

Standard Chartered Bank Malaysia Berhad

(Company No. 115793 P)
(Incorporated in Malaysia)

and its subsidiary companies

Directors' report for the year ended 31 December 2002

The Directors hereby submit their report and the audited financial statements of the Group and of the Company (the Bank) for the year ended 31 December 2002.

Principal activities

The principal activities of the Bank are banking and related financial services which also include Islamic Banking business and the principal activities of the subsidiary companies are stated in Note 10 to the financial statements.

There have been no significant changes in the activities of the Bank and its subsidiary companies during the financial year.

Results

	Group and Bank RM'000
Profit before taxation	366,841
Taxation	(89,859)
	<hr/>
Net profit for the year	276,982
	<hr/> <hr/>

Dividends

Since the end of the previous financial year, the Bank paid an interim ordinary dividend of 211% less tax totalling RM190,000,000 in respect of the year ended 31 December 2002 on 16 August 2002.

The final ordinary dividend recommended by the Directors in respect of the year ended 31 December 2002 is 177% less tax totalling RM159,300,000.

Reserve 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 action had been taken in relation to the writing off of bad debts and financing and the making of provisions for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate provisions made for bad and doubtful debts 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 provision for doubtful debts 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 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 affect the ability of the Group and of the Bank to meet its 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, 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

2002 Results

After a challenging financial year 2001 marked by high loan provisions amidst a less than favourable economic environment, the Bank recovered strongly in 2002. Profit before taxation rose to RM367 million from RM26 million a year ago with loan loss provisions for 2002 being significantly lower at RM33 million against RM434 million for 2001.

Total net income for the Bank of RM856 million was achieved in a very competitive environment. Net interest income rose to RM621 million on the back of strong growth in mortgage loans, offset partly by the narrower spreads. Lower net interest suspension helped net interest margins improve slightly to 3.07%. Non-interest income was 7% lower principally due to losses arising from interest rate derivatives trading.

Operating expenses for the Bank was up by 11% year on year attributable mainly to redundancy payments in respect of the Voluntary Separation Scheme in May 2002 and the incremental charges borne for group administrative expenses. Excluding the one-off charge, the underlying cost has broadly remained flat and well under control. Personnel costs were lower due to the Voluntary Separation Scheme and the continued migration of non core activities to our Global Processing Hub in Kuala Lumpur, Malaysia and Chennai, India. During 2002, the Bank continued to invest in new technology and this was reflected in the higher depreciation charges. Premises cost for the year was also higher due to the full year's rental cost of premises. Consequently, the cost to income ratio increased from 47% to 53%.

More stringent credit controls helped net non-performing loans decline by 30% in 2002 resulting in a lower net non-performing loan ratio of 5.04% (2001 - 7.4%). This was reflected in the loan loss coverage, which improved to 75.9% as against 67.5% the previous year.

Gross loans, advances and financing grew by RM450 million or 3% year on year. Overall property financing registered a strong growth of 21%, with residential and non-residential loan financing achieving 16% and 73% growth respectively. The Bank continued to maintain its strong market position in mortgage lending. In contrast, loans and advances to the manufacturing and the general commerce sectors fell by 22% year on year respectively, following the repositioning of the Corporate Loan book. Customer deposits fell by RM865 million or 6% year on year due to the maturity of some short-term foreign currency fixed deposits placed with the Bank in 2001.

Following the strong performance in the first half, the Bank had declared an interim dividend of RM 190 million in June 2002. For the full year 2002, the Bank is declaring a final dividend of RM 159.3 million taking the total ordinary dividends for the year to RM 349.3 million. The risk weighted capital ratio remained strong at 13.17 % (2001 : 14.18%) after taking into account the proposed final dividend.

Strategy and Economic Environment

The Malaysian economy is well positioned to register a moderately higher GDP growth, on the back of continued expansionary fiscal and monetary policies. The two stimulus packages introduced by the Malaysian government to pump-prime the economy contributed to stronger private consumption and domestic demand, which fueled growth momentum. Consequently, the quarterly GDP growth has improved from 1.1% (Q1) to 3.9% (Q2) and subsequently to 5.6% for Q3 with a forecast of 4% annual GDP growth for 2002 (2001 : 1.1%).

The Bank is continuing with its strategy to consolidate and re-position its businesses to face the challenges of an increasingly globalised economy. Strengthening of the credit portfolio continues to be one of the key focus. An aggressive move to reduce risk and portfolio repositioning strategy was undertaken in the corporate sector during 2002.

With the prudent levels of loan loss provisions established in 2001 and a re-balanced portfolio, the focus for Wholesale Bank for 2002 was to reposition its business and drive momentum for growth in its targeted customer and industry segments. The Bank has also maintained its leading position for arranging syndicated deals with 22% market share. The Consumer Banking business continued to be dynamic delivering strong quality earnings with a consistent growth rate. Investment in the development of new and innovative products and delivery channels remained a priority in attracting and retaining customers. The Bank is also pleased to report that MortgageOne, a home loan product, which was launched in 2001, has to date exceeded the RM2 billion sales mark as at end August 2002. In support of the Government's call to support the growth of the small and medium-size enterprises (SME), the Bank has increased its focus on the SME's, achieving a record level of new asset sales surpassing the RM1 billion mark through our Business Financial Services Division.

The earlier initiative to reshape some of the branches in East Malaysia has been completed. The Bank is also in the final stages of opening a second branch in Johor Jaya to increase our presence in this fast growing Southern market.

Company No. 115793 P

Excellent progress was achieved to further enhance productivity and the service quality capabilities of our banking operations, through continued hubbing of operational processes into our Global Processing Hub in Kuala Lumpur and in Chennai, India.

Plan for 2003

The year 2003 will be an exciting year for the Bank. It is also the Bank's 150th anniversary as a Group, having been granted the Royal Charter of incorporation by Queen Victoria in 1853 under The Chartered Bank of India, Australia and China. The Bank has 128 years presence in Malaysia since 1875. To commemorate this landmark occasion, a series of celebrations and events including a re-launch of our brand and our corporate values will take place.

The impact of the impending liberalisation under AFTA and the emergence of China as an economic powerhouse will undoubtedly bring in greater competition and increased levels of uncertainty. However, the Bank, having firmly established its presence in the region, is well positioned to face the near term economic challenges. Long term prospects for the Bank continue to be solid.

As the oldest foreign bank in Malaysia, we will continue to play an active role throughout the economic cycle, providing the necessary support to our customers and business partners to face the challenges of liberalisation and globalisation.

The Bank will continue to focus on those areas where we have expertise and competitive strength. Our branch network, delivery channels and product range will be constantly upgraded and expanded to provide a wider reach to the target customer segments and to meet the increasing demands of our customers. With the on-going productivity drive, continued investments in new technology and training and development of our staff, we are confident that the Bank can achieve good and sustainable growth in 2003, and deliver quality earnings.

Directors and their interests in shares

The Directors who served since the date of the last report are:-

Tan Sri Datuk Zainal Abidin Sulong
 Dato' Lim Say Chong
 David George Moir
 Kaikhushru Shiavax Nargolwala
 Goh Yiu Kiang Euleen
 Dato' Mat Amir bin Jaffar
 Jan Johannes Henricus Kivits (appointed on 15.4.2002)
 Michael Bernard De Noma (appointed on 2.1.2003)
 Michael Andrew Hague (resigned on 15.4.2002)

There is no provision in the Articles of Association of the Bank for the Directors to retire by rotation.

Company No. 115793 P

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 corporation at year end are as follows:-

	Number of shares			
	As at 1.1.2002*	Acquired	Disposed	As at 31.12.2002
In Standard Chartered PLC,				
<i>Ordinary shares of £1 each</i>				
David George Moir	10,207	482	-	10,689
Kaikhushru Shiavax Nargolwala	55,000	15,897#	-	70,897
Goh Yiu Kiang Euleen	13,113	3,228φ	-	16,341
Jan Johannes Henricus Kivits	6,157	17,564γ	-	23,721
	Number of shares			
	As at 1.1.2002*	Awarded/ Granted	Exercised	As at 31.12.2002
<i>Supplemental Executive Share Option Scheme</i>				
David George Moir	166,823	-	-	166,823
Kaikhushru Shiavax Nargolwala	125,087	-	-	125,087
Jan Johannes Henricus Kivits	25,000	-	-	25,000
<i>Executive Share Option Scheme</i>				
Kaikhushru Shiavax Nargolwala	330,733	153,569	-	484,302
Goh Yiu Kiang Euleen	166,303	92,144	-	258,447
Jan Johannes Henricus Kivits	63,973	45,655	-	109,628
<i>International Sharesave Scheme</i>				
Goh Yiu Kiang Euleen	2,919	1,697	2,919	1,697
<i>Restricted Share Scheme</i>				
Goh Yiu Kiang Euleen	16,131	-	-	16,131
Jan Johannes Henricus Kivits	21,680	-	17,564	4,116
<i>Options Over Performance Share Plan</i>				
Kaikhushru Shiavax Nargolwala	37,250	51,189	-	88,439
Goh Yiu Kiang Euleen	16,000	30,714	-	46,714

* or date of appointment

acquired through shares in lieu of cash dividends and/or open market purchases

φ acquired through shares in lieu of cash dividends and exercise of employee sharesave options

γ acquired through the exercise of share options

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

Company No. 115793 P

Issue of shares

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

Options granted over unissued shares and debentures

No options were granted to any person to take up unissued shares and debentures of the Bank during the year.

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 a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements) 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 that year, did there subsist any arrangements to which the Bank is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate except for options given under the Standard Chartered Executive Share Option Scheme, Restricted Share Scheme, International Sharesave Scheme, Supplemental Executive Share Option Scheme and Options Over Performance Share Plan.

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.

Company No. 115793 P

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors

.....
Tan Sri Datuk Zainal Abidin Sulong

.....
Jan Johannes Henricus Kivits

Kuala Lumpur

Date: 26 February 2003

Standard Chartered Bank Malaysia Berhad

(Company No. 115793 P)

(Incorporated in Malaysia)

and its subsidiary companies

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors,

- i) the results of the operations of the Group and of the Bank for the financial year ended 31 December 2002 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report, and
- ii) the financial statements set out on pages 13 to 64, are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2002 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors

.....
Tan Sri Datuk Zainal Abidin Sulong

.....
Jan Johannes Henricus Kivits

Kuala Lumpur,

Date: 26 February 2003

Standard Chartered Bank Malaysia Berhad

(Company No. 115793 P)

(Incorporated in Malaysia)

and its subsidiary companies

**Statutory declaration pursuant to
Section 169(16) of the Companies Act, 1965**

I, **Ling Fou-Tsong @ Jamie Ling**, 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 13 to 64 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 26 February 2003.

.....
Ling Fou-Tsong @ Jamie Ling

Before me:

Standard Chartered Bank Malaysia Berhad

(Company No. 115793 P)

(Incorporated in Malaysia)

and its subsidiary companies

Balance sheets as at 31 December 2002

	Note	Group		Bank	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Assets					
Cash and short term funds	3	2,234,069	1,987,774	2,234,069	1,987,774
Deposits and placements with banks and other financial institutions	4	815,200	861,575	815,200	861,575
Dealing securities	5	364,356	594,909	364,356	594,909
Investment securities	6	3,621,202	2,916,101	3,621,202	2,916,101
Loans, advances and financing	7	13,550,858	13,110,890	13,550,858	13,110,890
Other assets	8	113,594	149,534	113,594	149,534
Statutory deposits with Bank Negara Malaysia	9	398,000	483,000	398,000	483,000
Investments in subsidiary companies	10	-	-	22	22
Property, plant and equipment	11	90,100	84,173	90,100	84,173
Total assets		<u>21,187,379</u>	<u>20,187,956</u>	<u>21,187,401</u>	<u>20,187,978</u>
Liabilities and shareholders' funds					
Deposits from customers	12	13,432,902	14,298,069	13,432,902	14,298,069
Deposits and placements of banks and other financial institutions	13	3,435,230	1,741,569	3,435,230	1,741,569
Obligations on securities sold under repurchase agreements		1,675,996	1,132,753	1,675,996	1,132,753
Bills and acceptances payable		300,571	355,751	300,571	355,751
Other liabilities	14	821,573	1,225,689	821,595	1,225,711
Redeemable preference shares	15	190,000	-	190,000	-
Total liabilities		<u>19,856,272</u>	<u>18,753,831</u>	<u>19,856,294</u>	<u>18,753,853</u>
Share capital	16	125,000	125,190	125,000	125,190
Reserves	17	1,206,107	1,308,935	1,206,107	1,308,935
Shareholders' funds		<u>1,331,107</u>	<u>1,434,125</u>	<u>1,331,107</u>	<u>1,434,125</u>
Total liabilities and shareholders' funds		<u>21,187,379</u>	<u>20,187,956</u>	<u>21,187,401</u>	<u>20,187,978</u>
Commitments and contingencies	29	<u>31,787,669</u>	<u>27,121,494</u>	<u>31,787,669</u>	<u>27,121,494</u>

The financial statements were approved and authorised for issue by the Board of Directors on 26 February 2003.

The accompanying Notes form an integral part of the financial statements.

Standard Chartered Bank Malaysia Berhad

(Company No. 115793 P)

(Incorporated in Malaysia)

and its subsidiary companies

Income statements for the year ended 31 December 2002

		Group and Bank	
		2002	2001
	Note	RM'000	RM'000
Interest income	19	1,131,682	1,240,228
Interest expense	20	(511,110)	(623,261)
		<hr/>	<hr/>
Net interest income		620,572	616,967
Net income from Islamic Banking operations	37	3,961	3,407
		<hr/>	<hr/>
		624,533	620,374
Non interest income	21	231,131	248,952
		<hr/>	<hr/>
Total net income		855,664	869,326
Overhead expenses	22	(455,547)	(409,856)
		<hr/>	<hr/>
Operating profit		400,117	459,470
Allowance for bad and doubtful debts and financing	23	(33,276)	(433,889)
		<hr/>	<hr/>
Profit before tax		366,841	25,581
Taxation	26	(89,859)	(18,957)
		<hr/>	<hr/>
Net profit for the year		276,982	6,624
		<hr/>	<hr/>
Earnings per share (sen)	28	222	5
		<hr/>	<hr/>

The accompanying Notes form an integral part of the financial statements.

Standard Chartered Bank Malaysia Berhad

(Company No. 115793 P)

(Incorporated in Malaysia)

and its subsidiary companies

Statement of changes in equity for the year ended 31 December 2002

	Non-distributable			Distributable		Total RM'000
	Share capital RM'000	Redeemable preference shares RM'000	Share premium RM'000	Statutory reserves RM'000	Retained profits RM'000	
<i>Group and Bank</i>						
At 1 January 2001	125,000	-	375,000	125,000	612,501	1,237,501
Net profit for the year	-	-	-	-	6,624	6,624
Issue of preference shares	-	190	189,810	-	-	190,000
At 31 December 2001	125,000	190	564,810	125,000	619,125	1,434,125
Net profit for the year	-	-	-	-	276,982	276,982
Dividends paid						
- Ordinary shares (interim)	-	-	-	-	(190,000)	(190,000)
Reclassification of redeemable preference shares to liabilities in accordance with MASB 24	-	(190)	(189,810)	-	-	(190,000)
At 31 December 2002	125,000	-	375,000	125,000	706,107	1,331,107
	Note 16	Note 16	Note 17	Note 17	Note 17	

A final gross dividend of 177 sen per share less tax, totalling RM159.3 million in respect of the financial year ended 31 December 2002 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

The proposed final dividend has not been accounted for in the financial statements of the Bank as at 31 December 2002.

The accompanying Notes form an integral part of the financial statements.

Standard Chartered Bank Malaysia Berhad

(Company No. 115793 P)
(Incorporated in Malaysia)

and its subsidiary companies

Cash flow statements for the year ended 31 December 2002

	Group and Bank	
	2002	2001
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	366,841	25,581
Adjustment for items not involving the movement of cash and cash equivalents:		
Depreciation	34,624	28,886
Gain on disposal of property, plant and equipment	(172)	(1,536)
Property, plant and equipment written off	1,154	85
Gain on disposal of investment securities	(447)	-
Deficit on property revaluation	2,136	-
Amortisation of premium less accretion of discount	(18,320)	(26,477)
	<hr/>	<hr/>
Operating profit before changes in operating assets/liabilities	385,816	26,539
Increase/(Decrease) in operating assets/liabilities:		
Deposits and placements with banks and other financial institutions	46,375	(427,103)
Dealing securities	230,553	(232,972)
Loans, advances and financing	(439,968)	(320,649)
Other assets	35,940	53,120
Statutory deposits with Bank Negara Malaysia	85,000	49,000
Deposits from customers	(865,167)	821,507
Deposits and placements of banks and other financial institutions	1,693,661	28,375
Securities sold under repurchase agreements	543,243	(1,085,189)
Bills and acceptances payable	(55,180)	182,548
Other liabilities	(386,239)	(78,353)
	<hr/>	<hr/>
Cash generated from/(used in) operations	1,274,034	(983,177)
Income tax paid	(107,736)	(59,081)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	1,166,298	(1,042,258)
	-----	-----

Company No. 115793 P

Cash flow statements for the year ended 31 December 2002

(continued)

	Group and Bank	
	2002	2001
	RM'000	RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(46,518)	(35,063)
Proceeds from disposal of property, plant and equipment	2,849	2,130
Purchase of investment securities	(7,113,012)	(5,253,119)
Proceeds from disposal of investment securities	6,426,678	5,245,616
	<hr/>	<hr/>
Net cash used in investing activities	(730,003)	(40,436)
	-----	-----
Cash flow from financing activities		
Proceeds from issuance of redeemable preference shares	-	190,000
Dividends paid on ordinary shares	(190,000)	(309,600)
	<hr/>	<hr/>
Net cash used in financing activities	(190,000)	(119,600)
	-----	-----
Net increase/(decrease) in cash and cash equivalents	246,295	(1,202,294)
Cash and cash equivalents brought forward	1,987,774	3,190,068
	<hr/>	<hr/>
Cash and cash equivalents carried forward	2,234,069	1,987,774
	=====	=====
Cash and cash equivalents comprise		
Cash and short term funds	2,234,069	1,987,774
	<hr/>	<hr/>
	=====	=====

The accompanying Notes form an integral part of the financial statements.

Standard Chartered Bank Malaysia Berhad

(Company No. 115793 P)

(Incorporated in Malaysia)

and its subsidiary companies

Notes to the financial statements

1. Basis of preparation of the financial statements

The financial statements of the Group and of the Bank have been prepared in accordance with the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and applicable approved accounting standards in Malaysia in all material aspects. 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 Syariah principles.

2. Significant accounting policies

The following accounting policies are adopted by the Group and the Bank and are consistent with those adopted in previous years except for the adoption of the following new accounting standards issued by Malaysian Accounting Standards Board (“MASB”) which became effective in the current financial year:

- (i) MASB 19: Events After Balance Sheet Date which is applied retrospectively. Comparatives have not been restated as there is no impact on the prior year financial statements;
- (ii) MASB 20: Provisions, Contingent Liabilities and Contingent Assets which are applied retrospectively. Comparative figures have not been restated as there is no material impact on the prior year financial statements;
- (iii) MASB 21: Business Combinations which is applied retrospectively. There were no business combinations or acquisitions during the year;
- (iv) MASB 23: Impairment of Assets which is applied prospectively. The adoption does not have any impact on the financial statements; and
- (v) MASB 24: Financial Instruments: Disclosure and Presentation which has been adopted prospectively. The adoption resulted in new disclosures as set out in Notes 30 to 32 to the financial statements.

2. Significant accounting policies (continued)

(a) Accounting convention

The financial statements have been prepared under the historical cost convention, unless otherwise indicated.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary companies made up to the end of the financial year.

Subsidiary companies are those enterprises controlled by the Bank. Control exists when the Bank has the power directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Investment in subsidiary companies are stated at cost, and written down when the Directors consider that there is a diminution in the value of such investments which is other than temporary.

(c) Recognition of interest income

Interest income is recognised on an accrual basis. Interest income on housing and term loans are recognised by reference to rest periods which are either daily or monthly.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' accounts are classified as non-performing where repayments are in arrears for more than 90 days for loans and overdrafts, and 30 days after maturity date for trade bills, bankers' acceptances and trust receipts. The policy on suspension of interest adopted by the Bank complies with that required by Bank Negara Malaysia's "Guideline on Interest Suspension, BNM/GP3".

(d) Recognition of fees and other income

Loan arrangement fees, management and participation fees, commissions and other fees are recognised as income when all conditions precedent are fulfilled.

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

Dividends from dealing and investment securities are recognised when received.

2. Significant accounting policies (continued)

(e) Allowance for bad and doubtful debts and financing

Specific allowance is made for doubtful debts and financing which have been individually reviewed and specifically identified as bad or doubtful.

A general allowance based on a percentage of the loan and financing portfolio is also made to cover possible losses which are not specifically identified.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when in the judgement of the management, there is no prospect of recovery.

(f) Repurchase agreements

Securities purchased under resale agreements are securities which the Bank had purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset in the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which 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 are reflected as a liability on the balance sheet.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash and short term funds.

(h) Dealing securities

Dealing securities are marketable securities that are acquired and held with the intention of resale in the short term, and are stated at the lower of cost and market value on an aggregate basis.

Transfers, if any, between dealing and investment securities are made at the lower of cost and market value.

2. Significant accounting policies (continued)

(i) Investment securities

Investment securities are securities that are acquired and held for yield or capital growth or to meet the minimum liquidity requirement pursuant to Section 38 of the Banking and Financial Institutions Act 1989, and are usually held to maturity.

Malaysian Government Securities, Malaysian Government Investment Certificates, Cagamas Bonds and other Government securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount to maturity date on a straight line basis. Other investment securities are stated at cost less allowance for diminution in value. An allowance is made when the Directors are of the view that there is a diminution in value which is other than temporary.

Unquoted equity securities are held as long term investments and are stated at cost less allowance for diminution in value. An allowance is made when the Directors are of the view that there is a diminution in value which is other than temporary.

Transfers, if any, between dealing and investment securities are made at the lower of cost and market value.

(j) Property, plant and equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and any accumulated impairment losses. Freehold land, buildings and certain leasehold premises are not depreciated. Depreciation of 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 expected useful life of the assets concerned.

The principal annual rates are:-

Leasehold land with less than fifty years to expiry and buildings thereon	Over the unexpired period of the lease
Premises, plant and equipment	10%
Office equipment	20%-33%
Furniture and fittings	20%
Motor vehicles	20%

All freehold buildings and leasehold premises with unexpired lease term of more than 50 years are maintained to such a standard that the estimated residual values are considered to be equal to or greater than the net book values. Accordingly, no depreciation is provided on freehold buildings and leasehold premises with unexpired lease terms of more than 50 years; had depreciation been provided the charge for the year would have amounted to approximately RM51,000. The effect on the financial statements is not material.

2. Significant accounting policies (continued)

(j) Property, plant and equipment (continued)

The Bank revalues its properties comprising land and building every 3 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from the carrying value. Surpluses arising from revaluation are dealt with in the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase of the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

(k) Bills and acceptances payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

(l) 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 income statements for the year.

(m) 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, including 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 net result from dealing securities.

2. Significant accounting policies (continued)

(n) Currency translations

Individual foreign currency assets and liabilities are stated in the balance sheet at spot rates of exchange which closely approximate those ruling at the balance sheet date. Income statements items are translated at rates prevailing on transaction dates. Exchange gains and losses are recognised in the income statement in the year they arise.

(o) Staff retirement and service benefits

The Bank makes contributions to an approved defined benefit scheme in respect of certain employees. Contributions to the scheme are charged to the income statement so as to spread the cost of the scheme over the employee's working lives. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected benefit valuation method.

(p) Operating lease

Rentals payable under the operating lease are accounted for on the straight line basis over the period of the lease and are included in the income statements as "establishment costs".

(q) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year. Deferred taxation is provided on the liability method for all material timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

(r) 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.

2. Significant accounting policies (continued)

(s) Impairment

The carrying amount of the Group's assets, other than financial assets (excluding investments in subsidiary companies), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. 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 the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cashflows 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed and recognised in the income statement, only to the extent that the asset's carrying amount does not exceed the carrying amount, net of depreciation, if no impairment loss has been recognised.

(t) Redeemable preference shares

The redeemable preference shares ("RPS") are classified as debt instruments and hence are reported as liabilities. Accordingly, the annual net dividend payment of the RPS is classified as an interest expense in the income statement.

Company No. 115793 P

3. Cash and short term funds

	Group and Bank	
	2002	2001
	RM'000	RM'000
Cash and balances with banks and other financial institutions	364,081	259,747
Money at call and deposit placements maturing within one month	1,869,988	1,728,027
	<u>2,234,069</u>	<u>1,987,774</u>
	=====	=====

4. Deposits and placements with banks and other financial institutions

	Group and Bank	
	2002	2001
	RM'000	RM'000
Licensed banks	95,000	114,000
Other financial institutions	720,200	747,575
	<u>815,200</u>	<u>861,575</u>
	=====	=====

5. Dealing securities

	Group and Bank	
	2002	2001
	RM'000	RM'000
Money market instruments:-		
Malaysian Government treasury bills	39,212	24,824
Malaysian Government securities	155,218	350,426
Bank Negara Malaysia bills	74,382	-
Cagamas bonds	39,946	97,085
Cagamas notes	29,303	-
	<u>338,061</u>	<u>472,335</u>
Unquoted corporate bonds	26,295	122,574
	<u>364,356</u>	<u>594,909</u>
	=====	=====

5. Dealing securities (continued)

	Group and Bank	
	2002	2001
	RM'000	RM'000
i) Market value of:-		
Quoted securities:-		
Malaysian Government treasury bills	39,192	24,821
Malaysian Government securities	155,128	351,480
Bank Negara Malaysia bills	74,371	-
Cagamas bonds	39,802	96,545
Cagamas notes	29,271	-
	<hr/>	<hr/>
	337,764	472,846
Unquoted corporate bonds	26,223	117,476
	<hr/>	<hr/>
	363,987	590,322
	<hr/> <hr/>	<hr/> <hr/>

6. Investment securities

	Group and Bank	
	2002	2001
	RM'000	RM'000
Money market instruments:-		
Malaysian Government treasury bills	5,400	257,940
Malaysian Government securities	250,500	288,500
Malaysian Government investment certificates	-	25,000
Bank Negara Malaysia bills	3,260	103,750
Cagamas bonds	799,500	441,660
Cagamas notes	-	115,000
Danamodal bonds	337,300	352,300
Danaharta bonds	298,500	-
Negotiable instruments of deposit	1,715,000	1,121,000
Bankers' acceptances and Islamic accepted bills	9,911	31,761
Khazanah Islamic bonds	190,000	165,000
Islamic corporate bonds	-	20,000
	<hr/>	<hr/>
	3,609,371	2,921,911
Amortisation of premium less accretion of discounts	(19,751)	(25,401)
	<hr/>	<hr/>
	3,589,620	2,896,510
Unquoted investments	48,608	37,992
Allowance for diminution in value (unquoted)	(17,026)	(18,401)
	<hr/>	<hr/>
	3,621,202	2,916,101
	<hr/> <hr/>	<hr/> <hr/>

6. Investment securities (continued)

	Group and Bank	
	2002	2001
	RM'000	RM'000
i) Market value of:-		
Quoted securities:-		
Malaysian Government treasury bills	5,312	256,761
Malaysian Government securities	259,345	301,497
Malaysian Government investment certificates	-	25,000
Bank Negara Malaysia bills	3,238	103,317
Cagamas bonds	806,201	445,882
Cagamas notes	-	114,364
Danamodal bonds	329,458	333,628
Danaharta bonds	286,718	-
Negotiable instruments of deposit	1,714,329	1,120,462
Bankers' acceptances and Islamic accepted bills	9,844	31,676
Khazanah Islamic bonds	183,240	154,400
Islamic corporate bonds	-	21,660
	-----	-----
	3,597,685	2,908,647
Unquoted investments	31,582	19,591
	-----	-----
	3,629,267	2,928,238
	=====	=====
ii) The maturity structure of quoted money market instruments held for investment are as follows:-		
	Group and Bank	
	2002	2001
	RM'000	RM'000
Maturing within one year	2,441,620	1,922,786
One year to three years	1,148,000	953,679
Over five years	-	20,045
	-----	-----
	3,589,620	2,896,510
	=====	=====

7. Loans, advances and financing

	Group and Bank	
	2002	2001
	RM'000	RM'000
Overdrafts	2,451,486	2,498,071
Term loans		
- fixed rate	153,679	251,349
- floating rate	10,393,184	9,551,576
Credit card receivables	1,010,478	925,848
Bills receivable	569,253	842,019
Claims on customers under acceptance credits	301,725	354,834
Staff loans (Loans to Directors - Nil for 2002 and 2001)	132,339	144,318
	<hr/>	<hr/>
	15,012,144	14,568,015
Unearned interest and income	(26,266)	(32,446)
	<hr/>	<hr/>
Gross loans, advances and financing	14,985,878	14,535,569
Allowance for bad and doubtful debts and financing		
- Specific	(808,839)	(796,714)
- General	(238,995)	(306,180)
Interest-in-suspense/Income-in-suspense	(387,186)	(321,785)
	<hr/>	<hr/>
Net loans, advances and financing	13,550,858	13,110,890
	<hr/> <hr/>	<hr/> <hr/>

i) The maturity structure of gross loans, advances and financing are as follows:-

	Group and Bank	
	2002	2001
	RM'000	RM'000
Maturing within one year	5,769,223	6,615,403
One year to three years	327,892	290,385
Three years to five years	559,063	617,367
Over five years	8,329,700	7,012,414
	<hr/>	<hr/>
	14,985,878	14,535,569
	<hr/> <hr/>	<hr/> <hr/>

7. Loans, advances and financing (continued)

- ii) Loans, advances and financing analysed by their economic purposes are as follows:-

	Group and Bank	
	2002	2001
	RM'000	RM'000
Agriculture	217,859	332,622
Mining and quarrying	18,495	6,738
Manufacturing	1,429,467	1,837,612
Electricity, gas and water	4,517	83,825
Construction	393,815	400,228
Real estate	119,068	152,243
Purchase of landed property	9,002,692	7,444,670
(of which - residential	7,894,338	6,805,388
- non-residential)	1,108,354	639,282
General commerce	914,270	1,187,663
Transport, storage and communication	120,467	126,367
Finance, insurance and business services	511,936	657,926
Purchase of securities	127	52,072
Consumption credit	1,010,478	925,848
Others	1,242,687	1,327,755
	<hr/>	<hr/>
	14,985,878	14,535,569
	=====	=====

- iii) Movements in the non-performing loans, advances and financing (including interest and income receivables) are as follows:-

	Group and Bank	
	2002	2001
	RM'000	RM'000
Balance as at 1 January	2,111,085	1,543,015
Non-performing during the year (gross)	1,080,228	1,375,556
Performing during the year	(489,844)	(452,947)
Recoveries	(639,572)	(192,804)
Amount written off	(132,543)	(154,936)
Amount converted to debt securities/equities	(38,093)	(6,799)
	<hr/>	<hr/>
Balance as at 31 December	1,891,261	2,111,085
	=====	=====
Net non-performing loans ratio as percentage of total loans less specific allowance, interest and income-in-suspense	5.04%	7.40%
	=====	=====

7. Loans, advances and financing (continued)

- iv) 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	
	2002	2001
	RM'000	RM'000
<u>General allowance</u>		
Balance as at 1 January	306,180	222,430
Allowance made during the year	4,840	119,690
Amount written back to Income Statement	(72,025)	(35,940)
	-----	-----
Balance as at 31 December	238,995	306,180
	=====	=====
As percentage of total loans less specific allowance, interest and income-in-suspense, net of loan granted to the Government of Malaysia	1.77%	2.34%
	=====	=====
<u>Specific allowance</u>		
Balance as at 1 January	796,714	516,539
Allowance made during the year	138,658	403,102
Amount written back in respect of recoveries	(72,324)	(53,425)
Amount written off	(37,857)	(62,164)
Amount transferred to allowance for diminution in value	(16,352)	(7,338)
	-----	-----
Balance as at 31 December	808,839	796,714
	=====	=====
<u>Interest-in-suspense/Income-in-suspense</u>		
Balance as at 1 January	321,785	282,287
Allowance made during the year	158,849	161,758
Amount written back in respect of recoveries	(68,751)	(64,460)
Amount written off	(24,697)	(53,704)
Amount transferred to allowance for diminution in value	-	(4,096)
	-----	-----
Balance as at 31 December	387,186	321,785
	=====	=====

Company No. 115793 P

8. Other assets

	Group and Bank	
	2002	2001
	RM'000	RM'000
Other receivables, deposits and prepayments	113,594	149,534
	=====	=====

9. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act 1958; the amounts of which are determined as set percentages of total eligible liabilities.

10. Investment in subsidiary companies

	Bank	
	2002	2001
	RM'000	RM'000
Unquoted shares, at cost - in Malaysia	22	22
	=====	=====

The subsidiary companies of the Bank are as follows:-

Name	Principal activity	Country of incorporation	Percentage of equity held	
			2002	2001
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%

All income and expenditure of the subsidiary companies have been taken up by the Bank.

The amount owing to subsidiary companies are in respect of current accounts maintained by the subsidiary companies.

Company No. 223741-T

11. Property, plant and equipment

Group and Bank	Freehold land and building	Long term leasehold land and building	Short term leasehold land and buildings	Premises, plant and equipment	Office equipment	Furniture and fittings	Motor vehicles	Total
<i>Cost/Valuation</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2002	354	7,012	31,349	9,422	83,168	13,185	2,409	146,899
Additions	-	-	2,912	900	40,963	1,068	675	46,518
Disposals	-	-	(3,924)	(627)	(3,550)	(336)	-	(8,437)
Revaluation	(24)	(2,112)	-	-	-	-	-	(2,136)
Written off	-	-	(611)	(2,190)	(19,053)	(1,985)	(1,216)	(25,055)
At 31 December 2002	330	4,900	29,726	7,505	101,528	11,932	1,868	157,789
<i>Representing items at:-</i>								
Cost	-	-	29,726	7,505	101,528	11,932	1,868	152,559
Directors' valuation	330	4,900	-	-	-	-	-	5,230
At 31 December 2002	330	4,900	29,726	7,505	101,528	11,932	1,868	157,789
<i>Accumulated depreciation and Impairment losses</i>								
At 1 January 2002	-	-	11,242	4,326	39,043	6,315	1,800	62,726
Charge for the year	-	-	4,354	1,721	25,576	2,587	386	34,624
Disposals	-	-	(2,527)	(871)	(2,101)	(261)	-	(5,760)
Written off	-	-	(611)	(2,190)	(17,900)	(1,985)	(1,215)	(23,901)
At 31 December 2002	-	-	12,458	2,986	44,618	6,656	971	67,689

Company No. 223741-T

11. Property, plant and equipment (continued)

Group and Bank	Freehold land and building	Long term leasehold land and building	Short term leasehold land and buildings	Premises, plant and equipment	Office equipment	Furniture and fittings	Motor vehicles	Total
<i>Cost/Valuation</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Net book value</i>								
At 31 December 2002	330	4,900	17,268	4,519	56,910	5,276	897	90,100
At 31 December 2001	354	7,012	20,107	5,096	44,125	6,870	609	84,173
Depreciation charge for the year ended 31 December 2001	-	-	2,369	753	22,806	2,420	538	28,886

The land and buildings of the Bank were revalued by Directors in 2002 on the open market value basis in the month of September 2002 based on valuation carried out by an independent firm of professional valuer.

12. Deposits from customers

	Group and Bank	
	2002	2001
	RM'000	RM'000
Demand deposits	3,443,855	3,068,683
Savings deposits	1,953,632	2,206,327
Fixed deposits	7,630,865	8,457,609
Negotiable instruments of deposits	404,550	565,450
	<u>13,432,902</u>	<u>14,298,069</u>
	=====	=====

i) Maturity structure of deposits from customers are as follows:-

	Group and Bank	
	2002	2001
	RM'000	RM'000
Due within six months	11,707,484	12,654,053
Six months to one year	1,484,795	1,172,527
One year to three years	240,603	411,489
More than three years	20	60,000
	<u>13,432,902</u>	<u>14,298,069</u>
	=====	=====

ii) The deposits are sourced from the following types of customers:-

	Group and Bank	
	2002	2001
	RM'000	RM'000
Business enterprises	3,379,274	5,122,803
Individuals	8,387,228	8,134,776
Others	1,666,400	1,040,490
	<u>13,432,902</u>	<u>14,298,069</u>
	=====	=====

13. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2002	2001
	RM'000	RM'000
Licensed banks	1,503,800	984,400
Licensed finance companies	20,000	30,000
Other financial institutions	1,911,430	727,169
	<u>3,435,230</u>	<u>1,741,569</u>
	=====	=====

14. Other liabilities

	Group	
	2002	2001
	RM'000	RM'000
Taxation	45,260	63,137
Amounts due to Cagamas	134,675	704,153
Other payables	641,638	458,399
	<u>821,573</u>	<u>1,225,689</u>
	=====	=====

	Bank	
	2002	2001
	RM'000	RM'000
Taxation	45,260	63,137
Amount due to subsidiary companies	22	22
Amounts due to Cagamas	134,675	704,153
Other payables	641,638	458,399
	<u>821,595</u>	<u>1,225,711</u>
	=====	=====

15. Redeemable preference shares

	Group and Bank 2002 RM'000
Reclassified from:-	
Share capital (Note 16)	190
Share premium (Note 17)	189,810
	<hr/>
Balance as at 31 December	190,000
	<hr/> <hr/>

On 21 December 2001, 190,000 ten year cumulative RPS of RM1.00 each were issued at a premium of RM999 per share to Standard Chartered Bank. The RPS are to be redeemed within 10 years from the date of issue. Early redemption is at the Bank's option subject to Bank Negara Malaysia's approval. The RPS have been reclassified as debt instruments from shareholders' funds and hence are reported as liabilities in the current financial year in accordance with MASB 24.

The fixed cumulative dividend payable of 7.5% net on the issue value in respect of the RPS shall be paid in priority to any dividend in respect of any other class of shares in the capital of Standard Chartered Bank Malaysia Berhad ("SCBMB"), other than any such class which shall rank pari passu with the RPS with respect to rights to dividends. The RPS do not confer any further right of participating in the profits of SCBMB.

16. Share capital

	Bank	
	2002 RM'000	2001 RM'000
Authorised:-		
Ordinary shares of RM1 each		
Balance as at 1 January	700,000	1,000,000
Decrease during the year	-	(300,000)
	<hr/>	<hr/>
Balance as at 31 December	700,000	700,000
	<hr/> <hr/>	<hr/> <hr/>
Redeemable Preference Shares of RM1 each		
Balance as at 1 January	300,000	-
Created during the year	-	300,000
	<hr/>	<hr/>
Balance as at 31 December	300,000	300,000
	<hr/> <hr/>	<hr/> <hr/>

16. Share capital (continued)

	Bank	
	2002	2001
	RM'000	RM'000
Issued and fully paid:-		
Ordinary shares of RM1 each		
Balance as at 1 January/31 December	125,000	125,000
Redeemable Preference Shares of RM1 each		
Balance as at 1 January	190	-
Created during the year	-	190
Reclassified to liabilities (Note 15)	(190)	-
Balance as at 31 December	-	190
	<u>125,000</u>	<u>125,190</u>
	=====	=====

17. Reserves

	Group and Bank	
	2002	2001
	RM'000	RM'000
<i>Non-distributable</i>		
Share premium		
Balance as at 1 January	564,810	375,000
Arising from issue of redeemable preference shares	-	189,810
Reclassified to liabilities (Note 15)	(189,810)	-
Balance as at 31 December	375,000	564,810
Statutory reserve	125,000	125,000
	<u>500,000</u>	<u>689,810</u>
<i>Distributable</i>		
Retained profits	706,107	619,125
	<u>1,206,107</u>	<u>1,308,935</u>
	=====	=====

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

The Bank has sufficient tax exempt income and tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment as dividends all of its retained profits at 31 December 2002.

18. Dividends

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

	Group and Bank			
	2002		2001	
	Gross per share (RM)	Dividend net of tax RM'000	Gross per share (RM)	Dividend net of tax RM'000
Dividend paid				
- Ordinary shares (interim) (211% per share less tax) (2001 - nil))	2.11	190,000	-	-
	=====	=====	=====	=====

19. Interest income

	Group and Bank	
	2002 RM'000	2001 RM'000
Loans and advances	976,705	981,646
Money at call and deposit placements with financial institutions	70,309	176,660
Dealing securities	13,418	8,631
Investment securities	85,822	73,349
Others	57,128	70,763
	-----	-----
	1,203,382	1,311,049
Amortisation of premium less accretion of discounts	18,320	26,477
Net interest suspended	(90,020)	(97,298)
	-----	-----
	1,131,682	1,240,228
	=====	=====

20. Interest expense

	Group and Bank	
	2002 RM'000	2001 RM'000
Deposits and placements of banks and other financial institutions	119,316	180,307
Deposits from other customers	377,544	442,954
Dividends paid on redeemable preference shares	14,250	-
	-----	-----
	511,110	623,261
	=====	=====

21. Non-Interest income

	Group and Bank	
	2002	2001
	RM'000	RM'000
Fee income:-		
Commission	123,871	117,240
Service charges and fees	26,114	35,306
Guarantee fees	13,822	13,375
	<hr/>	<hr/>
	163,807	165,921
	-----	-----
Investment and dealing income:-		
Net profit from dealing securities	10,050	10,207
Gain on disposal of investment securities	447	-
Gross dividends from unquoted investments	936	1,257
	<hr/>	<hr/>
	11,433	11,464
	-----	-----
Other income:-		
Foreign exchange gain	58,757	57,351
Rental income	1,280	1,391
Gain on disposal of property, plant and equipment	172	1,536
Other non-operating (loss)/income	(4,318)	11,289
	<hr/>	<hr/>
	55,891	71,567
	-----	-----
	231,131	248,952
	=====	=====

22. Overhead expenses

	Group and Bank	
	2002	2001
	RM'000	RM'000
Personnel costs	182,874	171,287
Establishment costs	151,599	145,791
Marketing expenses	24,281	25,927
Administration and general expenses	96,793	66,851
	<hr/>	<hr/>
	455,547	409,856
	=====	=====

22. Overhead expenses (continued)

The above expenditure includes the following statutory disclosures:

	Group and Bank	
	2002	2001
	RM'000	RM'000
Directors' remuneration (Note 25)	1,748	1,976
Rental of premises	20,836	18,645
Hire of equipment	854	586
Auditors' remuneration	405	504
Depreciation of property, plant and equipment	34,624	28,886
Deficit on property revaluation	2,136	-
Property, plant and equipment written off	1,154	85
Retirement benefit costs	16,360	17,356
Voluntary Separation Scheme	17,828	2,117
Group administration expenses	26,000	-
	=====	=====
The number of employees as at end of financial year	1,688	1,941
	=====	=====

23. Allowance for bad and doubtful debts and financing

	Group and Bank	
	2002	2001
	RM'000	RM'000
Allowance for bad and doubtful debts and financing:-		
- Specific allowance (net)	66,334	349,677
- General allowance	(67,185)	83,750
Bad and doubtful debts and financing:		
- written off	70,205	40,406
- recovered	(36,078)	(39,944)
	-----	-----
	33,276	433,889
	=====	=====

24. Significant related party transactions and balances

	Group and Bank	
	2002	2001
	RM'000	RM'000
<i>Transactions:</i>		
Related companies:		
Income		
Interest on intercompany placements	5,862	39,195
Interest on current accounts	1,229	2,224
	<u>7,091</u>	<u>41,419</u>
	=====	=====
Expenditure		
Interest on intercompany borrowings	15,386	49,193
Interest on current accounts	159	2,928
Other operating expenses	64,993	43,152
Dividend paid on preference shares	14,250	-
	<u>94,788</u>	<u>95,273</u>
	=====	=====
<i>Balances:</i>		
Amount due from related company		
Current accounts	-	99,075
Amount due to related company		
Intercompany borrowings	(1,242,600)	(286,520)
Current accounts	(9,873)	-
	<u>(1,252,473)</u>	<u>(187,445)</u>
	=====	=====
Net amount due to related company	(1,252,473)	(187,445)

25. Directors' remuneration

Forms of remuneration in aggregate for all Directors charged to the profit for the year are as follows:

	Group and Bank	
	2002	2001
	RM'000	RM'000
Executive directors:-		
Salary, bonus and allowances	1,505	1,767
Benefits-in-kind	293	273
	-----	-----
	1,798	2,040
	=====	=====
Non-executive directors:-		
Fees	220	188
Other allowances	23	21
	-----	-----
	243	209
	=====	=====

The remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind during the year amounted to RM1,798,000 (2001 - RM2,040,000).

26. Taxation

	Group and Bank	
	2002	2001
	RM'000	RM'000
Malaysian income tax		
- Current year provision	89,859	38,357
- Overprovision in prior years	-	(19,400)
	-----	-----
	89,859	18,957
	=====	=====

The effective tax rate of the Group and of the Bank in 2002 is lower than the statutory tax rate as certain allowances disallowed for tax deduction in the prior year are now deductible for income tax purposes.

The effective tax rate of the Group and of the Bank in 2001 was higher than the statutory tax rate as certain expenses was not deductible for tax purposes.

27. Deferred taxation

Subject to the agreement by the Inland Revenue Board, the Group and the Bank have potential deferred tax benefits of RM79,000,000 (2001 - RM110,000,000) due to timing differences, the amount of which is not accrued in the accounts.

28. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of RM276,982,000 (2001 - RM6,624,000) and the number of ordinary shares outstanding during the year of 125,000,000 (2001 - 125,000,000).

29. 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.

The commitments and contingencies as at 31 December are as follows:-

	Group and Bank			
	2002		2001	
	Principal amount RM'000	Credit equivalent amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000
Direct credit substitutes	459,506	459,506	406,740	406,740
Transaction-related contingent items	2,451,481	1,225,741	2,401,021	1,200,511
Short-term self liquidated trade-related contingencies	284,119	56,824	201,197	40,239
Irrevocable commitments to extend credit:-				
- maturity more than one year	2,003,992	1,001,996	2,132,390	1,066,195
- maturity less than one year	4,969,440	-	4,121,928	-
Foreign exchange related contracts				
- less than one year	9,242,836	167,242	8,036,447	211,054
- one year to less than five years	380,000	29,298	542,858	52,961
Interest rate related contracts				
- less than one year	5,990,800	16,122	4,021,277	18,393
- one year to less than five years	5,413,800	148,352	4,453,917	106,715
Miscellaneous commitments and contingencies	591,695	-	803,719	-
	<u>31,787,669</u>	<u>3,105,081</u>	<u>27,121,494</u>	<u>3,102,808</u>
	=====	=====	=====	=====

29. Commitments and contingencies (continued)

The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.

Foreign exchange and interest rate 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 amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2002, the amount of contracts which were not hedged and, hence, exposed to market risk was RM14 million (2001 - RM19 million).

Credit Risk

Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank has a gain position. As at end of 31 December 2002, the amounts of credit risk, measured in terms of the cost to replace the profitable contracts, was RM94 million (2001 - RM130 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.

Details of the Bank's foreign exchange contracts and interest rate contracts as at 31 December 2002 are as follows:

	Group and Bank	
	2002	2001
	RM'000	RM'000
Foreign exchange contracts		
- forward and futures contracts	8,905,654	7,732,191
- cross-currency interest rate swaps	434,286	542,856
- options purchased	141,448	152,129
- options written	141,448	152,129
	=====	=====
Interest rate contracts		
- forward and future contracts	6,496,000	5,258,000
- swaps	4,908,600	3,217,194
	=====	=====

30. Financial risk management policies

The guidelines and policies adopted by the Group and the Bank to manage the following risks that arise in the conduct of the business activities are as follows:

Operational Risk

Operational Risk is the risk of direct or indirect loss due to an event or action causing the failure of technology, processes, infrastructure, personnel and other risks having operational risk impact.

The Country Operational Risk Group (CORG) has been established to ensure that an appropriate risk management framework is in place and to monitor and manage operational, social, ethical and environmental risk. The CORG is chaired by the Country Chief Executive Officer. Business units within the Bank monitor their Operational Risks using set standards and indicators. Significant issues and exceptions are reported to the CORG. Disaster recovery procedures, business contingency planning, self-compliance audits and internal audits also form an integral part of the operational risk management process.

Credit Risk

Credit risk is the risk that a counterparty will not settle its obligations in accordance with agreed terms. Credit exposures include individual borrowers, connected groups of counterparties and portfolios on the banking book and trading book.

Policies for managing credit risk are determined by the Group Risk Committee which also delegates credit authorities to independent Risk Officers. Specific procedures for managing credit risk are determined at the business levels with specific policies and procedures being adapted to different risk environment and business goals. Credit analysis includes review of facility detail, credit grade determination and financial spreading/ratio analysis. Originating and approval roles are clearly segregated. Significant exposures and specific local credit underwriting standards are reviewed and approved through the Malaysia Credit Risk and Policy Committee.

Market Risk

The Bank recognises market risk as the exposure created by the potential changes in market prices and rates.

Market risk is managed through the Group Risk Committee, which agrees policies and procedures and levels of risk appetite in terms of Value at Risk (VaR). Limits are then proposed by the business within the terms of agreed policy. These are agreed and monitored by Group Risk and an independent risk management function within the business. Policies cover both the trading and non-trading books.

30. Financial risk management policies (continued)

Market Risk (continued)

In addition to monitoring limits set, the independent stress testing of portfolios is performed by the risk management functions and additional limits are placed on specific instrument and currency concentrations where appropriate. Factor sensitivity measures are used in addition to VaR as additional risk management tools. Risk models are periodically back tested against actual results to ensure pre-determined levels of accuracy are maintained.

Liquidity Risk

The Bank defines liquidity risk as the risk that funds will not be available to meet liabilities as they fall due.

Liquidity risk is managed through the Asset and Liability Committee (ALCO). This committee, chaired by the Country Chief Executive Officer is responsible for both statutory and prudential liquidity.

Liquidity risk is monitored through the Bank Negara Malaysia 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.

31. Interest rate risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following table indicates the effective interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

31. Interest rate risk (continued)

Group 2002	Within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Total RM'000	Average interest %
Assets						
Cash and short term funds	2,234,069	-	-	-	2,234,069	2.17
Deposits and placements with banks and other financial institutions	815,200	-	-	-	815,200	2.49
Dealing securities	142,895	185,144	36,317	-	364,356	3.76
Investment securities	2,448,961	1,140,661	21,983	9,597	3,621,202	2.53
Loans, advances and financing	12,595,028	478,075	401,746	76,009	13,550,858	7.11
Other non-interest sensitive balances	-	-	-	601,694	601,694	
Total assets	18,236,153	1,803,880	460,046	687,300	21,187,379	
Liabilities and shareholders' funds						
Deposits from customers	10,034,743	240,809	-	3,157,350	13,432,902	2.99
Deposits and placements of banks and other financial institutions	3,433,730	1,500	-	-	3,435,230	2.72
Obligations on securities sold under repurchase agreements	1,675,996	-	-	-	1,675,996	2.56
Bills and acceptances payable	300,571	-	-	-	300,571	2.86
Other liabilities	16,090	118,585	-	686,898	821,573	
Redeemable preference shares	-	-	190,000	-	190,000	10.42
Total liabilities shareholders' funds	15,461,130	360,894	190,000	3,844,248	19,856,272	
Total liabilities and shareholders' funds	15,461,130	360,894	190,000	5,175,355	21,187,379	
On-balance sheet interest sensitivity gap	2,775,023	1,442,986	270,046	(4,488,055)		
Off-balance sheet interest sensitivity gap	415,000	345,000	(760,000)	-		
Total interest sensitivity gap	3,190,023	1,787,986	(489,954)	(4,488,055)		

31. Interest rate risk (continued)

Group 2001	Within 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000	Total RM'000	Average interest %
Assets						
Cash and short term funds	1,987,774	-	-	-	1,987,774	2.83
Deposits and placements with banks and other financial institutions	861,575	-	-	-	861,575	2.93
Dealing securities	34,862	464,249	95,798	-	594,909	2.51
Investment securities	1,924,052	981,065	1,644	9,340	2,916,101	2.63
Loans, advances and financing	11,976,926	550,765	487,659	95,540	13,110,890	7.29
Other non-interest sensitive balances	-	-	-	716,707	716,707	
Total assets	16,785,189	1,996,079	585,101	821,587	20,187,956	
Liabilities and shareholders' funds						
Deposits from customers	11,164,675	472,440	-	2,660,954	14,298,069	3.41
Deposits and placements of banks and other financial institutions	1,739,782	1,787	-	-	1,741,569	3.51
Obligations on securities sold under repurchase agreements	1,132,753	-	-	-	1,132,753	2.72
Bills and acceptances payable	355,751	-	-	-	355,751	2.98
Other liabilities	704,153	-	-	521,536	1,225,689	
Total liabilities	15,097,114	474,227	-	3,182,490	18,753,831	
Shareholders' funds	-	-	-	1,434,125	1,434,125	
Total liabilities and shareholders' funds	15,097,114	474,227	-	4,616,615	20,187,956	
On-balance sheet interest sensitivity gap	1,688,075	1,521,852	585,101	(3,795,028)		
Off-balance sheet interest sensitivity gap	(969,000)	969,000	-	-		
Total interest sensitivity gap	719,075	2,490,852	585,101	(3,795,028)		

The effective interest rate of the financial instruments of the Bank is not disclosed as the financial position of the Bank is not materially different from the Group.

32. 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		Group Fair Value	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Financial assets				
Cash and short term funds	2,234,069	1,987,774	2,234,069	1,987,774
Deposits and placements with banks and other financial institutions	815,200	861,575	815,200	861,575
Dealing securities	364,356	594,909	363,987	590,322
Investment securities	3,621,202	2,916,101	3,629,267	2,928,238
Loans, advances and financing	13,550,858	13,110,890	13,551,107	13,110,911
Financial liabilities				
Deposits from customers	13,432,902	14,298,069	13,436,565	14,303,840
Deposits and placements of banks and other financial institutions	3,435,230	1,741,569	3,435,230	1,741,569
Obligations on securities sold under repurchase agreements	1,675,996	1,132,753	1,675,996	1,132,753
Bills and acceptances payable	300,571	355,751	300,571	355,751
Other liabilities	821,573	1,225,689	823,456	1,225,689
Redeemable preference shares	190,000	-	190,000	-

Note:

Other assets are considered short term in nature. The fair values are estimated to be approximately their carrying values.

The fair values of the financial assets and liabilities of the Bank is not disclosed as the financial position of the Bank is not materially different from the Group.

32. 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 cost 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 its 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 balance sheet date.

- ii) Dealing and investment securities

The estimated fair value is based on quoted or observable market prices at the balance sheet 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 balance sheet 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 loans with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual installment payments and discounted at prevailing rates at balance sheet date offered for similar loans to new borrowers with similar credit profiles, where applicable. In respect of non-performing loans, the fair values are deemed to approximate the carrying values, net of interest-in-suspense and specific allowance for bad and doubtful debts and financing.

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

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) or with remaining maturities of less than one year are estimated to approximate their carrying values at balance sheet 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 balance sheet 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 balance sheet 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) Obligations on securities sold under repurchase agreements and bills and acceptances payable

The carrying amounts are a reasonable estimate of their fair values because of their short-term nature.

- iii) Other liabilities

Included within other liabilities is amount due to Cagamas with maturity greater than 1 year. The fair value is determined based on discounted cash flows of future instalments payments at prevailing Cagamas rates as at balance sheet date. The fair value of other liabilities which are short term in nature are estimated to be approximately their carrying values.

- iv) Redeemable preference shares

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

33. Lease commitments

The Group and the Bank have lease commitments in respect of rented premises, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases, is as follows:-

Year	RM'000
2003	17,601
2004	10,876
2005	6,832
	=====

34. Capital commitments

	Group and Bank	
	2002 RM'000	2001 RM'000
Capital expenditure:		
- authorised and contracted for	4,804	564
- authorised but not contracted for	2,184	2,600
	-----	-----
	6,988	3,164
	=====	=====

35. Capital adequacy

The capital adequacy ratio of the Bank is analysed as follows:

	Group and Bank	
	2002 RM'000	2001 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	125,000	125,000
Share premium	375,000	375,000
Other reserves	831,107	744,125
	-----	-----
Total Tier 1 Capital	1,331,107	1,244,125
	-----	-----

35. Capital adequacy (continued)

	Group and Bank	
	2002	2001
	RM'000	RM'000
Tier 2 Capital		
Redeemable preference shares	190,000	190,000
General allowance for bad and doubtful debts and financing	238,995	306,180
	<hr/>	<hr/>
Total Tier 2 Capital	428,995	496,180
	<hr/>	<hr/>
Total capital	1,760,102	1,740,305
Less: Investment in subsidiary companies	(22)	(22)
	<hr/>	<hr/>
Total Capital Base	1,760,080	1,740,283
	<hr/> <hr/>	<hr/> <hr/>

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
0%	4,409,447	3,758,849
10%	883,707	664,085
20%	3,875,595	4,137,967
50%	8,476,119	7,509,608
100%	7,051,220	7,620,106
	<hr/>	<hr/>
	24,696,088	23,690,615
	<hr/>	<hr/>
Total risk-weighted assets	12,152,769	12,268,912
	<hr/> <hr/>	<hr/> <hr/>
Capital Ratios		
<u>Excluding proposed dividend:</u>		
Core capital ratio	10.95%	10.14%
Risk-weighted capital ratio	14.48%	14.18%
	<hr/>	<hr/>
<u>With proposed dividend:</u>		
Core capital ratio	9.64%	10.14%
Risk-weighted capital ratio	13.17%	14.18%
	<hr/>	<hr/>

36. Comparative figures

Certain comparative figures have been restated to comply with the additional disclosure requirements of the applicable approved accounting standards issued by the Malaysian Accounting Standard Board (“MASB”) and guidelines issued by Bank Negara Malaysia. Reclassifications have been made to the following comparative figures to conform with the current financial year presentation.

	Group		Bank	
	After reclassification amount RM'000	As previously reported amount RM'000	After reclassification amount RM'000	As previously reported amount RM'000
Balance sheet				
Assets				
Deposits and placements with banks and other financial institutions	861,575	762,500	861,575	762,500
	=====	=====	=====	=====
Liabilities				
Deposits and placements of banks and other financial institutions	1,741,569	2,159,202	1,741,569	2,159,202
Amount due to ultimate holding company	-	187,445	-	187,445
Amount due to subsidiary companies	-	-	-	22
Other liabilities	1,225,689	521,536	1,225,711	521,536
	=====	=====	=====	=====

37. The operations of Islamic Banking

Standard Chartered Bank Malaysia Berhad Islamic Banking Operations

(Incorporated in Malaysia)

Balance sheets as at 31 December 2002

	Note	Group and Bank 2002 RM'000	2001 RM'000
Assets			
Cash and short term funds	(a)	10,818	12,608
Investment securities	(b)	61,181	100,772
Loans, advances and financing	(c)	20,796	26,377
Other assets	(d)	245	374
Property, plant and equipment		16	25
		-----	-----
Total assets		93,056	140,156
		=====	=====
Liabilities and Islamic Banking funds			
Deposits from customers	(e)	62,266	112,941
Other liabilities	(f)	2,789	1,644
		-----	-----
Total liabilities		65,055	114,585
		-----	-----
Islamic Banking funds	(g)	28,001	25,571
		-----	-----
Total liabilities and Islamic Banking funds		93,056	140,156
		=====	=====
Commitments and contingencies	(k)	-	-
		=====	=====

The accompanying Notes form an integral part of the financial statements

37. The operations of Islamic Banking (continued)

Standard Chartered Bank Malaysia Berhad
Islamic Banking Operations
(Incorporated in Malaysia)

Income statements for the year ended
31 December 2002

		Group and Bank	
		2002	2001
	Note	RM'000	RM'000
Net income	(h)	3,961	3,407
Overhead expenses	(i)	(1,584)	(1,076)
		-----	-----
Operating profit		2,377	2,331
Allowance for bad and doubtful debts and financing	(j)	53	95
		-----	-----
Net profit for the year		2,430	2,426
Retained profit brought forward		5,571	3,145
		-----	-----
Retained profit carried forward		8,001	5,571
		=====	=====

The accompanying Notes form an integral part of the financial statements

37. The operations of Islamic Banking (continued)

(a) Cash and short term funds

	Group and Bank	
	2002	2001
	RM'000	RM'000
Cash and balances with banks and other financial institutions	18	108
Money at call and deposit placements maturing within one month	10,800	12,500
	<u>10,818</u>	<u>12,608</u>
	=====	=====

(b) Investment securities

	Group and Bank	
	2002	2001
	RM'000	RM'000
Money market instruments:		
Malaysian Government investment certificates	-	25,000
Khazanah Islamic bonds	55,000	27,625
Islamic corporate bonds	-	20,000
Islamic accepted bills	9,912	28,102
	<u>64,912</u>	<u>100,727</u>
Amortisation of premiums less accretion of discounts	(3,731)	45
	<u>61,181</u>	<u>100,772</u>
	=====	=====
i) Market value of securities:		
Malaysian Government investment certificates	-	25,000
Khazanah Islamic bonds	52,330	27,728
Islamic corporate bonds	-	21,660
Islamic accepted bills	9,844	28,093
	<u>62,174</u>	<u>102,481</u>
	=====	=====

ii) The maturity structure of money market instruments held for investment are as follows:

	Group and Bank	
	2002	2001
	RM'000	RM'000
Maturity within one year	9,851	53,102
One year to three years	51,330	27,625
Over five years	-	20,045
	<u>61,181</u>	<u>100,772</u>
	=====	=====

Company No. 115793 P

37. The operations of Islamic Banking (continued)

(c) Loans, advances and financing

	Group and Bank	
	2002	2001
	RM'000	RM'000
Term financing	44,296	58,049
Unearned income	(22,522)	(30,719)
	<hr/>	<hr/>
Gross loans, advances and financing	21,774	27,330
Allowance for bad and doubtful debts and financing		
- Specific	(350)	(310)
- General	(317)	(410)
Profit-in-suspense	(311)	(233)
	<hr/>	<hr/>
Net loans, advances and financing	20,796	26,377
	=====	=====

Loans, advances and financing analysed by concepts are as follows:

	Group and Bank	
	2002	2001
	RM'000	RM'000
Al-Bai' Bithaman Ajil	21,774	27,330
	=====	=====

i) The maturity structure of loans, advances and financing are as follows:

	Group and Bank	
	2002	2001
	RM'000	RM'000
Maturity within one year	7	24
One year to three years	138	132
Three years to five years	482	437
Over five years	21,147	26,737
	<hr/>	<hr/>
	21,774	27,330
	=====	=====

ii) Loans, advances and financing analysed by their economic purposes are as follows:

	Group and Bank	
	2002	2001
	RM'000	RM'000
Purchase of landed property - residential	21,774	27,330
	=====	=====

37. The operations of Islamic Banking (continued)

- iii) Movements in the non-performing loans, advances and financing (including income receivables) are as follows:

	Group and Bank	
	2002	2001
	RM'000	RM'000
Balance as at 1 January	3,326	2,897
Non-performing during the year (gross)	2,523	9,172
Performing during the year	(2,739)	(7,498)
Recoveries	(429)	(1,245)
	<hr/>	<hr/>
Balance as at 31 December	2,681	3,326
	<hr/> <hr/>	<hr/> <hr/>

- iv) Movements in the allowance for bad and doubtful debts and financing and profit-in-suspense accounts are as follows:

	Group and Bank	
	2002	2001
	RM'000	RM'000
<u>General allowance</u>		
Balance as at 1 January	410	517
Amount written back to Income Statement	(93)	(107)
	<hr/>	<hr/>
Balance as at 31 December	317	410
	<hr/> <hr/>	<hr/> <hr/>
<u>Specific allowance</u>		
Balance as at 1 January	310	298
Allowance made during the year	128	264
Amount written back in respect of recoveries	(88)	(252)
	<hr/>	<hr/>
Balance as at 31 December	350	310
	<hr/> <hr/>	<hr/> <hr/>
<u>Profit-in-suspense</u>		
Balance as at 1 January	233	126
Allowance made during the year	211	191
Amount written back in respect of recoveries	(133)	(84)
	<hr/>	<hr/>
Balance as at 31 December	311	233
	<hr/> <hr/>	<hr/> <hr/>

37. The operations of Islamic Banking (continued)

(d) Other assets

	Group and Bank	
	2002	2001
	RM'000	RM'000
Other receivables, deposits and prepayments	245	374
	=====	=====

(e) Deposits from customers

	Group and Bank	
	2002	2001
	RM'000	RM'000
Al-Wadiah savings deposits	17,717	18,927
General investment deposits	44,549	94,014
	-----	-----
	62,266	112,941
	=====	=====

i) Maturity structure of deposits from customers are as follows:

	Group and Bank	
	2002	2001
	RM'000	RM'000
Due within six months	59,436	109,121
Six months to one year	2,707	3,805
One year to three years	123	15
	-----	-----
	62,266	112,941
	=====	=====

ii) The deposits are sourced from the following types of customers:

	Group and Bank	
	2002	2001
	RM'000	RM'000
Business enterprises	5,872	13,322
Individuals	52,992	91,468
Others	3,402	8,151
	-----	-----
	62,266	112,941
	=====	=====

37. The operations of Islamic Banking (continued)**(f) Other liabilities**

	Group and Bank	
	2002	2001
	RM'000	RM'000
Income/Dividend payable	245	498
Accruals	373	163
Profit equalisation reserve	136	-
Other liabilities	2,035	983
	<hr/>	<hr/>
	2,789	1,644
	<hr/> <hr/>	<hr/> <hr/>

(g) Islamic Banking funds (IBF)

	Group and Bank	
	2002	2001
	RM'000	RM'000
Funds allocated from Head Office	20,000	20,000
Retained profits	8,001	5,571
	<hr/>	<hr/>
	28,001	25,571
	<hr/> <hr/>	<hr/> <hr/>

(h) Income from Islamic Banking operations

	Group and Bank	
	2002	2001
	RM'000	RM'000
Income derived from investment of depositors' funds and funds allocated from Head Office	5,340	6,399
Income attributable to depositors		
- other customers	(2,616)	(3,221)
- banks and financial institutions	132	150
	<hr/>	<hr/>
Income attributable to Group/Bank	2,856	3,328
Other Islamic Banking income	1,183	79
Profit-in-suspense	(78)	-
	<hr/>	<hr/>
	3,961	3,407
	<hr/> <hr/>	<hr/> <hr/>

37. The operations of Islamic Banking (continued)

Details of the income derived from investment of depositors' funds and funds allocated from Head Office are as follows:

2002	Depositors' Funds RM'000	IBF RM'000
Income from financing	2,269	-
Investment income:		
Gains from sale of investment securities	1,210	-
Gross dividends from Malaysia:		
Investment securities	928	933
	<u>4,407</u>	<u>933</u>
	=====	=====
2001		
Income from financing	2,588	-
Investment income:		
Gains from sale of investment securities	2,379	-
Gross dividends from Malaysia:		
Investment securities	391	1,041
	<u>5,358</u>	<u>1,041</u>
	=====	=====
(i) Overhead expenses		
	Group and Bank	
	2002	2001
	RM'000	RM'000
Personnel costs	1,076	744
Establishment costs	84	80
Marketing expenses	88	228
Administration and general expenses	336	24
	<u>1,584</u>	<u>1,076</u>
	=====	=====

37. The operations of Islamic Banking (continued)

(j) Allowance for bad and doubtful debts and financing

	Group and Bank	
	2002	2001
	RM'000	RM'000
Allowance for bad and doubtful debts and financing:		
- Specific allowance (net)	40	12
- General allowance	(93)	(107)
	-----	-----
	(53)	(95)
	=====	=====

(k) 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.

(1) Capital adequacy

The capital adequacy ratio of the bank is analysed as follows:

	Group and Bank	
	2002	2001
	RM'000	RM'000
Tier 1 Capital		
Paid-up ordinary shares capital	20,000	20,000
Other reserves	8,001	5,572
	-----	-----
Total Tier 1 Capital	28,001	25,572
	-----	-----
Tier 2 Capital		
General allowance for bad and doubtful debts and financing	317	410
	-----	-----
Total Tier 1 Capital	317	410
	-----	-----
Total Capital base	28,318	25,982
	=====	=====

Company No. 115793 P

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

	Group and Bank	
	2002	2001
	RM'000	RM'000
0%	66,668	63,484
10%	-	-
20%	20,655	40,602
50%	20,544	25,668
100%	994	21,672
	<hr/>	<hr/>
	108,861	151,426
	=====	=====
Total risk-weighted assets	15,397	42,626
	=====	=====
Capital Ratios		
Core capital ratio	181.86%	59.99%
Risk-weighted capital ratio	183.92%	60.95%
	=====	=====

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

**Financial statements for the year
ended 31 December 2002**

Registered office:
2, Jalan Ampang
50450 Kuala Lumpur