

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

**Financial statements for the half year
ended 30 June 2005**

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

QUARTERLY PUBLICATION

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEETS AS AT 30 JUNE 2005

	Note	Group		Bank	
		30 June 2005 RM'000	31 December 2004 RM'000	30 June 2005 RM'000	31 December 2004 RM'000
ASSETS					
Cash and short term funds		4,105,719	5,300,682	4,105,719	5,300,682
Deposits and placements with banks and other financial institutions		708,615	675,514	708,615	675,514
Securities purchased under resale agreements		1,534,397	937,302	1,534,397	937,302
Securities held for trading	11	631,018	705,871	631,018	705,871
Securities available-for-sale	12	4,207,242	3,753,022	4,207,242	3,753,022
Loans, advances and financing	13	18,790,411	17,452,535	18,790,411	17,452,535
Other receivables	15	630,409	354,678	630,409	354,678
Statutory deposits with Bank Negara Malaysia		576,000	500,000	576,000	500,000
Investments in subsidiary companies		-	-	22	22
Property, plant and equipment		62,669	73,024	62,669	73,024
Deferred tax assets		71,664	62,510	71,664	62,510
TOTAL ASSETS		31,318,144	29,815,138	31,318,166	29,815,160
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	16	17,601,200	16,669,633	17,601,200	16,669,633
Deposits and placements of banks and other financial institutions	17	7,317,291	7,427,119	7,317,291	7,427,119
Obligations on securities sold under repurchase agreements		1,611,065	1,474,227	1,611,065	1,474,227
Bills and acceptances payable		542,053	203,028	542,053	203,028
Amount due to Cagamas		717,172	755,802	717,172	755,802
Other payables	18	1,332,372	1,093,738	1,332,394	1,093,760
Tax payable		85,251	57,518	85,251	57,518
Subordinated debt		380,000	380,000	380,000	380,000
Redeemable preference shares		190,000	190,000	190,000	190,000
TOTAL LIABILITIES		29,776,404	28,251,065	29,776,426	28,251,087
SHARE CAPITAL		125,000	125,000	125,000	125,000
RESERVES		1,416,740	1,439,073	1,416,740	1,439,073
SHAREHOLDERS' FUNDS		1,541,740	1,564,073	1,541,740	1,564,073
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		31,318,144	29,815,138	31,318,166	29,815,160
COMMITMENTS AND CONTINGENCIES	25	63,305,209	51,026,816	63,305,209	51,026,816
CAPITAL ADEQUACY					
Excluding proposed dividend:					
Core capital ratio	24	8.22%	9.05%	8.22%	9.05%
Risk-weighted capital ratio		13.19%	14.32%	13.19%	14.32%
With proposed dividend:					
Core capital ratio		7.70%	7.83%	7.70%	7.83%
Risk-weighted capital ratio		12.67%	13.10%	12.67%	13.10%

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and Bank for the year ended 31 December 2004.

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE 2ND QUARTER AND HALF YEAR ENDED 30 JUNE 2005

	Note	Group and Bank 2nd Quarter ended		Group and Bank Six months ended	
		30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
Interest income	19	365,776	302,194	725,819	601,293
Interest expense	20	(176,929)	(129,489)	(350,926)	(255,246)
Net interest income		<u>188,847</u>	<u>172,705</u>	<u>374,893</u>	<u>346,047</u>
Net income from Islamic Banking operations	28	7,054	2,954	13,974	4,585
Other operating income	21	<u>195,901</u> 78,755	<u>175,659</u> 83,773	<u>388,867</u> 152,565	<u>350,632</u> 158,126
Total net income		<u>274,656</u>	<u>259,432</u>	<u>541,432</u>	<u>508,758</u>
Other operating expenses	22	(120,081)	(131,559)	(244,368)	(250,358)
Operating profit		<u>154,574</u>	<u>127,873</u>	<u>297,064</u>	<u>258,400</u>
Allowance for bad and doubtful debts and financing	23	(31,695)	(6,711)	(44,802)	(6,583)
Profit before taxation		<u>122,879</u>	<u>121,162</u>	<u>252,262</u>	<u>251,817</u>
Tax expense		(37,058)	(31,331)	(76,519)	(73,331)
Net profit for the period		<u><u>85,821</u></u>	<u><u>89,831</u></u>	<u><u>175,743</u></u>	<u><u>178,486</u></u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and Bank for the year ended 31 December 2004.

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE 2ND QUARTER AND HALF YEAR ENDED 30 JUNE 2005

GROUP & BANK	Note	← Non Distributable Reserves →				Distributable Reserves	Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Other reserves RM'000	Retained profits RM'000	
At 1 January 2004							
As previously stated		125,000	375,000	125,000	-	811,360	1,436,360
Net profit for the period		-	-	-	-	178,486	178,486
Dividends (ordinary shares):- - 2003 final (proposed)		-	-	-	-	(147,600)	(147,600)
At 30 June 2004		125,000	375,000	125,000	-	842,246	1,467,246
At 1 January 2005							
As previously stated		125,000	375,000	125,000	-	876,235	1,501,235
Prior year adjustment		-	-	-	25,416	37,422	62,838
Net profit for the period		-	-	-	-	175,743	175,743
Unrealised net gains on revaluation of securities available-for-sale		-	-	-	(7,214)	-	(7,214)
Unrealised loss on Cash flow hedge		-	-	-	(62)	-	(62)
Dividends (ordinary shares):- - 2004 final (proposed)		-	-	-	-	(190,800)	(190,800)
At 30 June 2005		125,000	375,000	125,000	18,140	898,600	1,541,740

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and Bank for the year ended 31 December 2004.

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Group and Bank	
	30 June	30 June
	2005	2004
	RM'000	RM'000
Profit before taxation	252,262	251,817
Adjustment for non-operating items	(484)	(254)
Adjustment for non-cash items	32,467	3,396
Operating profit before working capital changes	<u>284,245</u>	<u>254,959</u>
Changes in working capital		
Net changes in operating assets	(2,244,948)	(1,866,772)
Net changes in operating liabilities	1,497,606	2,343,344
Tax expenses paid	(55,135)	(50,071)
Net cash generated from operating activities	<u>(518,232)</u>	<u>681,460</u>
Net cash generated used in investing activities	(485,931)	(201,246)
Net cash generated from/(used in) financing activities	(190,800)	-
Net cash in cash and cash equivalents	<u>(1,194,963)</u>	<u>480,214</u>
Cash and cash equivalent at beginning of the year	5,300,682	2,739,582
Cash and cash equivalent at end of the period	<u><u>4,105,719</u></u>	<u><u>3,219,796</u></u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and Bank for the year ended 31 December 2004.

REVIEW OF PERFORMANCE

The Bank's profit before tax for the financial half year ended 30 June 2005 was RM 0.5 million or 0.2% higher than the corresponding period. Net interest income registered an increase of RM 28.8 million or 8.3% and other operating income (including income from Islamic Banking operations) increased by RM 3.8 million or 2.4%, while overheads reduced by RM 6.0 million or 2.4%. The above were partially offset by higher allowance for bad and doubtful debts of RM 38.2 million. Of the RM 38.2 million in allowance for bad and doubtful debts, increase in general provision accounted for RM 13.5 million (in line with loan growth), and RM 26.5 million specific allowance was made as a result of the change in loan impairment methodology.

PROSPECTS

The Bank has a very clear and ambitious strategy in Malaysia, which is to lead the way in service, growth, performance culture and governance. The Bank will continue to accelerate Consumer Banking growth, drive Wholesale Banking revenue, invest in our people and the business, enhance customer experience and deliver technology benefits. The Bank remains committed to grow its business in Malaysia and will continue to play its role in the economic development of the country. Barring any unforeseen circumstances, the prospects of the Bank for the rest of the year are expected to be in line with the current economic conditions.

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
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Notes to the financial statements for the financial half year ended 30 June 2005

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 2005 have been prepared in accordance with FRS 134 (Interim Financial Reporting) (formerly known as MASB 26) issued by the Malaysian Accounting Standards Board ("MASB"), and Bank Negara Malaysia guidelines.

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

The accounting policies and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements except for the adoption of revised guidelines on Financial reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia which became effective for the current financial year. There is no restatement of comparative information for income statement as the Group and Bank finds it impracticable to do so. The adoption of the revised BNM/GP8 has resulted in changes of accounting policies of the Group and Bank which have been applied retrospectively in this unaudited condensed interim financial statements and the details are disclosed in Note 27.

2) Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2004 was not qualified.

3) Seasonal or cyclical factors

The business operations of the Group 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 in the second quarter and the financial half year ended 30 June 2005.

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 2005.

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 2005.

7) Dividend

During the financial half year ended 30 June 2005, a final gross dividend of 212 sen per share less 28% tax, totalling RM 190,800,000 in respect of the financial year ended 31 December 2004, was paid on 16 May 2005. An interim dividend (gross) of 98 sen per share less tax, totalling RM 88,200,000 in respect of the half year ended 30 June 2005 will be proposed. The proposed interim dividend has not been accounted for in the financial statements of the Bank as at 30 June 2005.

8) Carrying amount of revalued assets

The Group's and the Bank's property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The valuations of certain land and buildings of the Group have been brought forward without amendment from the previous audited annual financial statements for the year ended 31 December 2004.

9) Subsequent events

The Group's and the Bank's property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The valuations of certain land and buildings of the Group have been brought forward without amendment from the previous audited annual financial statements for the year ended 31 December 2004.

10) Changes in the composition of the company

There were no significant changes in the composition of the Group for the second quarter and the financial half year ended 30 June 2005.

11) Securities held for trading

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
<u>At fair value</u>		
Malaysian Government treasury bills	5,330	4,946
Malaysian Government bonds / securities	58,899	191,256
Khazanah Islamic bonds	4,235	25,224
Bank Negara Malaysia bills	142,992	79,655
Cagamas bonds	157,036	182,623
Negotiable Instrument of Deposits	99,555	-
Private Debt Securities	162,971	222,167
	<u>631,018</u>	<u>705,871</u>

12) Securities available-for-sale

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
<u>At fair value</u>		
Malaysian Government treasury bills	-	14,925
Malaysian Government securities	518,868	264,493
Bank Negara Malaysia bills	-	49,750
Cagamas bonds	796,284	405,767
Danaharta bonds	-	14,910
Negotiable instruments of deposit	2,034,794	2,088,812
Khazanah Islamic bonds	24,688	24,518
Private debt securities	802,955	843,276
	<u>4,177,589</u>	<u>3,706,451</u>
Unquoted private debt securities	29,653	29,907
Listed equity securities (in Malaysia)	-	16,664
	<u>4,207,242</u>	<u>3,753,022</u>

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

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
Overdrafts	1,233,684	1,248,107
Term loans/financing		
- Housing loans/financing	10,519,617	9,913,145
- Syndicated term loan/financing	15,256	130,055
- Other term loans/financing	4,378,028	3,961,364
Bills receivable	901,977	969,512
Claims on customers under acceptance credits	544,331	203,622
Staff loans/financing (of which loans to directors - Nil for 2005 and 2004)	107,460	108,600
Loans/financing to banks and other financial institutions	154,690	152,268
Credit card receivables	1,343,298	1,256,058
Revolving credit	288,868	192,828
	19,487,209	18,135,559
Less unearned interest and income	(22,257)	(13,712)
	19,464,952	18,121,847
Less allowance for bad and doubtful debts and financing :-		
Specific	(403,031)	(415,602)
General	(271,510)	(253,710)
Total net loans, advances and financing	18,790,411	17,452,535

(ii) By type of customer

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
Domestic banking institutions	154,690	152,267
Domestic non-bank financial institutions	724,518	706,166
<i>Stockbroking companies</i>	-	-
<i>Others</i>	724,518	706,166
Domestic business enterprises	3,701,687	3,324,582
<i>Small medium enterprises</i>	1,170,475	985,569
<i>Others</i>	2,531,212	2,339,013
Government and statutory bodies	262,411	324,173
Individuals	13,804,536	13,037,369
Other domestic entities	553,090	313,850
Foreign entities	264,020	263,440
	19,464,952	18,121,847

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

	Group and Bank	
	30 June	31 December
	2005	2004
	RM'000	RM'000
Fixed rate		
Housing loans/financing	101,203	102,845
Hire purchase receivables	-	-
Other fixed rate loan/financing	1,441,312	1,322,660
Variable rate		
BLR plus	12,491,951	12,078,914
Cost plus	2,858,731	1,868,774
Other variable rate	2,571,755	2,748,654
	<u>19,464,952</u>	<u>18,121,847</u>

(iv) By sector

	Group and Bank	
	30 June	31 December
	2005	2004
	RM'000	RM'000
Agriculture	120,196	86,501
Mining and quarrying	82,638	85,422
Manufacturing	1,409,849	1,251,518
Electricity, gas and water	3,118	329
Construction	106,560	86,128
Real estate	41,298	50,645
Purchase of landed property	12,805,542	12,050,695
- Residential	<u>10,991,771</u>	<u>10,398,517</u>
- Non-residential	<u>1,813,771</u>	<u>1,652,178</u>
Wholesale & retail trade and restaurants & hotels	866,611	820,900
Transport, storage and communication	129,376	281,016
Finance, insurance and business services	981,008	919,613
Purchase of securities	11	11
Consumption credit	2,188,325	1,778,898
Others	730,420	710,171
	<u>19,464,952</u>	<u>18,121,847</u>

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

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
At 1 January	834,320	1,087,077
Classified as non-performing during the period (gross)	181,125	515,237
Reclassified as performing during the period	(124,049)	(445,775)
Amount recovered during the period	(44,878)	(83,670)
Amount written off	(59,045)	(230,365)
Loans/financing converted to securities	(3,072)	(8,184)
At end of reporting period	<u>784,401</u>	<u>834,320</u>
Specific allowance	<u>(403,031)</u>	<u>(415,602)</u>
Net non-performing loans, advances and financing	<u><u>381,370</u></u>	<u><u>418,718</u></u>
Ratio of net non-performing loans and financing to net loans and financing	<u><u>2.00%</u></u>	<u><u>2.36%</u></u>

(ii) Movements in allowance for bad and doubtful debts

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
General Allowance		
At 1 January	253,710	229,500
Allowance made during the period	17,800	24,210
As at period end	<u><u>271,510</u></u>	<u><u>253,710</u></u>
As a percentage of total gross loans less specific allowance and net of loans granted to the Government of Malaysia.	<u><u>1.5%</u></u>	<u><u>1.5%</u></u>

14) Non-performing loans/financing (NPL/NPF) (continued)**(ii) Movements in allowance for bad and doubtful debts (continued)**

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
Specific Allowance		
At 1 January	415,602	560,803
Allowance made during the period	65,408	72,084
Amount written back in respect of recoveries	(50,607)	(60,661)
Amount written off	(24,300)	(148,440)
Amount transferred to allowance for diminution in value	(3,072)	(8,184)
As at period end	403,031	415,602

(iii) NPL/NPF by sector

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
Agriculture	456	470
Mining and quarrying	483	-
Manufacturing	138,603	151,902
Electricity, gas and water	-	-
Construction	15,725	22,416
Real estate	4,309	9,114
Purchase of landed property	486,537	505,964
- Residential	461,918	474,965
- Non-residential	24,619	30,999
Wholesale & retail trade and restaurants & hotels	32,512	41,936
Transport, storage and communication	385	697
Finance, insurance and business services	17,370	19,306
Purchase of securities	-	-
Purchase of transport vehicles	-	-
Consumption credit	81,219	75,625
Others	6,802	6,890
	784,401	834,320

15) Other receivables

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
Derivatives	336,639	224,988
Interest/Income receivable	60,793	41,486
Other receivables, deposit and prepayments	232,977	88,204
	<u>630,409</u>	<u>354,678</u>

16) Deposits from customers

(i) By type of deposit

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
Demand deposits	5,280,169	4,985,320
Savings deposits	1,842,487	1,854,389
Fixed / investment deposits	9,870,394	9,671,360
Negotiable instruments of deposits	608,150	158,564
	<u>17,601,200</u>	<u>16,669,633</u>

(ii) By type of customers

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
Government and statutory bodies	10,997	12,060
Business enterprises	5,330,702	5,198,110
Individuals	11,383,495	10,621,272
Others	876,006	838,191
	<u>17,601,200</u>	<u>16,669,633</u>

17) Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
Licensed banks	4,922,639	3,414,490
Licensed merchant banks	50,000	-
Bank Negara Malaysia	50,657	3,265
Other financial institutions	2,293,995	4,009,364
	<u>7,317,291</u>	<u>7,427,119</u>

18) Other payables

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
Derivatives	299,930	200,672
Interest/profit payable	166,255	119,621
Other payables and accruals	866,187	773,445
	<u>1,332,372</u>	<u>1,093,738</u>

19) Interest income

	Group and Bank		Group and Bank	
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	284,136	245,547	561,772	490,011
- Recoveries from NPLs	13,614	17,023	26,607	34,236
Money at call and deposit placements with banks and other financial institutions	54,993	21,463	110,317	39,315
Securities held for trading	2,552	1,401	6,334	4,386
Securities available-for-sale	38,569	47,067	71,933	72,870
Others	-	322	-	779
	<u>393,864</u>	<u>332,823</u>	<u>776,963</u>	<u>641,597</u>
Amortisation of premium less accretion of discount	(5,395)	(6,963)	(9,739)	7,004
Interest suspended	<u>(22,693)</u>	<u>(23,666)</u>	<u>(41,405)</u>	<u>(47,308)</u>
Total interest income	<u><u>365,776</u></u>	<u><u>302,194</u></u>	<u><u>725,819</u></u>	<u><u>601,293</u></u>

20) Interest expense

	Group and Bank		Group and Bank	
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	45,349	15,872	89,342	28,911
Deposits from customers	128,017	110,054	254,459	219,210
Dividends paid on redeemable preference shares	3,563	3,563	7,125	7,125
	<u>176,929</u>	<u>129,489</u>	<u>350,926</u>	<u>255,246</u>

21) Other operating income

	Group and Bank		Group and Bank	
	2nd Quarter ended		Six months ended	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
Fee income :-				
Commission	41,096	31,920	74,438	62,587
Service charges and fees	6,250	16,623	10,482	22,403
Guarantee fees	2,840	2,367	4,787	4,428
	<u>50,186</u>	<u>50,910</u>	<u>89,707</u>	<u>89,418</u>
Gains/ (losses) from sale of securities				
- securities held for trading	6,416	4,743	17,256	4,387
- securities available-for-sale	-	280	-	377
Reversal of allowance for diminution in value of securities available-for-sale	-	8,272	-	8,272
Unrealised gains on revaluation of trading securities and instruments	2,606	2,411	9,538	14,779
Gross dividends from unquoted investments	484	254	484	254
	<u>9,506</u>	<u>15,960</u>	<u>27,278</u>	<u>28,069</u>
Other income :-				
Foreign exchange currency gains	18,769	16,617	34,915	40,059
Rental income	294	286	541	580
Gain on disposal of property, plant and equipment	-	-	124	-
	<u>19,063</u>	<u>16,903</u>	<u>35,580</u>	<u>40,639</u>
Total other operating income	<u>78,755</u>	<u>83,773</u>	<u>152,565</u>	<u>158,126</u>

22) Other operating expenses

	Group and Bank		Group and Bank	
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	35,540	34,570	73,112	70,997
- Pension fund contributions	3,927	3,224	8,016	6,938
- Other staff related cost	3,509	11,612	8,530	15,036
Establishment costs				
- Depreciation	9,024	8,109	17,764	16,953
- Rental	5,272	5,409	10,421	10,988
- Information technology expenses	17,814	15,066	35,872	32,977
- Others	9,887	11,007	16,889	21,768
Marketing expenses				
- Advertisement and publicity	7,228	8,393	14,769	14,350
- Others	2,055	796	3,413	2,670
Administrations and general expenses				
- Communication expenses	2,897	3,848	6,282	4,612
- Group administration fees	8,500	7,875	17,000	15,750
- Others	14,428	21,650	32,300	37,319
Total other operating expenses	<u>120,081</u>	<u>131,559</u>	<u>244,368</u>	<u>250,358</u>

23) Allowance for bad and doubtful debts and financing

	Group and Bank		Group and Bank	
	2nd Quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts on loans and financing :-				
Specific allowance (net)	13,185	(2,064)	14,801	(7,228)
- made in the financial period	24,252	15,278	38,938	29,589
- discounting of collateral (Note 27(d))	15,842	-	26,470	-
- written back	(26,909)	(17,342)	(50,607)	(36,817)
General allowance				
- made in the financial period	12,400	2,500	17,800	4,300
Bad and doubtful debts and financing :-				
Written off	18,003	13,147	33,057	24,596
Recovered	(11,893)	(6,872)	(20,856)	(15,085)
	<u>31,695</u>	<u>6,711</u>	<u>44,802</u>	<u>6,583</u>

24) Capital adequacy

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

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	125,000	125,000
Paid-up non-cumulative perpetual preference shares	-	
Share premium	375,000	375,000
Other reserves	125,000	125,000
Retained profits which qualifies for Capital Base	861,179	876,235
Less: Deferred tax assets	(93,337)	(86,989)
Total Tier 1 Capital	1,392,842	1,414,246
Tier 2 Capital		
Subordinated loans/financing	-	-
Redeemable Preference Shares	190,000	190,000
Approved capital instruments	380,000	380,000
Revaluation reserves	-	-
General allowance for bad and doubtful debts and financing	271,510	253,710
Total Tier 2 Capital	841,510	823,710
Total capital	2,234,352	2,237,956
Less : Investment in subsidiary companies	(22)	(22)
Total Capital Base	2,234,330	2,237,934

Capital Ratios (after incorporation of market risk into the Capital Adequacy Framework)

Excluding proposed interim / final dividend:

Core capital ratio	8.22%	9.05%
Risk-weighted capital ratio	13.19%	14.32%

With proposed interim / final dividend:

Core capital ratio	7.70%	7.83%
Risk-weighted capital ratio	12.67%	13.10%

Company No. 115793 P

25) 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 are as follows :-

	As at 30 June 2005			As at 31 December 2004		
	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	572,749	572,749	385,368	637,872	637,872	420,438
Transaction-related contingent items	1,721,265	860,633	558,450	1,478,295	739,148	419,528
Short-term self liquidated trade-related	411,521	82,304	79,003	410,438	82,088	76,602
Housing loans sold directly and indirectly to Cagamas Berhad with recourse	-	-	-	-	-	-
Obligations under underwriting agreement	-	-	-	-	-	-
Irrevocable commitments to extend credit :-						
- maturity not exceeding one year	8,119,705	-	-	4,365,411	-	-
- maturity exceeding one year	1,418,649	709,325	354,663	1,372,172	686,086	343,043
Foreign exchange related contracts :-						
- less than one year	22,072,071	339,144	109,649	18,480,490	287,086	88,680
- one year to less than five years	1,472,131	114,510	34,938	542,458	45,972	10,699
- five years and above	762,671	106,314	33,378	99,995	10,184	5,092
Interest rate related contracts						
- less than one year	2,913,650	16,721	4,365	4,017,843	11,171	2,507
- one year to less than five years	14,788,254	457,200	119,091	11,960,750	379,649	103,812
- five years and above	7,866,761	515,886	169,842	6,968,802	501,971	163,022
Miscellaneous commitments and contingencies	1,185,782	-	-	692,290	-	-
	63,305,209	3,774,786	1,848,747	51,026,816	3,381,227	1,633,423

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

26) 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 average interest rates on classes of financial assets and financial liabilities, and the periods of repricing or maturity, whichever is earlier.

GROUP As at 30 June 2005	Non trading books					Non interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate (%)
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
Assets									
Cash and short term funds	4,105,719	-	-	-	-	-	-	4,105,719	2.73
Deposits and placements with banks and other financial institutions	-	706,700	1,915	-	-	-	-	708,615	2.84
Securities purchased under resale agreement	652,197	882,200	-	-	-	-	-	1,534,397	2.77
Securities held for trading	-	-	-	-	-	-	631,018	631,018	3.77
Securities available-for-sale	1,664,936	546,878	356,337	1,542,975	66,707	29,409	-	4,207,242	3.03
Loans, advances and financing									
- Performing	14,421,850	1,192,550	1,431,184	275,928	207,557	1,174,342	-	18,703,411	6.44
- Non performing	-	-	-	-	-	87,000	-	87,000	
Other non-interest sensitive balances	-	-	-	-	-	1,340,742	-	1,340,742	
Total assets	20,844,702	3,328,328	1,789,436	1,818,903	274,264	2,631,493	631,018	31,318,144	
Liabilities and Shareholder's funds									
Deposits from customers	8,366,478	1,365,723	3,598,913	696,171	31,596	3,542,319	-	17,601,200	2.43
Deposits and placements of banks and other financial institutions	3,502,464	284,845	3,409,982	120,000	-	-	-	7,317,291	2.10
Obligations on securities sold under repurchase agreements	1,353,927	257,138	-	-	-	-	-	1,611,065	2.49
Bills and acceptances payable	542,053	-	-	-	-	-	-	542,053	3.63
Amount due to Cagamas	6,696	13,456	61,606	635,414	-	-	-	717,172	3.80
Subordinated debt	-	-	-	-	380,000	-	-	380,000	7.00
Redeemable preference shares	-	-	-	-	190,000	-	-	190,000	10.43
Other non-interest sensitive balances	-	-	-	-	-	1,417,623	-	1,417,623	
Total liabilities	13,771,618	1,921,162	7,070,501	1,451,585	601,596	4,959,942	-	29,776,404	
Shareholder's funds						1,541,740	-	1,541,740	
Total liabilities and shareholder's funds	13,771,618	1,921,162	7,070,501	1,451,585	601,596	6,501,682	-	31,318,144	
On-balance sheet interest sensitivity	7,073,081	1,407,165	(5,281,065)	367,319	(327,332)	(3,870,187)	631,019		
Off-balance sheet interest sensitivity	(1,492,339)	1,245,536	(537,458)	582,193	202,068	-	-		
Total interest sensitivity gap	5,580,742	2,652,701	(5,818,523)	949,512	(125,264)	(3,870,187)	631,019		

26) Interest rate risk (continued)

GROUP As at 31 December 2004	Non trading books						Trading books RM'000	Total RM'000	Effective interest rate (%)
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000			
Cash and short term funds	5,300,682	-	-	-	-	-	-	5,300,682	2.62
Deposits and placements with banks and other financial institutions	-	675,514	-	-	-	-	-	675,514	2.78
Securities purchased under resale agreement	480,811	386,504	69,987	-	-	-	-	937,302	2.77
Securities held for trading	-	-	-	-	-	-	705,871	705,871	3.80
Securities available-for-sale	1,129,000	743,117	870,944	885,441	59,313	65,207	-	3,753,022	3.06
Loans, advances and financing									
- Performing	13,751,497	588,689	2,297,921	22,537	117,571	568,533	-	17,346,748	6.34
- Non performing	-	-	-	-	-	105,787	-	105,787	
Other non-interest sensitive balances	-	-	-	-	-	990,212	-	990,212	
Total assets	20,661,990	2,393,824	3,238,852	907,978	176,884	1,729,739	705,871	29,815,138	
Liabilities and Shareholder's funds									
Deposits from customers	8,413,301	711,893	3,902,184	206,606	21,114	3,414,535	-	16,669,633	2.38
Deposits and placements of banks and other financial institutions	4,567,969	1,012,622	1,804,504	42,000	24	-	-	7,427,119	2.09
Obligations on securities sold under repurchase agreements	1,439,027	20,200	15,000	-	-	-	-	1,474,227	2.47
Bills and acceptances payable	203,028	-	-	-	-	-	-	203,028	3.39
Amount due to Cagamas	5,427	6,592	67,071	676,712	-	-	-	755,802	3.78
Subordinated debt	-	-	-	-	380,000	-	-	380,000	7.00
Redeemable preference shares	-	-	-	-	190,000	-	-	190,000	10.43
Other non-interest sensitive balances	-	-	-	-	-	1,151,256	-	1,151,256	
Total liabilities	14,628,752	1,751,307	5,788,759	925,318	591,138	4,565,791	-	28,251,065	
Shareholder's funds	-	-	-	-	-	1,564,073	-	1,564,073	
Total liabilities and shareholder's funds	14,628,752	1,751,307	5,788,759	925,318	591,138	6,129,864	-	29,815,138	
On-balance sheet interest sensitivity	6,033,237	642,517	(2,549,906)	(17,340)	(414,254)	(4,400,125)	705,871		
Off-balance sheet interest sensitivity	(743,911)	417,734	(465,162)	691,280	100,061	-			
Total interest sensitivity gap	5,289,326	1,060,251	(3,015,068)	673,940	(314,193)	(4,400,125)	705,871		

27) Changes in accounting policies and prior year adjustment

In the current financial year, the Group and the Bank adopted the following new accounting policy based on Bank Negara Malaysia's circular on revised GP8 as follows:-

a) Securities

Securities will be classified into one of these 3 classifications.

(i) Securities held for trading

Securities are classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Securities classified as held for trading will be stated at fair value and any gain or loss arising from a change in the fair value will be recognised in profit or loss statement. Interest from securities held for trading calculated using the effective interest rate method, is recognised in the income statement.

(ii) Securities held to maturity

Securities held to maturity are investments that the Bank has the positive intention or ability to hold to maturity. These investments will be measured at amortised cost using the effective interest rate.

(iii) Securities available-for-sale

Securities available-for-sale are securities that are not classified as held for trading or held to maturity investments, and are measured at fair value. Securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured will be stated at cost. Any gain or loss arising from a change in the fair value will be recognised directly in equity through the statement of changes in equity, except impairment losses and foreign exchange gain and losses. Interest from securities available-for-sale, calculated using the effective interest rate method, is recognised in the income statement.

b) Derivative financial instruments and hedge accounting

Derivatives are generally recognised at fair value with changes in fair value recognised in the income statement, unless the derivatives are designated as hedges, which are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. The Group designates certain derivatives as either:-

- (i) hedges of the fair value of recognised assets/liabilities (fair value hedge)
- (ii) hedges of highly probable cash flows attributable to a recognised asset or liability (cash flow hedge).

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

27) Changes in accounting policies and prior year adjustment (continued)**c) Interest income and expense**

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future payments or receipts through the expected life of the financial instrument.

d) Impairment of Loans

An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Impaired loans will now be measured at their estimated recoverable amount with additional allowance provided if the recoverable amount (present value of estimated cash flows discounted at original effective interest rate) is lower than the net book value of the loans.

The following balance sheet comparatives have been restated for the change in accounting policy in the six months ended 30 June 2005

	Group and Bank	
	As restated RM'000	As previously reported RM'000
Balance sheet as at 31 December 2004		
Dealing securities	-	705,871
Securities held for trading	705,871	-
Investments securities	-	3,717,723
Securities available-for-sale	3,753,022	-
Loans, advances and financing	17,452,535	17,396,998
Other receivables	354,678	358,199
Deferred taxation	62,510	86,989
Reserves	1,439,073	1,376,237
- <i>Non distributable reserves</i>	525,416	500,000
- <i>Distributable reserves</i>	913,657	876,237

28) Operations of Islamic Banking

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEETS AS AT 30 JUNE 2005

		Group and Bank	
		30 June 2005	31 December 2004
	Note	RM'000	RM'000
ASSETS			
Cash and short term funds		11,171	38,959
Securities purchased under resale agreements		180,786	168,311
Securities available-for-sale		498,189	852,798
Loans, advances and financing	(a)	39,645	11,543
Other receivables	(c)	13,275	8,320
Total assets		<u>743,066</u>	<u>1,079,931</u>
Liabilities			
Deposits from customers	(d)	258,178	247,564
Deposits and placements of banks and other financials institutions		10,000	380,000
Other payables	(e)	9,905	11,895
Subordinated debt		380,000	380,000
Tax payable		3,731	2,171
Total liabilities		<u>661,814</u>	<u>1,021,630</u>
Islamic Banking capital funds			
Islamic Banking funds		68,430	58,301
Reserves		12,822	-
Total liabilities and Islamic Banking funds		<u>743,066</u>	<u>1,079,931</u>
Commitments and contingencies		<u>183,447</u>	<u>190,794</u>

28) Operations of Islamic Banking

STANDARD CHARTERED BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE 2ND QUARTER AND HALF YEAR ENDED 30 JUNE 2005

	Group and Bank 2nd Quarter ended		Group and Bank Six months ended	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
Income derived from investment of depositors' funds and others	8,489	3,226	16,742	5,026
Transfer to/(from) profit equalisation reserves	68	139	(37)	67
Total distributable income	<u>8,557</u>	<u>3,365</u>	<u>16,705</u>	<u>5,093</u>
Income attributable to depositors	<u>(1,682)</u>	<u>(1,183)</u>	<u>(3,339)</u>	<u>(2,301)</u>
Income attributable to the shareholders	<u>6,875</u>	<u>2,182</u>	<u>13,366</u>	<u>2,792</u>
Income derived from investment of Islamic banking capital funds	<u>179</u>	<u>772</u>	<u>608</u>	<u>1,793</u>
Total Net Income	<u>7,054</u>	<u>2,954</u>	<u>13,974</u>	<u>4,585</u>
Other operating expenses	<u>(292)</u>	<u>(1,428)</u>	<u>(436)</u>	<u>(1,701)</u>
	<u>6,762</u>	<u>1,526</u>	<u>13,538</u>	<u>2,884</u>
Allowance for bad and doubtful debts and financing	<u>(610)</u>	<u>(26)</u>	<u>(633)</u>	<u>(45)</u>
Profit before zakat and taxation	<u>6,152</u>	<u>1,500</u>	<u>12,905</u>	<u>2,839</u>
Tax expense	<u>(1,833)</u>	<u>(428)</u>	<u>(3,731)</u>	<u>(840)</u>
Net profit for the period	<u><u>4,319</u></u>	<u><u>1,072</u></u>	<u><u>9,174</u></u>	<u><u>1,999</u></u>

(a) Financing, advances and other loans

(i) By type

	Group and Bank	
	30 June 2005	31 December 2004
	RM'000	RM'000
Term loans/financing		
House financing	24,612	24,621
Other term loans/financing	28,400	-
Unearned income	(11,612)	(11,956)
	<u>41,400</u>	<u>12,665</u>
Allowances for bad and doubtful financing :		
Specific	(1,151)	(939)
General	(604)	(183)
Total net financing, advances and other loans	<u><u>39,645</u></u>	<u><u>11,543</u></u>

(b) Non-performing loans/financing (NPL/NPF)

(i) Movements in the non-performing financing, advances and other loans

	Group and Bank	
	30 June 2005	31 December 2004
	RM'000	RM'000
At 1 January	1,758	1,680
Non-performing during the period (gross)	(3)	1,050
Performing during the period	-	(723)
Recoveries	-	(193)
Written off	(19)	(56)
Others	(68)	-
At end of reporting period	<u>1,668</u>	<u>1,758</u>
Specific allowance	<u>(1,151)</u>	<u>(939)</u>
Net non-performing loans, advances and financing	<u><u>517</u></u>	<u><u>819</u></u>
Ratio of net non-performing loans and financing to net loans and financing	<u><u>1.3%</u></u>	<u><u>7.0%</u></u>

(b) Non-performing loans/financing (NPL/NPF) (continued)

(ii) Movements in allowance for bad and doubtful debts

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
General Allowance		
At 1 January	183	260
Allowance written back to income statement	-	(77)
Allowance made during the year	421	-
As at period end	<u>604</u>	<u>183</u>
Specific Allowance		
At 1 January	939	363
Allowance made during the period	233	723
Allowance written back in respect of recoveries	(21)	(91)
Amount written off	-	(56)
As at period end	<u>1,151</u>	<u>939</u>

(c) Other receivables

	Group and Bank	
	30 June 2005 RM'000	31 December 2004 RM'000
Income receivables	7,648	8,320
Other receivables	5,627	-
	<u>13,275</u>	<u>8,320</u>

(d) Deposits from customers

(i) By type of deposit

	Group and Bank	
	30 June 2005	31 December 2004
	RM'000	RM'000
Non-Mudharabah fund		
Al-Wadiah current deposits	20,143	43,679
Al-Wadiah savings deposits	23,231	25,266
Special Investment Account	29,991	-
Mudharabah fund		
General investment deposits	184,813	178,619
	<u>258,178</u>	<u>247,564</u>

(e) Other payables

	Group and Bank	
	30 June 2005	31 December 2004
	RM'000	RM'000
Profit payable	1,100	565
Accruals	2,056	2,252
Profit equalisation reserve	136	99
Other payables	6,613	8,979
	<u>9,905</u>	<u>11,895</u>