



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

**Financial statements for the financial half  
year ended 30 June 2011**

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2011**

	Note	Group		Bank	
		30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
<b>Assets</b>					
Cash and short term funds		7,961,981	4,522,666	6,863,869	3,667,843
Deposits and placements with banks and other financial institutions		84,814	358,182	1,860,785	2,263,730
Securities purchased under resale agreements		153,870	89,854	153,870	89,854
Financial assets held for trading	12	1,956,859	3,349,777	1,956,859	3,349,777
Investment securities available-for-sale	13	2,300,211	6,622,786	2,230,116	5,999,460
Loans, advances and financing	14	29,609,980	28,107,906	26,914,713	25,765,761
Derivative financial assets		1,723,317	2,335,191	1,723,724	2,333,269
Other assets	16	1,229,675	207,373	1,331,935	284,945
Tax recoverable		4,610	3,271	-	-
Statutory deposits with Bank Negara Malaysia	17	357,153	36,760	294,625	12,000
Investments in subsidiaries		-	-	386,022	386,022
Property, plant and equipment		54,299	55,530	47,985	55,530
Deferred tax assets		124,523	120,032	116,718	112,832
<b>Total assets</b>		<b>45,561,292</b>	<b>45,809,328</b>	<b>43,881,221</b>	<b>44,321,023</b>
<b>Liabilities</b>					
Deposits from customers	18	34,050,597	34,256,728	32,508,380	32,935,268
Deposits and placements of banks and other financial institutions	19	3,870,403	3,621,804	3,768,874	3,520,407
Bills and acceptances payable		-	6,792	-	6,792
Recourse obligations on loans sold to Cagamas Berhad		-	72,919	-	72,919
Derivative financial liabilities		1,616,700	1,886,049	1,617,824	1,885,045
Other liabilities	20	2,388,915	2,448,903	2,426,451	2,444,303
Tax payable		59,355	15,940	59,355	15,940
Subordinated debts		882,569	885,652	882,569	885,652
<b>Total liabilities</b>		<b>42,868,539</b>	<b>43,194,787</b>	<b>41,263,453</b>	<b>41,766,326</b>
<b>Equity</b>					
Share capital		125,000	125,000	125,000	125,000
Reserves		2,567,753	2,489,541	2,492,768	2,429,697
<b>Total equity attributable to equity holder of the Bank</b>		<b>2,692,753</b>	<b>2,614,541</b>	<b>2,617,768</b>	<b>2,554,697</b>
<b>Total liabilities and equity</b>		<b>45,561,292</b>	<b>45,809,328</b>	<b>43,881,221</b>	<b>44,321,023</b>
<b>Commitments and contingencies</b>	28	<b>157,130,075</b>	<b>162,357,835</b>	<b>156,173,087</b>	<b>161,064,175</b>

*The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2010.*

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

	Note	Group			
		2nd Quarter ended 30 June 2011 RM'000	30 June 2010 RM'000	Six months ended 30 June 2011 RM'000	30 June 2010 RM'000
Interest income	21	396,992	325,834	775,383	642,698
Interest expense	22	(187,492)	(146,111)	(357,358)	(293,775)
<b>Net interest income</b>		<b>209,500</b>	<b>179,723</b>	<b>418,025</b>	<b>348,923</b>
Net income from Islamic Banking operations	23	53,842	61,780	104,187	125,386
Other operating income	24	263,342	241,503	522,212	474,309
Total net income		433,246	362,210	829,009	770,701
Other operating expenses	25	(196,520)	(183,758)	(386,733)	(371,196)
<b>Operating profit</b>		<b>236,726</b>	<b>178,452</b>	<b>442,276</b>	<b>399,505</b>
Provisions for loans, advances and financing	26	(48,562)	(57,612)	(45,977)	(97,861)
<b>Profit before taxation</b>		<b>188,164</b>	<b>120,840</b>	<b>396,299</b>	<b>301,644</b>
Tax expense		(40,996)	(24,642)	(95,111)	(71,650)
<b>Profit for the period</b>		<b>147,168</b>	<b>96,198</b>	<b>301,188</b>	<b>229,994</b>
<b>Other comprehensive income, net of income tax</b>					
Fair value reserve (investment securities available-for-sale):-					
Net changes in fair value		3,321	1,186	2,406	(2,209)
Net amount transferred to profit or loss		74	310	394	(4,581)
Cash flow hedges:-					
Effective portion of changes in fair value		(3,429)	4,016	(7,998)	(418)
Net amount transferred to profit or loss		4,214	573	7,222	1,916
<b>Other comprehensive income/(expense) for the period, net of income tax</b>		<b>4,180</b>	<b>6,085</b>	<b>2,024</b>	<b>(5,292)</b>
<b>Total comprehensive income for the period</b>		<b>151,348</b>	<b>102,283</b>	<b>303,212</b>	<b>224,702</b>
<b>Profit for the period attributable to:-</b>					
Equity holder of the Bank		147,168	96,198	301,188	229,994
<b>Total comprehensive income attributable to:-</b>					
Equity holder of the Bank		151,348	102,283	303,212	224,702

*The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2010.*

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**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

	Note	Bank			
		2nd Quarter ended		Six months ended	
		30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Interest income	21	411,545	341,122	802,542	667,078
Interest expense	22	(187,492)	(146,111)	(357,358)	(293,775)
<b>Net interest income</b>		<b>224,053</b>	<b>195,011</b>	<b>445,184</b>	<b>373,303</b>
Net income from Islamic Banking operations	23	-	-	-	-
		224,053	195,011	445,184	373,303
Other operating income	24	183,114	136,000	335,757	324,647
Total net income		407,167	331,011	780,941	697,950
Other operating expenses	25	(189,701)	(179,516)	(373,656)	(364,034)
<b>Operating profit</b>		<b>217,466</b>	<b>151,495</b>	<b>407,285</b>	<b>333,916</b>
Provisions for loans, advances and financing	26	(37,956)	(42,502)	(31,352)	(67,579)
<b>Profit before taxation</b>		<b>179,510</b>	<b>108,993</b>	<b>375,933</b>	<b>266,337</b>
Tax expense		(38,794)	(21,906)	(89,864)	(62,815)
<b>Profit for the period</b>		<b>140,716</b>	<b>87,087</b>	<b>286,069</b>	<b>203,522</b>
<b>Other comprehensive income, net of income tax</b>					
Fair value reserve (investment securities available-for-sale):-					
Net changes in fair value		3,156	1,207	2,384	(1,815)
Net amount transferred to profit or loss		74	311	394	(4,580)
Cash flow hedges:-					
Effective portion of changes in fair value		(3,429)	4,016	(7,998)	(418)
Net amount transferred to profit or loss		4,214	573	7,222	1,916
<b>Other comprehensive income/(expense) for the period, net of income tax</b>		<b>4,015</b>	<b>6,107</b>	<b>2,002</b>	<b>(4,897)</b>
<b>Total comprehensive income for the period</b>		<b>144,731</b>	<b>93,194</b>	<b>288,071</b>	<b>198,625</b>
<b>Profit for the period attributable to:-</b>					
Equity holder of the Bank		140,716	87,087	286,069	203,522
<b>Total comprehensive income attributable to:-</b>					
Equity holder of the Bank		144,731	93,194	288,071	198,625

*The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2010.*

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

GROUP	← Non-Distributable Reserves →					Distributable Reserves		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 2011	125,000	375,000	156,706	190	1,416	(8,601)	1,964,830	2,614,541
Profit for the period	-	-	-	-	-	-	301,188	301,188
Other comprehensive income/(expense) for the period	-	-	-	-	2,800	(776)	-	2,024
Total comprehensive income/(expense) for the period	-	-	-	-	2,800	(776)	301,188	303,212
Dividends (ordinary shares):- - 2010 final	-	-	-	-	-	-	(225,000)	(225,000)
<b>At 30 June 2011</b>	<b>125,000</b>	<b>375,000</b>	<b>156,706</b>	<b>190</b>	<b>4,216</b>	<b>(9,377)</b>	<b>2,041,018</b>	<b>2,692,753</b>

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**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

GROUP	← Non-Distributable Reserves →					Distributable Reserves		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 2010	125,000	375,000	132,960	190	7,439	(8,669)	1,646,935	2,278,855
Profit for the period	-	-	-	-	-	-	229,994	229,994
Other comprehensive (expense)/income for the period	-	-	-	-	(6,790)	1,498	-	(5,292)
Total comprehensive (expense)/income for the period	-	-	-	-	(6,790)	1,498	229,994	224,702
<b>At 30 June 2010</b>	<b>125,000</b>	<b>375,000</b>	<b>132,960</b>	<b>190</b>	<b>649</b>	<b>(7,171)</b>	<b>1,876,929</b>	<b>2,503,557</b>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

BANK	← Non-Distributable Reserves →					Distributable Reserves		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 2011	125,000	375,000	125,000	190	1,363	(8,601)	1,936,745	2,554,697
Profit for the period	-	-	-	-	-	-	286,069	286,069
Other comprehensive income/(expense) for the period	-	-	-	-	2,778	(776)	-	2,002
Total comprehensive income/(expense) for the period	-	-	-	-	2,778	(776)	286,069	288,071
Dividends (ordinary shares):- - 2010 final	-	-	-	-	-	-	(225,000)	(225,000)
<b>At 30 June 2011</b>	<b>125,000</b>	<b>375,000</b>	<b>125,000</b>	<b>190</b>	<b>4,141</b>	<b>(9,377)</b>	<b>1,997,814</b>	<b>2,617,768</b>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

BANK	← Non-Distributable Reserves →					Distributable Reserves		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 2010	125,000	375,000	125,000	190	6,868	(8,669)	1,641,356	2,264,745
Profit for the period	-	-	-	-	-	-	203,522	203,522
Other comprehensive (expense)/income for the period	-	-	-	-	(6,395)	1,498	-	(4,897)
Total comprehensive (expense)/income for the period	-	-	-	-	(6,395)	1,498	203,522	198,625
<b>At 30 June 2010</b>	<b>125,000</b>	<b>375,000</b>	<b>125,000</b>	<b>190</b>	<b>473</b>	<b>(7,171)</b>	<b>1,844,878</b>	<b>2,463,370</b>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

	Group		Bank	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Profit before taxation	396,299	301,644	375,933	266,337
Adjustment for non-cash items	13,103	(52,554)	4,411	(44,790)
Operating profit before working capital changes	409,402	249,090	380,344	221,547
Changes in working capital:-				
Net changes in operating assets	(901,014)	(6,028,038)	(138,210)	(6,416,310)
Net changes in operating liabilities	(325,313)	2,168,757	(771,290)	2,860,717
Income taxes paid	(58,196)	(65,162)	(51,000)	(62,174)
Net cash used in operating activities	(875,121)	(3,675,353)	(580,156)	(3,396,220)
Net cash generated from/(used in) investing activities	4,314,436	(1,215,506)	3,776,182	(55,751)
Net increase/(decrease) in cash and cash equivalents	3,439,315	(4,890,859)	3,196,026	(3,451,971)
Cash and cash equivalent at beginning of the period	4,522,666	8,870,950	3,667,843	7,586,909
Cash and cash equivalent at end of the period	7,961,981	3,980,091	6,863,869	4,134,938

*The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2010.*

**STANDARD CHARTERED BANK MALAYSIA BERHAD**  
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**REVIEW OF PERFORMANCE**

The Group recorded a profit before taxation of RM 396.30 million for the financial half year ended 30 June 2011, representing a RM 94.66 million or 31.38% increase compared with the corresponding period last year. Net interest income increased by RM 69.10 million to RM 418.03 million on the back of higher interest rates, in line with the upward OPR movements, and strong loans growth. Other operating income (including income from Islamic Banking operations) decreased marginally by RM 10.80 million or 2.56% to RM 410.98 million, whilst operating expenses increased by RM 15.54 million to RM 386.73 million. Recoveries from bad and doubtful debts on loans, advances and financing increased by RM 47.09 million to RM 77.27 million, due to disposal of impaired loans which were written off. Total assets was relatively flat at RM 45.56 billion. The Group's core capital ratio and risk-weighted capital ratio remained strong at 9.80% and 13.93% respectively.

**PROSPECTS**

The outlook for the Malaysian economy remains positive with strong growth and an improving business environment. The Group will continue to pursue growth while focusing on maintaining a strong capital and liquidity base in support of Standard Chartered PLC's aspiration to be the world's best international bank, leading the way in Asia, Africa and the Middle East.

The Group's agenda for Consumer Banking will focus on growing market share in target segments through product innovation and customer service while supporting and leveraging from the Islamic Banking business.

The Group aspires to sustain and build Wholesale Banking momentum by deepening relationship with clients and enhance cross border capabilities.

Barring unforeseen circumstances, the Group is expected to continue to record satisfactory performance for the rest of 2011.

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**Notes to the financial statements for the financial half year ended 30 June 2011**

**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 2011 have been prepared in accordance with FRS 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board ("MASB") and Bank Negara Malaysia ("BNM") guidelines.

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

The accounting policies and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements, except for the adoption of the following Financial Reporting Standards ("FRSs"), Amendments to FRSs, IC Interpretations and Technical Release ("TR") issued by the MASB:

- i) Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Right Issues*
- ii) FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
- iii) FRS 3, *Business Combinations (revised)*
- iv) FRS 127, *Consolidated and Separate Financial Statements (revised)*
- v) Amendments to FRS 2, *Share-based Payment*
- vi) Amendments to FRS 5, *Non-current assets Held for Sale and Discontinued Operations*
- vii) Amendments to FRS 138, *Intangible assets*
- viii) IC Interpretation 12, *Service Concession Agreements*
- ix) IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- x) IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- xi) Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*
- xii) Amendments to FRS1, *Limited Exemption from Comparative FRS 7 Disclosures for First time Adopters and Additional Exemptions for First-time Adopters*
- xiii) Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- xiv) Amendments to FRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
- xv) IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- xvi) IC Interpretation 18, *Transfers of Assets from Customers*
- xvii) Improvements to FRSs (2010)

The adoption of the above FRSs, Amendments to FRSs, IC Interpretations and TR do not have any material impacts on the financial statements of the Group and the Bank.

The following FRS and IC Interpretations have been issued by the MASB but are not yet effective:

- i) IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- ii) Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*
- iii) FRS 124, *Related Party Disclosures (revised)*
- iv) IC Interpretation 15, *Agreements for the Construction of Real Estate*

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010. 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 financial year ended 31 December 2010.

**2. Auditor's report on preceding annual financial statements**

The auditor's report on the financial statements for the financial year ended 31 December 2010 was not qualified.

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**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 2011.

**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 2011.

**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 second quarter and the financial half year ended 30 June 2011.

**7. Dividend**

During the financial half year ended 30 June 2011, a final dividend (gross) of 240 sen per share less tax, amounting to RM 225,000,000 in respect of the financial year ended 31 December 2010 was paid on 11 April 2011.

An interim dividend (gross) of 128 sen per share less tax, totalling RM 120,000,000 in respect of the financial half year ended 30 June 2011 will be proposed. The proposed interim dividend has not been accounted for in the financial statements of the Group and the Bank as at 30 June 2011.

**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 2010.

**9. Subsequent events**

There were no material events subsequent to the statement of financial position 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 second quarter and the financial half year ended 30 June 2011.

**11. Significant event**

On 8 February 2011, the Group and the Bank had entered into a conditional Sale and Purchase Agreement ("SPA") for the sale of impaired loans to Aiqon Direct Sdn. Bhd. and Aiqon Ehsan Sdn. Bhd., both are special purpose vehicles ("SPV") incorporated as subsidiaries of Aiqon Capital Sdn. Bhd. Total consideration for the sale amounted to RM 99 million and RM 81 million for the Group and the Bank. Impact to the Group and the Bank's profit before taxation for the financial half year ended 30 June 2011 are RM 59 million and RM 48 million respectively.

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**12. Financial assets held for trading**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
<u>At fair value</u>				
Malaysian Government treasury bills	110	194,831	110	194,831
Malaysian Government bonds/securities	922,575	636,956	922,575	636,956
Government Islamic bonds	38,928	20,705	38,928	20,705
Bank Negara Malaysia bills	661,802	2,156,498	661,802	2,156,498
Negotiable instruments of deposit	150,028	-	150,028	-
Private debt securities	183,416	340,787	183,416	340,787
	<u>1,956,859</u>	<u>3,349,777</u>	<u>1,956,859</u>	<u>3,349,777</u>

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**13. Investment securities available-for-sale**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
<u>At fair value</u>				
Malaysian Government bonds/ securities *	697,194	1,493,740	697,194	1,493,740
Bank Negara Malaysia bills	199,774	2,077,444	199,774	1,529,339
Cagamas bonds	25,055	25,077	-	-
Bankers' acceptances and Islamic acceptance bills	731,982	506,752	731,982	506,752
Negotiable instruments of deposit	610,092	2,480,002	575,092	2,445,002
Private debt securities	10,040	15,144	-	-
	<u>2,274,137</u>	<u>6,598,159</u>	<u>2,204,042</u>	<u>5,974,833</u>
Unquoted securities:-				
Equity shares, at cost	9,654	9,647	9,654	9,647
Private debt securities, at fair value	16,420	14,980	16,420	14,980
	<u>2,300,211</u>	<u>6,622,786</u>	<u>2,230,116</u>	<u>5,999,460</u>

\* Included in Malaysian Government bonds/securities are Malaysian Government Securities of the Group and the Bank amounting to RM 350 million each (2010: RM 201 million) being utilised to meet Statutory Reserve Requirement as further explained in Note 17.

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 of PASB are held by Standard Chartered Bank (Hong Kong) Limited ("SCBHK"), while that of RASB are held by SCBHK (40%) and an unrelated third party (9%). 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 entered into separate Master Shareholders' Agreements in which the Bank had assigned to SCBHK its rights over all the profits or losses of PASB and RASB and the entitlement to appoint Directors of PASB and RASB. The Bank has 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. In view of the above, PASB and RASB are excluded from the Group's consolidated financial statements and they are classified under investment securities available-for-sale.

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

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
<u>At amortised cost</u>				
Overdrafts	579,872	660,746	579,872	660,746
Term loans/financing				
- Housing loans/financing	13,304,217	13,022,787	12,440,740	12,188,088
- Syndicated term loan/financing	847,939	928,345	847,939	928,345
- Hire purchase receivables	161,859	101,845	-	-
- Lease receivables	506,147	365,030	-	-
- Other term loans/financing	8,867,362	7,827,018	7,309,242	6,438,005
Bills receivable	2,519,611	2,328,025	2,504,744	2,326,325
Trust receipts	1,619,801	1,435,463	1,429,970	1,250,769
Staff loans/financing	82,866	86,539	79,780	83,221
Loans/financing to banks and other financial institutions	87,583	358,259	87,583	358,259
Credit card receivables	1,553,668	1,505,746	1,553,668	1,505,746
Revolving credit	1,283,012	1,120,404	786,750	722,637
	<u>31,413,937</u>	<u>29,740,207</u>	<u>27,620,288</u>	<u>26,462,141</u>
Less: Unearned interest and income	(1,055,151)	(893,959)	(2,044)	(1,693)
Gross loans, advances and financing	<u>30,358,786</u>	<u>28,846,248</u>	<u>27,618,244</u>	<u>26,460,448</u>
Less: Impairment provisions on loans, advances and financing:-				
- Individual impairment provisions	(297,425)	(311,096)	(285,175)	(298,740)
- Collective impairment provisions	(451,381)	(427,246)	(418,356)	(395,947)
Total net loans, advances and financing	<u>29,609,980</u>	<u>28,107,906</u>	<u>26,914,713</u>	<u>25,765,761</u>

**(ii) By type of customer**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Domestic banking institutions	-	2,963	-	2,963
Domestic non-bank financial institutions	330,035	321,472	203,598	261,339
Domestic business enterprises	10,762,858	9,716,031	9,498,359	8,612,695
<i>Small medium enterprises</i>	<u>3,189,212</u>	<u>2,890,944</u>	<u>3,059,389</u>	<u>2,764,578</u>
<i>Others</i>	<u>7,573,646</u>	<u>6,825,087</u>	<u>6,438,970</u>	<u>5,848,117</u>
Individuals	17,600,161	16,929,474	16,279,937	15,736,971
Other domestic entities	12	669	12	669
Foreign entities	1,665,720	1,875,639	1,636,338	1,845,811
	<u>30,358,786</u>	<u>28,846,248</u>	<u>27,618,244</u>	<u>26,460,448</u>

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

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Fixed rate				
Housing loans/financing	46,670	49,725	42,413	45,031
Other fixed rate loan/financing	3,982,306	3,389,887	2,543,556	2,109,176
Variable rate				
BLR plus	16,607,966	16,315,907	16,306,380	16,010,288
Cost plus	8,830,867	8,109,945	8,191,661	7,714,900
Other variable rates	890,977	980,784	534,234	581,053
	<u>30,358,786</u>	<u>28,846,248</u>	<u>27,618,244</u>	<u>26,460,448</u>

**(iv) By sector**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Agriculture	294,529	312,620	163,252	188,985
Mining and quarrying	186,743	164,105	167,785	155,250
Manufacturing	3,856,998	3,350,381	3,530,967	3,096,185
Electricity, gas and water	490,245	639,117	490,077	638,925
Construction	401,261	319,412	381,269	302,016
Real estate	623,859	482,731	430,741	307,411
Wholesale & retail trade and restaurants & hotels	2,294,632	2,135,959	2,017,871	2,034,214
Transportation, storage and communication	296,127	340,342	126,798	107,744
Finance, insurance and business services	1,544,860	1,683,718	1,318,666	1,471,274
Household	18,622,656	17,901,437	17,273,050	16,679,106
Others	1,746,876	1,516,426	1,717,768	1,479,338
	<u>30,358,786</u>	<u>28,846,248</u>	<u>27,618,244</u>	<u>26,460,448</u>

**(v) By purpose**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Purchase of securities	485,385	633,625	485,385	633,625
Purchase of landed property	15,808,567	15,434,170	15,424,065	15,039,144
- Residential	<u>12,900,088</u>	<u>12,664,411</u>	<u>12,592,970</u>	<u>12,352,786</u>
- Non-residential	<u>2,908,479</u>	<u>2,769,759</u>	<u>2,831,095</u>	<u>2,686,358</u>
Fixed assets excluding land & building	80,717	53,237	-	-
Personal use	2,578,712	2,146,347	1,569,333	1,271,493
Credit cards	1,553,668	1,505,746	1,553,668	1,505,746
Working capital	9,740,263	8,761,108	8,498,210	7,698,425
Others	111,474	312,015	87,583	312,015
	<u>30,358,786</u>	<u>28,846,248</u>	<u>27,618,244</u>	<u>26,460,448</u>

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

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Maturing within one year	9,446,704	10,456,653	8,768,150	9,494,847
One year to three years	1,797,312	1,232,516	1,288,747	846,327
Three years to five years	3,243,926	1,962,296	2,457,733	1,354,538
Over five years	15,870,844	15,194,783	15,103,614	14,764,736
	<u>30,358,786</u>	<u>28,846,248</u>	<u>27,618,244</u>	<u>26,460,448</u>

**(vii) By geographical distribution**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Within Malaysia	30,230,474	28,492,454	27,489,932	26,106,654
Outside Malaysia	128,312	353,794	128,312	353,794
	<u>30,358,786</u>	<u>28,846,248</u>	<u>27,618,244</u>	<u>26,460,448</u>

**(viii) Analysis of foreign currency exposure**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
USD	1,655,087	1,513,419	1,529,671	1,381,405
GBP	573,541	561,076	573,541	561,076
Other foreign currencies	20,862	23,259	20,862	22,987
	<u>2,249,490</u>	<u>2,097,754</u>	<u>2,124,074</u>	<u>1,965,468</u>

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**15. Impaired loans, advances and financing****(i) Movements in impaired loans, advances and financing**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
At 1 January	441,715	453,505	419,285	439,359
Classified as impaired during the financial period/year	255,912	551,890	229,117	491,105
Reclassified as performing during the financial period/year	(151,240)	(293,399)	(150,887)	(292,512)
Amount recovered during the financial period/year	(38,297)	(67,274)	(35,818)	(59,660)
Amount written off during the financial period/year	(109,284)	(203,007)	(83,740)	(159,007)
At end of reporting period/year	<u>398,806</u>	<u>441,715</u>	<u>377,957</u>	<u>419,285</u>
Individual impairment provisions	<u>(297,425)</u>	<u>(311,096)</u>	<u>(285,175)</u>	<u>(298,740)</u>
Net impaired loans, advances and financing	<u>101,381</u>	<u>130,619</u>	<u>92,782</u>	<u>120,545</u>
Ratio of net impaired loans, advances and financing to net loans, advances and financing	<u>0.34%</u>	<u>0.46%</u>	<u>0.34%</u>	<u>0.46%</u>

**(ii) Movements in impairment provisions for loans, advances and financing**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
<b>Collective impairment provisions</b>				
At 1 January	427,246	352,831	395,947	329,090
Impairment made during the financial period/year	33,983	101,714	29,830	86,717
Amount written back	(9,848)	(27,299)	(7,421)	(19,860)
At end of reporting period/year	<u>451,381</u>	<u>427,246</u>	<u>418,356</u>	<u>395,947</u>
As a percentage of gross loans, advances and financing less individual impairment provisions	<u>1.5%</u>	<u>1.5%</u>	<u>1.5%</u>	<u>1.5%</u>
<b>Individual impairment provisions</b>				
At 1 January	311,096	308,569	298,740	297,327
Impairment made during the financial period/year	98,601	214,421	72,889	168,375
Amount written back	(38,303)	(72,426)	(37,992)	(71,539)
Amount written off	(73,969)	(139,468)	(48,462)	(95,423)
At end of reporting period/year	<u>297,425</u>	<u>311,096</u>	<u>285,175</u>	<u>298,740</u>

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**15. Impaired loans, advances and financing (continued)****(iii) Impaired loans, advances and financing by sector**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Agriculture	13,710	13,981	13,710	13,981
Manufacturing	35,039	34,832	35,039	32,819
Construction	62,487	55,563	62,487	55,563
Real estate	328	-	328	-
Wholesale & retail trade and restaurants & hotels	37,575	49,392	37,575	49,392
Transportation, storage and communication	32	32	32	32
Finance, insurance and business services	2,511	2,567	2,511	2,567
Household	243,612	273,169	222,763	252,752
Others	3,512	12,179	3,512	12,179
	<u>398,806</u>	<u>441,715</u>	<u>377,957</u>	<u>419,285</u>

**(iv) Impaired loans, advances and financing by purpose**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Purchase of landed property	212,561	242,183	203,866	232,684
- Residential	192,347	217,209	183,652	207,710
- Non-residential	20,214	24,974	20,214	24,974
Personal use	26,068	27,875	13,914	14,979
Credit cards	13,224	14,790	13,224	14,790
Working capital	146,953	156,867	146,953	156,832
	<u>398,806</u>	<u>441,715</u>	<u>377,957</u>	<u>419,285</u>

**(v) Impaired loans, advances and financing by geographical distribution**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Within Malaysia	398,727	441,098	377,878	418,668
Outside Malaysia	79	617	79	617
	<u>398,806</u>	<u>441,715</u>	<u>377,957</u>	<u>419,285</u>

**16. Other assets**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Interest/Income receivables	29,039	39,392	35,976	40,906
Other receivables, deposits and prepayments	1,200,636	167,981	1,295,959	244,039
	<u>1,229,675</u>	<u>207,373</u>	<u>1,331,935</u>	<u>284,945</u>

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**17. Statutory deposits with Bank Negara Malaysia**

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia ("BNM") in accordance with Section 37(1)(c) of the Central Bank of Malaysia Act 1958 (revised 1994) to satisfy the Statutory Reserve Requirement ("SRR"); the amounts of which are determined as set percentages of total eligible liabilities.

In accordance with BNM's circular titled "Regulatory Treatment related to the Statutory Reserve Requirement Incentive for Principal Dealers and Islamic Principal Dealers" issued on 10 July 2009, the Bank, being a principal dealer appointed by BNM, is allowed to utilise Malaysian Government Securities ("MGS") to meet the SRR. As at 30 June 2011, MGS of the Group and the Bank with nominal amount of RM 350 million each (2010: RM 201 million) are utilised for SRR purposes. These securities are included in the investment securities available-for-sale (Note 13).

**18. Deposits from customers****(i) By type of deposits**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Demand deposits	12,475,504	12,825,314	12,073,481	12,359,091
Savings deposits	3,445,053	3,942,783	3,346,593	3,879,015
Fixed/Investment deposits	17,558,858	16,803,823	16,678,913	16,198,205
Negotiable instruments of deposits	571,182	684,808	409,393	498,957
	<u>34,050,597</u>	<u>34,256,728</u>	<u>32,508,380</u>	<u>32,935,268</u>

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

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Due within six months	14,754,692	13,976,010	13,901,912	13,384,052
Six months to one year	2,279,531	2,456,205	2,208,561	2,368,938
One year to three years	175,895	117,495	149,346	91,097
Three years to five years	528,161	533,137	528,161	533,137
Over five years	391,761	405,784	300,326	319,938
	<u>18,129,040</u>	<u>17,488,631</u>	<u>17,088,206</u>	<u>17,007,162</u>

**(ii) By type of customers**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Government and statutory bodies	149,063	126,072	23,063	26,072
Business enterprises	14,787,638	15,032,215	14,059,050	14,486,533
Individuals	17,034,920	16,955,819	16,545,631	16,510,743
Others	2,078,976	2,142,622	1,880,636	1,911,920
	<u>34,050,597</u>	<u>34,256,728</u>	<u>32,508,380</u>	<u>32,935,268</u>

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**19. Deposits and placements of banks and other financial institutions**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Licensed banks	172,003	278,846	145,286	253,271
Bank Negara Malaysia	48,448	77,637	48,448	77,637
Other financial institutions	3,649,952	3,265,321	3,575,140	3,189,499
	<u>3,870,403</u>	<u>3,621,804</u>	<u>3,768,874</u>	<u>3,520,407</u>

**20. Other liabilities**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Interest/Income payable	139,662	125,194	133,975	121,319
Amount owing to subsidiaries	-	-	22	22
Profit equalisation reserve	7,478	7,478	-	-
Other payables and accruals	2,241,775	2,316,231	2,292,454	2,322,962
	<u>2,388,915</u>	<u>2,448,903</u>	<u>2,426,451</u>	<u>2,444,303</u>

The movements in profit equalisation reserve are as follows:-

**Profit equalisation reserve**

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
At 1 January	7,478	7,478	-	-
Amount provided during the financial period/year	-	-	-	-
At end of reporting period/year	<u>7,478</u>	<u>7,478</u>	<u>-</u>	<u>-</u>

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**21. Interest income**

	Group			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries				
from impaired loans	314,683	226,934	605,425	446,593
- Recoveries from impaired loans	4,680	8,483	9,412	15,400
Money at call and deposit placements				
with banks and other financial institutions	37,594	34,956	57,437	85,213
Financial assets held for trading	9,606	21,552	31,010	32,655
Investment securities available-for-sale	30,429	33,909	72,099	62,837
	<u>396,992</u>	<u>325,834</u>	<u>775,383</u>	<u>642,698</u>
	Bank			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries				
from impaired loans	314,683	226,934	605,425	446,593
- Recoveries from impaired loans	4,680	8,483	9,412	15,400
Money at call and deposit placements				
with banks and other financial institutions	52,147	50,244	84,596	109,593
Financial assets held for trading	9,606	21,552	31,010	32,655
Investment securities available-for-sale	30,429	33,909	72,099	62,837
	<u>411,545</u>	<u>341,122</u>	<u>802,542</u>	<u>667,078</u>

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**22. Interest expense**

	Group and Bank			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	25,166	15,357	33,591	39,263
Deposits from customers	150,318	117,250	299,172	227,606
Loans sold to Cagamas	-	1,438	708	2,961
Subordinated debts	12,008	12,066	23,887	23,945
	<u>187,492</u>	<u>146,111</u>	<u>357,358</u>	<u>293,775</u>

**23. Net income from Islamic Banking operations**

	Group			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	22,433	42,186	44,333	58,554
Transfer to profit equalisation reserves	-	-	-	-
Total distributable income	<u>22,433</u>	<u>42,186</u>	<u>44,333</u>	<u>58,554</u>
Income attributable to depositors	<u>(6,091)</u>	<u>(2,481)</u>	<u>(12,079)</u>	<u>(5,720)</u>
Income attributable to the Bank	16,342	39,705	32,254	52,834
Income derived from investment of Islamic banking capital funds and shareholder's funds	<u>37,500</u>	<u>22,075</u>	<u>71,933</u>	<u>72,552</u>
	<u>53,842</u>	<u>61,780</u>	<u>104,187</u>	<u>125,386</u>

	Bank			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	-	-	-	-
Transfer to profit equalisation reserves	-	-	-	-
Total distributable income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income attributable to depositors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income attributable to the Bank	-	-	-	-
Income derived from investment of Islamic banking capital funds and Islamic banking capital funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**24. Other operating income**

	Group			
	2nd Quarter ended		Six months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
<b>Fee and commission</b>				
Fee and commission income:-				
Arising from financial instruments not fair valued through profit or loss	67,872	71,667	131,483	129,538
- <i>Commission income</i>	45,467	40,262	88,936	78,052
- <i>Service fees</i>	15,504	25,479	28,110	40,587
- <i>Guarantee fees</i>	6,901	5,926	14,437	10,899
Fee and commission expense:-				
Arising from financial instruments not fair valued through profit or loss	(8,352)	(7,863)	(23,355)	(12,877)
- <i>Commission charges</i>	(3,149)	(2,194)	(13,114)	(1,921)
- <i>Service charges</i>	(5,203)	(5,669)	(10,241)	(10,956)
	<u>59,520</u>	<u>63,804</u>	<u>108,128</u>	<u>116,661</u>
<b>Net trading income</b>				
Gains/(loss) from sale of financial assets held for trading and derivative financial instruments	33,224	(12,395)	59,216	17,992
Unrealised (loss)/gains on revaluation of financial assets held for trading and other financial instruments	(13,339)	24,768	(6,948)	51,623
Foreign exchange currency				
- Gains/(loss) from dealing in foreign currency	70,586	(68,409)	91,497	131,373
- Unrealised gains/(loss) from foreign exchange translation	646	112,007	33,147	(50,929)
	<u>91,117</u>	<u>55,971</u>	<u>176,912</u>	<u>150,059</u>
<b>Other income</b>				
Gains from sale of investment securities available-for-sale	-	-	429	10,396
Gross dividends from unquoted investments	17,325	626	17,325	18,194
Rental (expense)/income	(7)	15	(29)	101
Gain on disposal of property, plant and equipment	-	15	-	403
Others	1,949	276	4,032	578
	<u>19,267</u>	<u>932</u>	<u>21,757</u>	<u>29,672</u>
<b>Total other operating income</b>	<b><u>169,904</u></b>	<b><u>120,707</u></b>	<b><u>306,797</u></b>	<b><u>296,392</u></b>

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**24. Other operating income (continued)**

	Bank			
	2nd Quarter ended		Six months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
<b>Fee and commission</b>				
Fee and commission income:-				
Arising from financial instruments not fair valued through profit or loss	67,872	71,667	131,483	129,538
- <i>Commission income</i>	45,467	40,262	88,936	78,052
- <i>Service fees</i>	15,504	25,479	28,110	40,587
- <i>Guarantee fees</i>	6,901	5,926	14,437	10,899
Fee and commission expense:-				
Arising from financial instruments not fair valued through profit or loss	(8,352)	(7,863)	(23,355)	(12,877)
- <i>Commission charges</i>	(3,149)	(2,194)	(13,114)	(1,921)
- <i>Service charges</i>	(5,203)	(5,669)	(10,241)	(10,956)
	<u>59,520</u>	<u>63,804</u>	<u>108,128</u>	<u>116,661</u>
<b>Net trading income</b>				
Gains/(loss) from sale of financial assets held for trading and derivative financial instruments	33,224	(12,395)	59,216	17,992
Unrealised (loss)/gains on revaluation of financial assets held for trading and other financial instruments	(13,339)	24,768	(6,948)	51,623
Foreign exchange currency				
- Gains/(loss) from dealing in foreign currency	70,586	(68,409)	91,497	131,373
- Unrealised gains/(loss) from foreign exchange translation	646	112,007	33,147	(50,929)
	<u>91,117</u>	<u>55,971</u>	<u>176,912</u>	<u>150,059</u>
<b>Other income</b>				
Gains from sale of investment securities available-for-sale	-	-	429	10,396
Gross dividends from unquoted investments	17,325	626	17,325	18,194
Rental (expense)/income	(7)	15	(29)	101
Gain on disposal of property, plant and equipment	-	15	-	403
Others	15,159	15,569	32,992	28,833
	<u>32,477</u>	<u>16,225</u>	<u>50,717</u>	<u>57,927</u>
<b>Total other operating income</b>	<b><u>183,114</u></b>	<b><u>136,000</u></b>	<b><u>335,757</u></b>	<b><u>324,647</u></b>

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**25. Other operating expenses**

	Group			
	2nd Quarter ended 30 June 2011 RM'000	30 June 2010 RM'000	Six months ended 30 June 2011 RM'000	30 June 2010 RM'000
<b>Personnel costs</b>				
- Salaries, bonuses, wages and allowances	64,680	55,263	132,291	115,509
- Pension fund contributions	7,101	7,272	14,492	13,250
- Other staff related cost	7,930	9,341	15,791	15,441
	<u>79,711</u>	<u>71,876</u>	<u>162,574</u>	<u>144,200</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	6,684	5,876	12,840	11,981
- Rental	6,442	5,708	12,133	11,005
- Information technology and project expenses	15,416	16,399	37,958	38,601
- Others	8,438	9,754	16,765	16,887
	<u>36,980</u>	<u>37,737</u>	<u>79,696</u>	<u>78,474</u>
<b>Marketing expenses</b>				
- Advertisement and publicity	6,679	7,314	11,022	13,242
- Others	4,563	7,415	11,995	12,400
	<u>11,242</u>	<u>14,729</u>	<u>23,017</u>	<u>25,642</u>
<b>Administration and general expenses</b>				
- Communication expenses	3,959	3,120	7,141	6,573
- Group administration and business support expenses	27,205	24,251	49,462	53,673
- Outsourcing expenses	19,154	14,080	35,430	27,301
- Others	18,269	17,965	29,413	35,333
	<u>68,587</u>	<u>59,416</u>	<u>121,446</u>	<u>122,880</u>
<b>Total other operating expenses</b>	<u><b>196,520</b></u>	<u><b>183,758</b></u>	<u><b>386,733</b></u>	<u><b>371,196</b></u>

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**25. Other operating expenses (continued)**

	Bank			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
<b>Personnel costs</b>				
- Salaries, bonuses, wages and allowances	63,120	54,790	129,108	114,507
- Pension fund contributions	7,101	7,272	14,492	13,250
- Other staff related cost	7,708	9,337	15,334	15,338
	<u>77,929</u>	<u>71,399</u>	<u>158,934</u>	<u>143,095</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	6,169	5,876	11,813	11,981
- Rental	6,167	5,708	11,575	11,005
- Information technology and project expenses	15,415	16,396	37,924	38,592
- Others	7,836	9,750	15,786	16,872
	<u>35,587</u>	<u>37,730</u>	<u>77,098</u>	<u>78,450</u>
<b>Marketing expenses</b>				
- Advertisement and publicity	6,492	6,922	10,731	12,789
- Others	4,416	7,414	11,802	12,397
	<u>10,908</u>	<u>14,336</u>	<u>22,533</u>	<u>25,186</u>
<b>Administration and general expenses</b>				
- Communication expenses	3,717	3,110	6,865	6,552
- Group administration and business support expenses	26,203	22,324	47,236	50,617
- Outsourcing expenses	19,154	14,080	35,430	27,301
- Others	16,203	16,537	25,560	32,833
	<u>65,277</u>	<u>56,051</u>	<u>115,091</u>	<u>117,303</u>
<b>Total other operating expenses</b>	<u><u>189,701</u></u>	<u><u>179,516</u></u>	<u><u>373,656</u></u>	<u><u>364,034</u></u>

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**26. Provisions for loans, advances and financing**

	Group			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Provisions for loans, advances and financing:-				
Individual impairment provisions	28,547	38,422	63,195	60,734
- Made in the financial period	43,340	54,384	98,601	98,635
- Written back	(14,793)	(15,962)	(35,406)	(37,901)
Collective impairment provisions				
- Made in the financial period	18,578	32,713	33,983	48,813
- Written back	(5,129)	(15,002)	(9,848)	(15,002)
Bad and doubtful debts on loans, advances and financing:-				
Written off	18,173	16,409	35,915	33,493
Recovered	(11,607)	(14,930)	(77,268)	(30,177)
	<u>48,562</u>	<u>57,612</u>	<u>45,977</u>	<u>97,861</u>

	Bank			
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Provisions for loans, advances and financing:-				
Individual impairment provisions	17,476	28,340	37,794	40,280
- Made in the financial period	32,127	43,883	72,889	77,625
- Written back	(14,651)	(15,543)	(35,095)	(37,345)
Collective impairment provisions				
- Made in the financial period	17,387	21,047	29,830	32,347
- Written back	(5,129)	(8,364)	(7,421)	(8,364)
Bad and doubtful debts on loans, advances and financing:-				
Written off	18,173	16,409	35,915	33,493
Recovered	(9,951)	(14,930)	(64,766)	(30,177)
	<u>37,956</u>	<u>42,502</u>	<u>31,352</u>	<u>67,579</u>

**27. Credit exposure to connected parties**

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	1,342,230	1,308,463	1,451,754	1,427,686
As a percentage of total credit exposures	2.7%	2.7%	3.2%	3.2%

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**28. Commitments and contingencies**

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

The commitments and contingencies are as follows:-

Group	30 June 2011			31 December 2010		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	1,725,064	1,724,994	500,739	1,277,004	1,277,004	362,744
Transaction-related contingent items	3,527,812	3,449,571	949,200	3,202,905	3,131,157	801,467
Short-term self liquidating trade-related contingencies	562,567	519,820	120,971	195,473	163,000	65,924
Sell and buy back agreements	-	-	-	70,797	70,797	2,235
Other commitments to extend credit:-						
- maturity not exceeding one year	12,065,838	3,978,330	1,222,032	11,769,362	3,740,659	1,218,389
- maturity exceeding one year	4,512,375	1,745,295	783,686	4,346,479	1,750,451	774,013
Foreign exchange related contracts:-						
- less than one year	44,968,542	943,846	247,489	41,166,278	1,131,926	307,874
- one year to less than five years	9,293,436	975,685	250,740	11,916,400	1,177,274	372,210
- five years and above	4,411,158	806,782	188,974	4,504,133	826,478	185,849
Interest rate related contracts:-						
- less than one year	22,453,704	87,795	9,170	24,924,926	103,836	21,433
- one year to less than five years	43,822,902	1,056,154	304,738	44,561,020	1,129,231	305,227
- five years and above	7,139,782	667,617	246,616	7,360,722	699,656	263,169
Miscellaneous commitments and contingencies	2,646,895	256,780	153,403	7,062,336	636,357	448,121
	<u>157,130,075</u>	<u>16,212,669</u>	<u>4,977,758</u>	<u>162,357,835</u>	<u>15,837,826</u>	<u>5,128,655</u>

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

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**28. Commitments and contingencies (continued)**

	30 June 2011			31 December 2010		
	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
<b>Bank</b>						
Direct credit substitutes	1,719,195	1,719,125	497,518	1,243,177	1,243,177	348,639
Transaction-related contingent items	3,510,009	3,433,361	945,050	3,178,218	3,106,471	794,194
Short-term self liquidating trade-related contingencies	513,419	472,726	105,730	184,877	152,404	62,612
Sell and buy back agreements	-	-	-	39,972	39,972	793
Other commitments to extend credit:-						
- maturity not exceeding one year	11,199,511	3,890,793	1,166,709	10,802,817	3,649,549	1,156,489
- maturity exceeding one year	4,294,534	1,730,329	769,644	3,975,398	1,729,671	757,052
Foreign exchange related contracts:-						
- less than one year	44,968,542	943,846	247,489	41,166,278	1,131,953	307,861
- one year to less than five years	9,293,436	975,685	248,565	11,860,301	1,172,483	369,197
- five years and above	4,411,158	806,782	188,974	4,504,133	826,478	185,849
Interest rate related contracts:-						
- less than one year	22,453,704	87,795	9,170	24,924,926	103,836	21,433
- one year to less than five years	44,022,902	1,058,561	278,073	44,761,020	1,166,559	313,438
- five years and above	7,139,782	657,250	246,354	7,360,722	687,425	216,821
Miscellaneous commitments and contingencies	2,646,895	256,780	153,403	7,062,336	636,357	448,121
	<u>156,173,087</u>	<u>16,033,033</u>	<u>4,856,679</u>	<u>161,064,175</u>	<u>15,646,335</u>	<u>4,982,499</u>

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

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**29. Interest rate risk**

The tables below summarise the Group's and the Bank's financial instruments at carrying amounts, categorised by contractual re-pricing or maturity dates.

Group	Non-trading books					Trading books	Total	Effective interest rate (%)
	3 months or less	> 3 - 12 months	> 1 - 5 years	Over 5 years	Non-interest sensitive			
As at 30 June 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Financial assets</b>								
Cash and short term funds	7,252,684	-	-	-	709,297	-	7,961,981	2.83
Deposits and placements with banks and other financial institutions	-	-	-	-	84,814	-	84,814	0.00
Securities purchased under resale agreements	153,870	-	-	-	-	-	153,870	2.80
Financial assets held for trading	-	-	-	-	-	1,956,859	1,956,859	3.63
Investment securities available-for-sale	1,531,261	389,677	353,199	243	25,831	-	2,300,211	3.10
Loans, advances and financing								
- Performing	22,494,255	3,752,355	1,964,762	1,295,569	1,658	-	29,508,599	5.40
- Impaired	-	-	-	-	101,381	-	101,381	
Derivative financial assets	-	-	-	-	-	1,723,317	1,723,317	
Other balances	-	-	-	-	1,586,828	-	1,586,828	
	<b>31,432,070</b>	<b>4,142,032</b>	<b>2,317,961</b>	<b>1,295,812</b>	<b>2,509,809</b>	<b>3,680,176</b>	<b>45,377,860</b>	
<b>Financial liabilities</b>								
Deposits from customers	22,204,503	4,261,617	683,912	391,760	6,508,805	-	34,050,597	2.26
Deposits and placements of banks and other financial institutions	3,210,671	582,034	37,698	40,000	-	-	3,870,403	3.02
Derivative financial liabilities	-	-	-	-	-	1,616,700	1,616,700	
Other balances	-	-	-	-	2,388,915	-	2,388,915	
Subordinated debts	-	380,000	502,569	-	-	-	882,569	5.45
	<b>25,415,174</b>	<b>5,223,651</b>	<b>1,224,179</b>	<b>431,760</b>	<b>8,897,720</b>	<b>1,616,700</b>	<b>42,809,184</b>	
On-balance sheet interest sensitivity gap	6,016,896	(1,081,619)	1,093,782	864,052	(6,387,911)	2,063,476		
Off-balance sheet interest sensitivity gap	(1,307,932)	(1,022,986)	988,936	(995,973)	-	-		
<b>Total interest sensitivity gap</b>	<b>4,708,964</b>	<b>(2,104,605)</b>	<b>2,082,718</b>	<b>(131,921)</b>	<b>(6,387,911)</b>	<b>2,063,476</b>		

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**29. Interest rate risk (continued)**

Group As at 31 December 2010	Non-trading books					Trading books RM'000	Total RM'000	Effective interest rate (%)
	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>Financial assets</b>								
Cash and short term funds	3,776,116	-	-	-	746,550	-	4,522,666	1.82
Deposits and placements with banks and other financial institutions	293,259	64,923	-	-	-	-	358,182	2.11
Securities purchased under resale agreements	89,854	-	-	-	-	-	89,854	2.30
Financial assets held for trading	-	-	-	-	-	3,349,777	3,349,777	3.42
Investment securities available-for-sale	4,496,450	1,091,640	1,010,069	243	24,384	-	6,622,786	2.91
Loans, advances and financing								
- Performing	22,269,555	3,427,615	1,454,346	824,532	1,239	-	27,977,287	5.22
- Impaired	-	-	-	-	130,619	-	130,619	
Derivative financial assets	-	-	-	-	-	2,335,191	2,335,191	
Other balances	-	-	-	-	244,133	-	244,133	
	<b>30,925,234</b>	<b>4,584,178</b>	<b>2,464,415</b>	<b>824,775</b>	<b>1,146,925</b>	<b>5,684,968</b>	<b>45,630,495</b>	
<b>Financial liabilities</b>								
Deposits from customers	22,496,373	4,102,200	656,206	384,007	6,617,942	-	34,256,728	1.93
Deposits and placements of banks and other financial institutions	2,970,021	640,617	7,551	3,615	-	-	3,621,804	2.42
Bills and acceptances payable	6,792	-	-	-	-	-	6,792	3.37
Recourse obligations on loans sold to Cagamas Berhad	72,919	-	-	-	-	-	72,919	4.60
Derivative financial liabilities	-	-	-	-	-	1,886,049	1,886,049	
Other balances	-	-	-	-	2,448,903	-	2,448,903	
Subordinated debts	-	380,000	505,652	-	-	-	885,652	5.45
	<b>25,546,105</b>	<b>5,122,817</b>	<b>1,169,409</b>	<b>387,622</b>	<b>9,066,845</b>	<b>1,886,049</b>	<b>43,178,847</b>	
On-balance sheet interest sensitivity gap	5,379,129	(538,639)	1,295,006	437,153	(7,919,920)	3,798,919		
Off-balance sheet interest sensitivity gap	(7,033,571)	3,418,721	(402,670)	(871,933)	-	-		
<b>Total interest sensitivity gap</b>	<b>(1,654,442)</b>	<b>2,880,082</b>	<b>892,336</b>	<b>(434,780)</b>	<b>(7,919,920)</b>	<b>3,798,919</b>		

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**29. Interest rate risk (continued)**

The tables below summarise the Group's and the Bank's financial instruments at carrying amounts, categorised by contractual re-pricing or maturity dates.

Bank	← Non-trading books →				Non-interest sensitive	Trading books	Total	Effective interest rate (%)
	3 months or less	> 3 - 12 months	> 1 - 5 years	Over 5 years				
As at 30 June 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Financial assets</b>								
Cash and short term funds	6,328,909	-	-	-	534,960	-	6,863,869	2.79
Deposits and placements with banks and other financial institutions	650,653	961,739	-	163,579	84,814	-	1,860,785	3.00
Securities purchased under resale agreements	153,870	-	-	-	-	-	153,870	2.80
Financial assets held for trading	-	-	-	-	-	1,956,859	1,956,859	3.63
Investment securities available-for-sale	1,496,261	364,622	343,159	243	25,831	-	2,230,116	3.09
Loans, advances and financing								
- Performing	21,831,921	3,627,752	888,741	473,517	-	-	26,821,931	5.04
- Impaired	-	-	-	-	92,782	-	92,782	
Derivative financial assets	-	-	-	-	-	1,723,724	1,723,724	
Other balances	-	-	-	-	1,626,560	-	1,626,560	
	<b>30,461,614</b>	<b>4,954,113</b>	<b>1,231,900</b>	<b>637,339</b>	<b>2,364,947</b>	<b>3,680,583</b>	<b>43,330,496</b>	
<b>Financial liabilities</b>								
Deposits from customers	21,224,479	3,817,466	657,304	300,326	6,508,805	-	32,508,380	2.25
Deposits and placements of banks and other financial institutions	3,121,985	576,889	30,000	40,000	-	-	3,768,874	3.15
Derivative financial liabilities	-	-	-	-	-	1,617,824	1,617,824	
Other balances	-	-	-	-	2,426,451	-	2,426,451	
Subordinated debts	-	380,000	502,569	-	-	-	882,569	5.45
	<b>24,346,464</b>	<b>4,774,355</b>	<b>1,189,873</b>	<b>340,326</b>	<b>8,935,256</b>	<b>1,617,824</b>	<b>41,204,098</b>	
On-balance sheet interest sensitivity gap	6,115,150	179,758	42,027	297,013	(6,570,309)	2,062,759		
Off-balance sheet interest sensitivity gap	(1,307,932)	(1,022,986)	988,936	(995,973)	-	-		
<b>Total interest sensitivity gap</b>	<b>4,807,218</b>	<b>(843,228)</b>	<b>1,030,963</b>	<b>(698,960)</b>	<b>(6,570,309)</b>	<b>2,062,759</b>		

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**29. Interest rate risk (continued)**

Bank As at 31 December 2010	← Non-trading books →					Trading books RM'000	Total RM'000	Effective interest rate (%)
	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>Financial assets</b>								
Cash and short term funds	3,141,681	-	-	-	526,162	-	3,667,843	1.63
Deposits and placements with banks and other financial institutions	1,085,133	1,001,597	-	177,000	-	-	2,263,730	2.64
Securities purchased under resale agreements	89,854	-	-	-	-	-	89,854	2.30
Financial assets held for trading	-	-	-	-	-	3,349,777	3,349,777	3.42
Investment securities available-for-sale	4,162,817	837,162	974,854	243	24,384	-	5,999,460	2.90
Loans, advances and financing								
- Performing	21,481,245	3,323,393	532,776	307,802	-	-	25,645,216	4.94
- Impaired	-	-	-	-	120,545	-	120,545	
Derivative financial assets	-	-	-	-	-	2,333,269	2,333,269	
Other balances	-	-	-	-	296,945	-	296,945	
	<b>29,960,730</b>	<b>5,162,152</b>	<b>1,507,630</b>	<b>485,045</b>	<b>968,036</b>	<b>5,683,046</b>	<b>43,766,639</b>	
<b>Financial liabilities</b>								
Deposits from customers	21,592,625	3,796,746	629,792	298,163	6,617,942	-	32,935,268	1.90
Deposits and placements of banks and other financial institutions	2,879,790	640,617	-	-	-	-	3,520,407	2.49
Bills and acceptances payable	6,792	-	-	-	-	-	6,792	3.37
Recourse obligations on loans sold to Cagamas Berhad	72,919	-	-	-	-	-	72,919	4.60
Derivative financial liabilities	-	-	-	-	-	1,885,045	1,885,045	
Other balances	-	-	-	-	2,444,303	-	2,444,303	
Subordinated debts	-	380,000	505,652	-	-	-	885,652	5.45
	<b>24,552,126</b>	<b>4,817,363</b>	<b>1,135,444</b>	<b>298,163</b>	<b>9,062,245</b>	<b>1,885,045</b>	<b>41,750,386</b>	
On-balance sheet interest sensitivity gap	5,408,604	344,789	372,186	186,882	(8,094,209)	3,798,001		
Off-balance sheet interest sensitivity gap	(7,033,571)	3,418,721	(402,670)	(871,933)	-	-		
<b>Total interest sensitivity gap</b>	<b>(1,624,967)</b>	<b>3,763,510</b>	<b>(30,484)</b>	<b>(685,051)</b>	<b>(8,094,209)</b>	<b>3,798,001</b>		

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**30. Capital adequacy**

The capital adequacy ratios of the Group and the Bank as at 30 June 2011 are analysed as follows:-

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
<b>Tier 1 Capital</b>				
Paid-up ordinary share capital	125,000	125,000	125,000	125,000
Share premium	375,000	375,000	375,000	375,000
Other reserves	2,178,370	2,117,302	2,118,580	2,057,511
Less: Deferred tax assets	(123,909)	(118,742)	(116,079)	(111,525)
Eligible Tier 1 capital	<u>2,554,461</u>	<u>2,498,560</u>	<u>2,502,501</u>	<u>2,445,986</u>
<b>Tier 2 Capital</b>				
Islamic subordinated debt	380,000	380,000	380,000	380,000
Subordinated bonds	500,000	500,000	500,000	500,000
Collective impairment provisions under standardised approach	68,112	62,990	73,726	67,588
Surplus of total eligible provisions over total expected loss under AIRB approach	81,702	85,503	90,392	93,575
	<u>1,029,814</u>	<u>1,028,493</u>	<u>1,044,118</u>	<u>1,041,163</u>
Less: Investment in subsidiaries	-	-	(386,022)	(386,022)
Eligible Tier 2 capital	<u>1,029,814</u>	<u>1,028,493</u>	<u>658,096</u>	<u>655,141</u>
Total capital base	<u>3,584,275</u>	<u>3,527,053</u>	<u>3,160,597</u>	<u>3,101,127</u>

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

	Group		Bank	
	30 June 2011 RM'000	31 December 2010 RM'000	30 June 2011 RM'000	31 December 2010 RM'000
Total risk-weighted assets:-				
Credit risk	20,277,002	20,220,010	18,293,511	18,711,609
Market risk	2,104,265	1,715,769	2,104,265	1,715,769
Operational risk	2,731,506	2,802,491	2,496,929	2,610,212
Large exposure for equity holdings	621	621	621	621
	<u>25,113,394</u>	<u>24,738,891</u>	<u>22,895,326</u>	<u>23,038,211</u>

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**30. Capital adequacy (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2011</b>	<b>31 December 2010</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
Before proposed dividend:-				
Tier 1 capital ratio	10.17%	10.10%	10.93%	10.62%
Risk-weighted capital ratio	14.27%	14.26%	13.80%	13.46%
After proposed dividend:-				
Tier 1 capital ratio	9.69%	9.19%	10.41%	9.64%
Risk-weighted capital ratio	13.79%	13.35%	13.28%	12.48%

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

	<b>30 June 2011</b>	<b>31 December 2010</b>
Tier 1 capital ratio	13.30%	14.40%
Risk-weighted capital ratio	13.30%	14.40%