 97,038 | 582,274 | 116,455 | 115,620 |
| Irrevocable commitments to extend credit:- | | | | | | |
| - maturity not exceeding one year | 8,520,870 | - | - | 8,955,725 | - | - |
| - maturity exceeding one year | 1,831,015 | 915,508 | 457,754 | 788,681 | 394,341 | 197,170 |
| Foreign exchange related contracts:- | | | | | | |
| - less than one year | 56,164,191 | 1,421,809 | 447,422 | 45,171,788 | 1,221,035 | 356,248 |
| - one year to less than five years | 16,470,886 | 1,738,633 | 719,526 | 8,870,529 | 784,704 | 290,637 |
| - five years and above | 5,497,321 | 539,379 | 135,030 | 1,730,417 | 226,568 | 65,011 |
| Interest rate related contracts:- | | | | | | |
| - less than one year | 37,548,080 | 125,448 | 25,680 | 29,175,876 | 75,565 | 15,873 |
| - one year to less than five years | 49,419,103 | 1,724,999 | 377,311 | 45,174,882 | 1,303,118 | 286,127 |
| - five years and above | 8,031,719 | 884,967 | 189,933 | 4,304,302 | 389,492 | 88,033 |
| Miscellaneous commitments and contingencies | 2,055,973 | - | - | 1,150,405 | - | - |
| | <u>189,607,088</u> | <u>9,679,529</u> | <u>4,385,561</u> | <u>149,290,462</u> | <u>6,743,559</u> | <u>3,190,876</u> |

* The credit equivalent amount and the risk weighted amount are arrived at using the credit conversion factor and risk weights respectively, as per Bank Negara Malaysia guidelines.

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28. Interest rate risk

| GROUP As at 30 June 2008 | Non Trading books | | | | | | | | | Trading books RM'000 | Total RM'000 | Effective interest rate (%) |
|--|----------------------------|-----------------------------|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|-------------------------------------|----------------------------|-------------------|-----------------------------------|
| | Up to 1 month RM'000 | > 1 - 3 months RM'000 | > 3 - 12 months RM'000 | 1 - 2 years RM'000 | 2 - 3 years RM'000 | 3 - 4 years RM'000 | 4 - 5 years RM'000 | Over 5 years RM'000 | Non interest sensitive RM'000 | | | |
| Assets | | | | | | | | | | | | |
| Cash and short term funds | 13,209,222 | - | - | - | - | - | - | - | 351,279 | - | 13,560,501 | 3.42 |
| Deposits and placements with banks and other financial institutions | - | 250,000 | 200,000 | - | - | - | - | - | - | - | 450,000 | 3.58 |
| Securities purchased under resale agreement | 940,917 | 392,218 | - | - | - | - | - | - | - | - | 1,333,135 | 2.97 |
| Securities held for trading | - | - | - | - | - | - | - | - | - | 736,566 | 736,566 | 4.87 |
| Securities available-for-sale | 3,739,721 | 1,044,801 | 18,103 | 93,865 | 49,823 | 29,049 | 4,884 | 77,863 | 51,222 | - | 5,109,331 | 3.79 |
| Loans, advances and financing | | | | | | | | | | | | |
| - Performing | 15,005,278 | 2,314,497 | 1,692,457 | 202,761 | 154,796 | 101,523 | 86,640 | 397,328 | - | - | 19,955,280 | 6.23 |
| - Non performing | - | - | - | - | - | - | - | - | 347,457 | - | 347,457 | |
| Other non-interest sensitive balances | - | - | - | - | - | - | - | - | 4,552,249 | - | 4,552,249 | |
| Total assets | 32,895,138 | 4,001,516 | 1,910,560 | 296,626 | 204,619 | 130,572 | 91,524 | 475,191 | 5,302,207 | 736,566 | 46,044,519 | |
| Liabilities and shareholder's equity | | | | | | | | | | | | |
| Deposits from customers | 16,421,017 | 2,160,209 | 5,031,548 | 691,051 | 315,408 | 67,321 | 37,447 | 434,971 | 5,280,555 | - | 30,439,527 | 2.18 |
| Deposits and placements of banks and other financial institutions | 6,018,552 | 104,734 | 1,242,478 | 1,617 | - | - | 6,885 | 34,000 | - | - | 7,408,266 | 2.42 |
| Bills and acceptances payable | 1,058,128 | - | - | - | - | - | - | - | - | - | 1,058,128 | 3.82 |
| Recourse obligations on loans sold to Cagamas | 28,054 | 12,922 | 28,746 | 16,942 | 131,570 | - | - | - | - | - | 218,234 | 4.35 |
| Subordinated debt | - | - | - | - | - | 380,000 | 472,755 | - | - | - | 852,755 | 5.49 |
| Other non-interest sensitive balances | - | - | - | - | - | - | - | - | 4,316,002 | - | 4,316,002 | |
| Total liabilities | 23,525,751 | 2,277,865 | 6,302,772 | 709,610 | 446,978 | 447,321 | 517,087 | 468,971 | 9,596,557 | - | 44,292,912 | |
| Shareholder's equity | - | - | - | - | - | - | - | - | 1,751,607 | - | 1,751,607 | |
| Total liabilities and shareholder's equity | 23,525,751 | 2,277,865 | 6,302,772 | 709,610 | 446,978 | 447,321 | 517,087 | 468,971 | 11,348,164 | - | 46,044,519 | |
| On-balance sheet interest sensitivity gap | 9,369,387 | 1,723,651 | (4,392,212) | (412,984) | (242,359) | (316,749) | (425,563) | 6,220 | (6,045,957) | 736,566 | | |
| Off-balance sheet interest sensitivity gap | (4,379,242) | 37,793 | 1,041,378 | 1,437,966 | 1,937,425 | 528,760 | (485,600) | (118,565) | - | - | | |
| Total interest sensitivity gap | 4,990,145 | 1,761,444 | (3,350,834) | 1,024,982 | 1,695,066 | 212,011 | (911,163) | (112,345) | (6,045,957) | 736,566 | | |

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28. Interest rate risk (continued)

| GROUP As at 31 December 2007 | Non Trading books | | | | | | | | | Trading books RM'000 | Total RM'000 | Effective interest rate (%) |
|--|----------------------------|-----------------------------|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|-------------------------------------|----------------------------|-------------------|-----------------------------------|
| | Up to 1 month RM'000 | > 1 - 3 months RM'000 | > 3 - 12 months RM'000 | 1 - 2 years RM'000 | 2 - 3 years RM'000 | 3 - 4 years RM'000 | 4 - 5 years RM'000 | Over 5 years RM'000 | Non interest sensitive RM'000 | | | |
| Assets | | | | | | | | | | | | |
| Cash and short term funds | 14,670,997 | - | - | - | - | - | - | - | 148,027 | - | 14,819,024 | 3.83 |
| Deposits and placements with banks and other financial institutions | - | 1,205,475 | - | - | - | - | - | - | - | - | 1,205,475 | 3.60 |
| Securities purchased under resale agreement | 96,473 | - | - | - | - | - | - | - | - | - | 96,473 | 2.90 |
| Securities held for trading | - | - | - | - | - | - | - | - | - | 2,206,946 | 2,206,946 | 3.99 |
| Securities available-for-sale | 269,688 | 147,660 | 189,320 | 88,237 | 225,743 | 50,175 | 259,624 | 99,550 | 27,732 | - | 1,357,729 | 3.47 |
| Loans, advances and financing | | | | | | | | | | | | |
| - Performing | 14,337,822 | 1,926,298 | 1,723,064 | 164,836 | 214,275 | 132,634 | 103,550 | 589,846 | - | - | 19,192,325 | 6.80 |
| - Non performing | - | - | - | - | - | - | - | - | 359,255 | - | 359,255 | |
| Other non-interest sensitive balances | - | - | - | - | - | - | - | - | 2,677,689 | - | 2,677,689 | |
| Total assets | 29,374,980 | 3,279,433 | 1,912,384 | 253,073 | 440,018 | 182,809 | 363,174 | 689,396 | 3,212,703 | 2,206,946 | 41,914,916 | |
| Liabilities and shareholder's equity | | | | | | | | | | | | |
| Deposits from customers | 14,718,030 | 3,871,178 | 5,238,732 | 442,500 | 600,115 | 76,602 | 22,914 | 65,000 | 5,689,645 | - | 30,724,716 | 2.46 |
| Deposits and placements of banks and other financial institutions | 3,944,947 | 745,254 | 37,596 | 1,584 | - | - | 6,767 | - | - | - | 4,736,148 | 4.09 |
| Bills and acceptances payable | 872,710 | - | - | - | - | - | - | - | - | - | 872,710 | 3.81 |
| Recourse obligations on loans sold to Cagamas | 7,291 | 31,041 | 87,324 | 19,817 | 66,006 | 79,254 | - | - | - | - | 290,733 | 4.15 |
| Subordinated debt | - | - | - | - | - | - | 875,916 | - | - | - | 875,916 | 5.46 |
| Other non-interest sensitive balances | - | - | - | - | - | - | - | - | 2,662,398 | - | 2,662,398 | |
| Total liabilities | 19,542,978 | 4,647,473 | 5,363,652 | 463,901 | 666,121 | 155,856 | 905,597 | 65,000 | 8,352,043 | - | 40,162,621 | |
| Shareholder's equity | - | - | - | - | - | - | - | - | 1,752,295 | - | 1,752,295 | |
| Total liabilities and shareholder's equity | 19,542,978 | 4,647,473 | 5,363,652 | 463,901 | 666,121 | 155,856 | 905,597 | 65,000 | 10,104,338 | - | 41,914,916 | |
| On-balance sheet interest sensitivity gap | 9,832,002 | (1,368,040) | (3,451,268) | (210,828) | (226,103) | 26,953 | (542,423) | 624,396 | (6,891,635) | 2,206,946 | | |
| Off-balance sheet interest sensitivity gap | (5,835,526) | 1,183,638 | 3,162,102 | 1,288,673 | 259,864 | 304,944 | (275,216) | (88,480) | - | - | | |
| Total interest sensitivity gap | 3,996,476 | (184,402) | (289,166) | 1,077,845 | 33,761 | 331,897 | (817,639) | 535,916 | (6,891,635) | 2,206,946 | | |

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

29. The operations of Islamic Banking

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEET AS AT 30 JUNE 2008

| | Note | Group and Bank | |
|--|------|---------------------------|-------------------------------|
| | | 31 June 2008 RM'000 | 31 December 2007 RM'000 |
| Assets | | | |
| Cash and short term funds | | 3,270,824 | 2,466,662 |
| Deposits and placements with banks and other financial institutions | | - | 900,475 |
| Securities available-for-sale | | 289,395 | 484,917 |
| Financing, advances and other loans | (a) | 1,008,299 | 823,806 |
| Other receivables | (c) | 7,215 | 39,318 |
| Statutory deposits with Bank Negara Malaysia | | 11,520 | 233 |
| Deferred tax asset | | 5,051 | 3,635 |
| Total assets | | 4,592,304 | 4,719,046 |
| Liabilities | | | |
| Deposits from customers | (d) | 3,711,617 | 3,408,096 |
| Deposits and placements of banks and other financial institutions | | 35,924 | 657,142 |
| Bills and acceptances payable | | 89,381 | - |
| Other payables | (e) | 128,385 | 22,464 |
| Subordinated debt | | 380,000 | 380,000 |
| Tax payable | | 561 | 10,228 |
| Total liabilities | | 4,345,868 | 4,477,930 |
| Islamic Banking capital funds | | | |
| Islamic Banking funds | | 183,000 | 183,000 |
| Reserves | | 63,436 | 58,116 |
| Total Islamic Banking capital funds | | 246,436 | 241,116 |
| Total liabilities and Islamic Banking capital funds | | 4,592,304 | 4,719,046 |
| Commitments and contingencies | | 507,374 | 585,585 |

STANDARD CHARTERED BANK MALAYSIA BERHAD
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29. The operations of Islamic Banking (continued)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE 2ND QUARTER ENDED 30 JUNE 2008

| | Group and Bank 2nd Quarter ended | | Group and Bank Six months ended | |
|--|-------------------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2008 RM'000 | 30 June 2007 RM'000 | 30 June 2008 RM'000 | 30 June 2007 RM'000 |
| Income derived from investment of depositors' funds and others | 55,738 | 56,237 | 115,234 | 90,791 |
| Transfer to profit equalisation reserves | 700 | (720) | 340 | (1,865) |
| Total distributable income | <u>56,438</u> | <u>55,517</u> | <u>115,574</u> | <u>88,926</u> |
| Income attributable to depositors | <u>(31,314)</u> | <u>(37,590)</u> | <u>(69,487)</u> | <u>(48,039)</u> |
| Income attributable to the Bank | 25,124 | 17,927 | 46,087 | 40,887 |
| Income derived from investment of Islamic banking capital funds | 702 | 755 | 1,692 | 2,803 |
| Less: Income attributable to investors of subordinated debt | <u>(6,650)</u> | <u>(6,646)</u> | <u>(13,300)</u> | <u>(13,223)</u> |
| Total net income | 19,176 | 12,036 | 34,479 | 30,467 |
| Other operating expenses | <u>(6,419)</u> | <u>(4,288)</u> | <u>(13,562)</u> | <u>(8,621)</u> |
| | 12,757 | 7,748 | 20,917 | 21,846 |
| Allowance for bad and doubtful debts and financing | <u>(6,482)</u> | <u>(3,669)</u> | <u>(10,451)</u> | <u>(6,754)</u> |
| Profit before taxation | 6,275 | 4,079 | 10,466 | 15,092 |
| Tax expense | <u>(1,576)</u> | <u>(2,733)</u> | <u>(2,749)</u> | <u>(4,263)</u> |
| Profit for the period | <u><u>4,699</u></u> | <u><u>1,346</u></u> | <u><u>7,717</u></u> | <u><u>10,829</u></u> |

STANDARD CHARTERED BANK MALAYSIA BERHAD
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29. The operations of Islamic Banking (continued)**(a) Financing, advances and other loans****(i) By type**

| | Group and Bank | |
|--|-------------------------|-----------------------|
| | 30 June | 31 December |
| | 2008 | 2007 |
| | RM'000 | RM'000 |
| Term loans/financing | | |
| - House financing | 212,006 | 173,353 |
| - Lease receivables | 23,672 | 20,477 |
| - Other term loans/financing | 736,711 | 618,682 |
| - Bills receivable | 1,560 | - |
| - Claims on customers under acceptance credits | 89,381 | - |
| - Trust receipt | - | 2,825 |
| - Staff loan | 3,199 | 3,252 |
| Revolving credit | 291,801 | 302,425 |
| Unearned income | <u>(333,896)</u> | <u>(284,058)</u> |
| | 1,024,434 | 836,956 |
| Allowances for bad and doubtful financing:- | | |
| - General | (15,355) | (12,545) |
| - Specific | <u>(780)</u> | <u>(605)</u> |
| Total net financing, advances and other loans | <u><u>1,008,299</u></u> | <u><u>823,806</u></u> |

(b) Non-performing loans/financing (NPL/NPF)**(i) Movements in the non-performing financing, advances and other loans**

| | Group and Bank | |
|--|-----------------------|---------------------|
| | 30 June | 31 December |
| | 2008 | 2007 |
| | RM'000 | RM'000 |
| At 1 January | 5,264 | 5,552 |
| Classified as non-performing during the period | 9,906 | 13,803 |
| Amount recovered during the period | (606) | (511) |
| Amount written off | <u>(7,678)</u> | <u>(13,580)</u> |
| At end of reporting period | 6,886 | 5,264 |
| Specific allowance | <u>(780)</u> | <u>(605)</u> |
| Net non-performing financing, advances and other loans | <u><u>6,106</u></u> | <u><u>4,659</u></u> |
| Ratio of net non-performing financing, advances and other loans to net financing, advances and other loans | <u><u>0.6%</u></u> | <u><u>0.6%</u></u> |

STANDARD CHARTERED BANK MALAYSIA BERHAD
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29. The operations of Islamic Banking (continued)**(b) Non-performing loans/financing (NPL/NPF) (continued)****(ii) Movements in allowance for bad and doubtful debts**

| | Group and Bank | |
|--|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| General Allowance | | |
| At 1 January | 12,545 | 9,674 |
| Allowance made during the period | 2,810 | 2,871 |
| At end of reporting period | <u>15,355</u> | <u>12,545</u> |
| | | |
| As a percentage of total financing less specific allowance | <u>1.5%</u> | <u>1.5%</u> |
| | | |
| Specific Allowance | | |
| At 1 January | 605 | 1,548 |
| Allowance made during the period | 7,759 | 12,607 |
| Allowance written back in respect of recoveries | (118) | (687) |
| Amount written off | (7,466) | (12,863) |
| At end of reporting period | <u>780</u> | <u>605</u> |

(c) Other receivables

| | Group and Bank | |
|---|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Derivatives | 2,082 | 3,033 |
| Other receivables, deposits and prepayments | 5,133 | 36,285 |
| | <u>7,215</u> | <u>39,318</u> |

(d) Deposits from customers**(i) By type of deposit**

| | Group and Bank | |
|------------------------------------|------------------------------------|--|
| | 30 June 2008 RM'000 | 31 December 2007 RM'000 |
| Non-Mudharabah fund | | |
| Demand deposits | 227,284 | 135,907 |
| Savings deposits | 30,593 | 28,601 |
| Negotiable instruments of deposits | 473,482 | 326,796 |
| | | |
| Mudharabah fund | | |
| General investment deposits | 2,980,258 | 2,916,792 |
| | <u>3,711,617</u> | <u>3,408,096</u> |

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29. The operations of Islamic Banking (continued)

(e) Other payables

| | Group and Bank | |
|-----------------------------|-----------------------|--------------------|
| | 30 June | 31 December |
| | 2008 | 2007 |
| | RM'000 | RM'000 |
| Income/Dividend payable | 16,550 | 10,763 |
| Accruals | 1,519 | 1,382 |
| Profit equalisation reserve | 734 | 1,074 |
| Other payables | <u>109,582</u> | <u>9,245</u> |
| | <u>128,385</u> | <u>22,464</u> |