

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

**Financial statements for the nine months ended
30 September 2006**

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

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEETS AS AT 30 SEPTEMBER 2006

	Note	Group		Bank	
		30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
ASSETS					
Cash and short term funds		8,890,234	5,932,189	8,890,234	5,932,189
Deposits and placements with banks and other financial institutions		4,077,200	2,161,700	4,077,200	2,161,700
Securities purchased under resale agreements		49,690	74,451	49,690	74,451
Securities held-for-trading	12	1,336,863	624,745	1,336,863	624,745
Securities available-for-sale	13	3,736,897	5,055,017	3,736,897	5,055,017
Loans, advances and financing	14	19,897,913	19,710,226	19,897,913	19,710,226
Other receivables	16	933,859	609,296	933,859	609,296
Statutory deposits with Bank Negara Malaysia		653,481	592,000	653,481	592,000
Investments in subsidiary companies		-	-	22	22
Property, plant and equipment		53,172	64,075	53,172	64,075
Deferred tax assets		84,872	84,747	84,872	84,747
TOTAL ASSETS		39,714,181	34,908,446	39,714,203	34,908,468
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	17	27,371,440	22,369,732	27,371,440	22,369,732
Deposits and placements of banks and other financial institutions	18	4,914,926	4,765,936	4,914,926	4,765,936
Obligations on securities sold under repurchase agreements		1,909,804	2,820,168	1,909,804	2,820,168
Bills and acceptances payable		740,810	550,229	740,810	550,229
Recourse obligations on loans sold to Cagamas		638,253	745,052	638,253	745,052
Other payables	19	1,845,434	1,401,906	1,845,456	1,401,928
Tax payable		45,643	36,592	45,643	36,592
Subordinated debt		380,000	380,000	380,000	380,000
Redeemable preference shares		-	190,000	-	190,000
TOTAL LIABILITIES		37,846,310	33,259,615	37,846,332	33,259,637
SHARE CAPITAL		125,000	125,000	125,000	125,000
RESERVES		1,742,871	1,523,831	1,742,871	1,523,831
SHAREHOLDERS' FUNDS		1,867,871	1,648,831	1,867,871	1,648,831
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		39,714,181	34,908,446	39,714,203	34,908,468
COMMITMENTS AND CONTINGENCIES	26	106,910,466	74,267,823	106,910,466	74,267,823
CAPITAL ADEQUACY					
Core capital ratio	25	8.39%	8.38%	8.39%	8.38%
Risk-weighted capital ratio	25	11.93%	13.05%	11.93%	13.05%

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2005.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2006

	Note	Group and Bank 3rd Quarter ended		Group and Bank Nine months ended	
		30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Interest income	20	480,589	403,994	1,397,366	1,129,811
Interest expense	21	(258,716)	(197,985)	(731,019)	(535,683)
Net interest income		<u>221,873</u>	<u>206,009</u>	<u>666,347</u>	<u>594,128</u>
Net income from Islamic Banking operations	28	10,781	8,605	23,657	9,365
		<u>232,654</u>	<u>214,614</u>	<u>690,004</u>	<u>603,493</u>
Other operating income	22	109,661	108,695	304,796	261,251
Total net income		<u>342,315</u>	<u>323,309</u>	<u>994,800</u>	<u>864,744</u>
Other operating expenses	23	(143,395)	(130,430)	(408,541)	(374,799)
Operating profit		<u>198,920</u>	<u>192,879</u>	<u>586,259</u>	<u>489,945</u>
Allowance for bad and doubtful debts and financing	24	(22,415)	(30,385)	(85,858)	(75,187)
Profit before taxation		<u>176,505</u>	<u>162,494</u>	<u>500,401</u>	<u>414,758</u>
Tax expense		(48,322)	(41,559)	(142,684)	(118,078)
Net profit for the period		<u><u>128,183</u></u>	<u><u>120,935</u></u>	<u><u>357,717</u></u>	<u><u>296,680</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 financial year ended 31 December 2005.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2006

GROUP & BANK	Note	← 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 2005									
As previously stated		125,000	375,000	125,000	-	-	-	876,236	1,501,236
Prior year adjustment		-	-	-	-	25,416	-	37,421	62,837
Net profit for the period		-	-	-	-	-	-	296,680	296,680
Unrealised net loss on revaluation of securities available-for-sale		-	-	-	-	(4,328)	-	-	(4,328)
Realised gains from disposal of securities available-for-sale transferred to income statements		-	-	-	-	(17,349)	-	-	(17,349)
Unrealised gain on cash flow hedge		-	-	-	-	-	3,995	-	3,995
Dividends (ordinary shares):-									
- 2004 final (paid)		-	-	-	-	-	-	(190,800)	(190,800)
- 2005 interim (paid)		-	-	-	-	-	-	(88,200)	(88,200)
At 30 September 2005		125,000	375,000	125,000	-	3,739	3,995	931,337	1,564,071
At 1 January 2006		125,000	375,000	125,000	-	(1,868)	(1,086)	1,026,785	1,648,831
Net profit for the period		-	-	-	-	-	-	357,717	357,717
Redemption of Preference shares		-	-	-	190	-	-	(190)	-
Unrealised net gain on revaluation of securities available-for-sale		-	-	-	-	23,851	-	-	23,851
Realised gains from disposal of securities available-for-sale transferred to income statements		-	-	-	-	(16,267)	-	-	(16,267)
Unrealised gain on cashflow hedge		-	-	-	-	-	11,239	-	11,239
Dividends (ordinary shares):-									
- 2006 interim (paid)		-	-	-	-	-	-	(157,500)	(157,500)
At 30 September 2006		125,000	375,000	125,000	190	5,716	10,153	1,226,812	1,867,871

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2005.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006

	Group and Bank	
	30 September 2006 RM'000	30 September 2005 RM'000
Profit before taxation	500,401	414,758
Adjustment for non-operating items	(484)	(484)
Adjustment for non-cash items	13,089	33,196
Operating profit before working capital changes	513,006	447,470
Changes in working capital		
Net changes in operating assets	(3,162,620)	(3,874,830)
Net changes in operating liabilities	4,769,285	6,625,001
Income taxes paid	(141,070)	(126,024)
Net cash generated from operating activities	1,978,601	3,071,617
Net cash generated from/(used in) investing activities	1,326,944	(1,539,443)
Net cash used in financing activities	(347,500)	(279,000)
Net increase in cash and cash equivalents	2,958,045	1,253,174
Cash and cash equivalent at beginning of the year	5,932,189	5,300,682
Cash and cash equivalent at end of the period	8,890,234	6,553,856

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2005.

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REVIEW OF PERFORMANCE

The Bank's profit before taxation for the financial nine months ended 30 September 2006 was RM 500.4 million or 20.65% higher than the corresponding period. Net interest income registered an increase of RM 72.2 million or 12.16% and other operating income (including income from Islamic Banking operations) increased by RM 57.8 million or 21.37%. The above were partially offset by higher allowance for bad and doubtful debts of RM 10.6 million and higher overheads of RM 33.7 million. Total assets has recorded an increase of RM 4.8 billion or 13.8% to RM 39.7 billion compared to the last financial year ended 31 December 2005. The Bank's core capital ratio and risk-weighted capital ratio have continued to be strong at 8.39% and 11.93% respectively.

PROSPECTS

The Bank has a very clear and ambitious strategy in Malaysia, in line with the Group's ambition to be the best international bank, leading the way in Asia, Africa and the Middle East. Over the past few years, the Bank has built significant momentum to lead the way in product innovation, service, performance culture, corporate governance and enhancing shareholder value. The Bank will continue to accelerate its Consumer Banking growth, drive Wholesale Banking revenue, invest in human resources 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.

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Notes to the financial statements for the 3rd quarter ended 30 September 2006

1) Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the third quarter and the financial nine months ended 30 September 2006 have been prepared in accordance with FRS 134 (Interim Financial Reporting) issued by the Malaysian Accounting Standards Board ("MASB") and Bank Negara Malaysia guidelines.

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

The accounting policies and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements. The MASB issued a total of 21 new and revised Financial Reporting Standards (FRS), of which 18 FRSs are effective from 1 January 2006. The adoption of these new/revised FRSs do not have significant financial impact on the Group and the Bank.

2) Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2005 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 third quarter and the financial nine months ended 30 September 2006.

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 third quarter and the financial nine months ended 30 September 2006.

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 third quarter and the financial nine months ended 30 September 2006.

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7) Dividend

During the financial nine months ended 30 September 2006, an interim dividend (gross) of 175 sen per share less 28% tax, totalling RM 157,500,000 in respect of the financial half year ended 30 June 2006 was paid.

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 financial year ended 31 December 2005.

9) Redemption of 190,000 Redeemable Preference Shares ("RPS") of RM 1.00 at a premium of RM 999 per RPS

On 5th June 2006, the bank has redeemed 190,000 RPS of RM 1.00 each issued at a premium of RM 999 each for a total consideration of RM 190,000,000. Following the redemption, an amount of RM 190,000 has been transferred from retained profits to capital redemption reserves.

10) Subsequent events

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

11) Changes in the composition of the company

There were no significant changes in the composition of the Group in the financial nine months ended 30 September 2006.

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12) Securities held-for-trading

	Group and Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
<u>At fair value</u>		
Quoted securities:-		
Malaysian Government treasury bills	172,982	24,451
Malaysian Government bonds / securities	278,737	81,654
Government Islamic bonds	77,674	45,002
Bank Negara Malaysia bills	279,703	88,849
Cagamas bonds	91,424	80,214
Private Debt Securities	436,343	304,575
	<u>1,336,863</u>	<u>624,745</u>

13) Securities available-for-sale

	Group and Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
<u>At fair value</u>		
Quoted securities:-		
Malaysian Government treasury bills	38,926	-
Malaysian Government securities	406,129	399,265
Bank Negara Malaysia bills	-	952
Cagamas bonds	164,613	726,475
Negotiable instruments of deposit	2,369,123	3,511,659
Government Islamic bonds	240,672	-
Khazanah Islamic bonds	-	4,969
Private debt securities	485,001	382,298
	<u>3,704,464</u>	<u>5,025,618</u>
Unquoted securities:-		
Private debt securities	32,433	29,399
	<u>3,736,897</u>	<u>5,055,017</u>

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

	Group and Bank	
	30 September	31 December
	2006	2005
	RM'000	RM'000
Overdrafts	1,006,593	1,098,486
Term loans/financing		
- Housing loans/financing	11,204,794	11,022,898
- Syndicated term loan/financing	3,768	15,000
- Lease receivables	28,978	34,646
- Other term loans/financing	4,261,561	4,488,532
Bills receivable	1,047,033	1,185,062
Claims on customers under acceptance credits	744,954	552,778
Staff loans/financing (of which loans to directors - Nil for 2006 and 2005)	98,085	103,048
Loans/financing to banks and other financial institutions	171,720	151,560
Credit card receivables	1,412,000	1,421,695
Revolving credit	734,372	357,665
	<u>20,713,858</u>	<u>20,431,370</u>
Less unearned interest and income	(172,603)	(68,738)
Gross loans, advances and financing	20,541,255	20,362,632
Less allowance for bad and doubtful debts and financing :-		
Specific	(340,932)	(357,396)
General	(302,410)	(295,010)
Total net loans, advances and financing	<u>19,897,913</u>	<u>19,710,226</u>

(ii) By type of customer

	Group and Bank	
	30 September	31 December
	2006	2005
	RM'000	RM'000
Domestic banking institutions	171,720	151,560
Domestic non-bank financial institutions	351,382	629,507
<i>Stockbroking companies</i>	-	-
<i>Others</i>	351,382	629,507
Domestic business enterprises	4,757,347	3,978,349
<i>Small medium enterprises</i>	1,404,617	1,484,796
<i>Others</i>	3,352,730	2,493,553
Government and statutory bodies	110,808	-
Individuals	14,941,995	14,794,638
Other domestic entities	188	535,964
Foreign entities	207,815	272,614
	<u>20,541,255</u>	<u>20,362,632</u>

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

	Group and Bank	
	30 September	31 December
	2006	2005
	RM'000	RM'000
Fixed rate		
Housing loans/financing	93,642	93,608
Other fixed rate loan/financing	1,839,869	1,694,100
Variable rate		
BLR plus	13,128,157	13,407,018
Cost plus	2,750,765	2,910,415
Other variable rates	2,728,822	2,257,491
	<u>20,541,255</u>	<u>20,362,632</u>

(iv) By sector

	Group and Bank	
	30 September	31 December
	2006	2005
	RM'000	RM'000
Agriculture	136,467	67,471
Mining and quarrying	4,451	5,207
Manufacturing	1,743,051	1,527,167
Electricity, gas and water	1,022	4,199
Construction	171,151	122,164
Real estate	94,334	30,292
Purchase of landed property	13,341,279	13,187,592
- Residential	11,386,442	11,332,113
- Non-residential	1,954,837	1,855,479
Wholesale & retail trade and restaurants & hotels	1,431,928	1,656,079
Transport, storage and communication	178,475	196,476
Finance, insurance and business services	677,963	909,446
Purchase of securities	11	11
Purchase of transport vehicles		
Consumption credit	2,517,632	2,501,932
Others	243,491	154,596
	<u>20,541,255</u>	<u>20,362,632</u>

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

	Group and Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
At 1 January	763,787	834,320
Classified as non-performing during the period (gross)	412,390	419,738
Reclassified as performing during the period	(161,053)	(230,270)
Amount recovered during the period	(97,900)	(117,205)
Amount written off	(126,713)	(139,724)
Loans/financing converted to securities	-	(3,072)
At end of reporting period	<u>790,511</u>	<u>763,787</u>
Specific allowance	<u>(340,932)</u>	<u>(357,396)</u>
Net non-performing loans, advances and financing	<u><u>449,579</u></u>	<u><u>406,391</u></u>
Ratio of net non-performing loans, advances and financing to net loans, advances and financing	<u><u>2.23%</u></u>	<u><u>2.03%</u></u>

(ii) Movements in allowance for bad and doubtful debts

	Group and Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
General Allowance		
At 1 January	295,010	253,710
Allowance made during the period	<u>7,400</u>	<u>41,300</u>
At period end	<u><u>302,410</u></u>	<u><u>295,010</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>

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

	Group and Bank	
	30 September	31 December
	2006	2005
	RM'000	RM'000
Specific Allowance		
At 1 January	357,396	415,602
Allowance made during the period	184,558	167,847
Amount written back in respect of recoveries	(136,945)	(139,019)
Amount written off	(64,077)	(83,962)
Amount transferred to allowance for diminution in value	-	(3,072)
At period end	<u>340,932</u>	<u>357,396</u>

(iii) NPL/NPF by sector

	Group and Bank	
	30 September	31 December
	2006	2005
	RM'000	RM'000
Agriculture	449	480
Mining and quarrying	528	488
Manufacturing	84,603	100,980
Construction	7,755	13,881
Real estate	1,513	4,490
Purchase of landed property	591,429	514,792
- Residential	554,003	492,565
- Non-residential	37,426	22,227
Wholesale & retail trade and restaurants & hotels	22,381	21,535
Transport, storage and communication	910	644
Finance, insurance and business services	14,472	15,123
Consumption credit	61,166	84,709
Others	5,305	6,665
	<u>790,511</u>	<u>763,787</u>

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16) Other receivables

	Group and Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
Derivatives	514,508	405,025
Interest/Income receivable	71,686	45,844
Other receivables, deposit and prepayments	347,665	158,427
	<u>933,859</u>	<u>609,296</u>

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

	Group and Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
Demand deposits	7,591,079	6,121,692
Savings deposits	2,642,936	1,914,024
Fixed / investment deposits	15,836,065	13,476,481
Negotiable instruments of deposits	1,301,360	857,535
	<u>27,371,440</u>	<u>22,369,732</u>

(ii) By type of customers

	Group and Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
Government and statutory bodies	6,982	23,225
Business enterprises	12,610,347	8,578,695
Individuals	12,334,945	12,095,153
Others	2,419,166	1,672,659
	<u>27,371,440</u>	<u>22,369,732</u>

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18) Deposits and placements of banks and other financial institutions

	Group and Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
Licensed banks	2,485,990	1,965,492
Licensed merchant banks	-	50,000
Bank Negara Malaysia	36,025	34,746
Other financial institutions	2,392,911	2,715,698
	<u>4,914,926</u>	<u>4,765,936</u>

19) Other payables

	Group	
	30 September 2006 RM'000	31 December 2005 RM'000
Derivatives	431,313	356,554
Interest/profit payable	180,767	167,296
Other payables and accruals	1,233,354	878,056
	<u>1,845,434</u>	<u>1,401,906</u>

	Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
Derivatives	431,313	356,554
Interest/profit payable	180,767	167,296
Amount owing to subsidiary companies	22	22
Other payables and accruals	1,233,354	878,056
	<u>1,845,456</u>	<u>1,401,928</u>

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20) Interest income

	Group and Bank 3rd Quarter ended		Group and Bank Nine months ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	314,664	283,650	927,344	823,356
- Recoveries from NPLs	13,569	19,320	63,709	45,927
Money at call and deposit placements with banks and other financial institutions	119,881	64,398	311,449	174,715
Securities held for trading	6,688	2,884	13,883	9,218
Securities available-for-sale	35,046	45,223	113,065	117,156
	489,848	415,475	1,429,450	1,170,372
Amortisation of premium less accretion of discount	(826)	(4,897)	(8,224)	(14,637)
Interest suspended	(8,433)	(6,584)	(23,860)	(25,924)
Total interest income	<u>480,589</u>	<u>403,994</u>	<u>1,397,366</u>	<u>1,129,811</u>

21) Interest expense

	Group and Bank 3rd Quarter ended		Group and Bank Nine months ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Deposits and placements of banks and other financial institutions	39,914	57,101	125,779	133,216
Deposits from customers	212,561	130,605	575,825	371,390
Dividends paid on redeemable preference shares	-	3,563	6,442	10,688
Loans sold to Cagamas	6,241	6,716	22,973	20,389
	<u>258,716</u>	<u>197,985</u>	<u>731,019</u>	<u>535,683</u>

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22) Other operating income

	Group and Bank 3rd Quarter ended		Group and Bank Nine months ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Fee income :-				
Commission	33,364	38,842	83,110	106,669
Service charges and fees	9,867	6,712	23,316	23,795
Guarantee fees	2,580	2,773	8,693	7,559
	<u>45,811</u>	<u>48,327</u>	<u>115,119</u>	<u>138,023</u>
Gains from sale of securities				
- securities held for trading	4,607	12,157	36,470	29,413
- securities available-for-sale	9,557	7,920	21,385	7,921
Unrealised gains on revaluation of trading securities and instruments	7,714	(8,386)	14,158	1,152
Gross dividends from unquoted investments	-	-	484	484
	<u>21,878</u>	<u>11,691</u>	<u>72,497</u>	<u>38,970</u>
Other income :-				
Foreign exchange currency gains				
- Gain from dealing in foreign currency	2,367	32,901	90,035	66,709
- Unrealised gain/(loss) from foreign exchange translation	39,394	15,517	26,423	16,625
Rental income	211	128	641	669
Gain on disposal of property, plant and equipment	-	131	81	255
	<u>41,972</u>	<u>48,677</u>	<u>117,180</u>	<u>84,258</u>
Total other operating income	<u>109,661</u>	<u>108,695</u>	<u>304,796</u>	<u>261,251</u>

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23) Other operating expenses

	Group and Bank 3rd Quarter ended		Group and Bank Nine months ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	46,457	39,542	140,459	112,654
- Pension fund contributions	4,648	4,095	14,587	12,111
- Other staff related cost	4,303	5,484	15,778	14,014
	<u>55,408</u>	<u>49,121</u>	<u>170,824</u>	<u>138,779</u>
Establishment costs				
- Depreciation	4,460	6,341	13,350	24,105
- Rental	5,475	5,397	16,355	15,819
- Information technology expenses	14,526	4,855	46,743	54,002
- Project related expenses	2,972	2,441	11,041	8,215
- Others	10,384	22,971	23,227	20,811
	<u>37,817</u>	<u>42,005</u>	<u>110,716</u>	<u>122,952</u>
Marketing expenses				
- Advertisement and publicity	7,216	6,612	13,107	21,598
- Others	4,393	2,529	9,344	5,725
	<u>11,609</u>	<u>9,141</u>	<u>22,451</u>	<u>27,323</u>
Administration and general expenses				
- Communication expenses	3,821	3,860	11,023	10,142
- Group administration fees	10,542	8,500	30,490	25,500
- Outsourcing expenses	5,326	8,633	19,407	23,478
- Others	18,872	9,170	43,630	26,625
	<u>38,561</u>	<u>30,163</u>	<u>104,550</u>	<u>85,745</u>
Total other operating expenses	<u>143,395</u>	<u>130,430</u>	<u>408,541</u>	<u>374,799</u>

24) Allowance for bad and doubtful debts and financing

	Group and Bank 3rd Quarter ended		Group and Bank Nine months ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Allowance for bad and doubtful debts on loans and financing :-				
Specific allowance (net)	14,648	5,439	47,613	20,239
- made in the financial period	53,624	51,550	184,558	116,957
- written back	(38,976)	(46,111)	(136,945)	(96,718)
General allowance				
- made in the financial period	-	19,500	7,400	37,300
Bad and doubtful debts and financing :-				
Written off	17,979	15,471	62,636	48,529
Recovered	(10,212)	(10,025)	(31,791)	(30,881)
	<u>22,415</u>	<u>30,385</u>	<u>85,858</u>	<u>75,187</u>

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25) Capital adequacy

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

	Group and Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	125,000	125,000
Share premium	375,000	375,000
Capital redemption reserve	190	-
Other reserves	125,000	125,000
Retained profits which qualifies for Capital Base	1,098,629	1,026,785
Less: Deferred tax assets	(105,638)	(98,193)
Total Tier 1 Capital	1,618,181	1,553,592
Tier 2 Capital		
Redeemable Preference Shares	-	190,000
Approved capital instruments	380,000	380,000
General allowance for bad and doubtful debts and financing	302,410	295,010
Total Tier 2 Capital	682,410	865,010
Total capital	2,300,591	2,418,602
Less : Investment in subsidiary companies	(22)	(22)
Total Capital Base	2,300,569	2,418,580

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

	Group	
	2006 RM'000	2005 RM'000
0%	-	-
10%	10,212	66,996
20%	1,405,107	1,260,563
50%	5,601,827	5,677,297
100%	10,956,095	10,538,512
	17,973,241	17,543,368
Total risk-weighted assets		
- credit risk	17,973,241	17,543,368
- market risk	1,294,924	994,237
	19,268,165	18,537,605
Core capital ratio	8.39%	8.38%
Risk-weighted capital ratio	11.93%	13.05%

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26) 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 September 2006			As at 31 December 2005		
	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	1,238,374	1,238,374	965,446	741,390	741,390	566,030
Transaction-related contingent items	1,669,941	834,971	674,923	1,669,968	834,984	692,287
Short-term self liquidated trade-related contingencies	294,739	58,948	56,237	369,109	73,822	69,417
Irrevocable commitments to extend credit :-						
- maturity not exceeding one year	7,752,050	-	-	8,518,494	-	-
- maturity exceeding one year	812,962	406,481	207,844	1,292,385	646,193	323,096
Foreign exchange related contracts :-						
- less than one year	30,947,545	609,043	197,555	23,534,976	423,269	134,351
- one year to less than five years	1,677,400	146,560	31,560	1,603,413	145,620	41,214
- five years and above	1,558,573	193,230	74,123	1,132,674	150,313	49,571
Interest rate related contracts						
- less than one year	20,439,831	46,235	9,907	5,243,229	14,075	3,564
- one year to less than five years	36,972,377	1,042,277	255,598	21,158,814	647,695	171,873
- five years and above	2,641,471	223,874	56,760	8,042,263	527,411	167,971
Miscellaneous commitments and contingencies	905,203	-	-	961,108	-	-
	106,910,466	4,799,993	2,529,953	74,267,823	4,204,772	2,219,374

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

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27) 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.

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

GROUP As at 30 September 2006	Non -Trading						Trading books	Total	Effective interest rate
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years	Non interest sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	(%)
Assets									
Cash and short term funds	8,663,262	-	-	-	-	226,972	-	8,890,234	3.55
Deposits and placements with banks and other financial institutions	-	4,077,200	-	-	-	-	-	4,077,200	3.75
Securities purchased under resale agreement	49,690	-	-	-	-	-	-	49,690	3.45
Securities held-for-trading	-	-	-	-	-	-	1,336,863	1,336,863	4.94
Securities available-for-sale	795,025	1,119,474	663,583	1,126,382	-	32,433	-	3,736,897	3.80
Loans, advances and financing									
- Performing	15,358,726	1,783,120	1,751,604	338,435	216,449	-	-	19,448,334	7.16
- Non performing	-	-	-	-	-	449,579	-	449,579	
Other non-interest sensitive balances	-	-	-	-	-	1,725,384	-	1,725,384	
Total assets	24,866,703	6,979,794	2,415,187	1,464,817	216,449	2,434,368	1,336,863	39,714,181	
Liabilities and Shareholder's funds									
Deposits from customers	12,835,805	2,927,218	5,475,219	1,388,659	65,000	4,679,539	-	27,371,440	2.45
Deposits and placements of banks and other financial institutions	4,323,389	155,284	434,747	1,506	-	-	-	4,914,926	3.85
Obligations on securities sold under repurchase agreements	1,864,004	45,800	-	-	-	-	-	1,909,804	3.09
Bills and acceptances payable	740,810	-	-	-	-	-	-	740,810	3.87
Amount due to Cagamas	76,155	7,386	253,944	300,768	-	-	-	638,253	4.07
Subordinated debt	-	-	-	-	380,000	-	-	380,000	7.00
Other non-interest sensitive balances	-	-	-	-	-	1,891,077	-	1,891,077	
Total liabilities	19,840,163	3,135,688	6,163,910	1,690,933	445,000	6,570,616	-	37,846,310	
Shareholder's funds	-	-	-	-	-	1,867,871	-	1,867,871	
Total liabilities and shareholder's funds	19,840,163	3,135,688	6,163,910	1,690,933	445,000	8,438,487	-	39,714,181	
On-balance sheet interest sensitivity	5,026,540	3,844,106	(3,748,723)	(226,116)	(228,551)	(4,136,248)	1,336,863		
Off-balance sheet interest sensitivity	(3,326,976)	(642,141)	1,519,472	2,866,979	(417,334)	-	-		
Total interest sensitivity gap	1,699,564	3,201,965	(2,229,251)	2,640,863	(645,885)	(4,136,248)	1,336,863		

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27) Interest rate risk (continued)

GROUP As at 31 December 2005	Non trading books						Trading books	Total	Effective interest rate (%)
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 years	Non interest sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Cash and short term funds	5,660,135	-	-	-	-	272,054	-	5,932,189	2.89
Deposits and placements with banks and other financial institutions	-	2,161,700	-	-	-	-	-	2,161,700	3.09
Securities purchased under resale agreement	67,129	7,322	-	-	-	-	-	74,451	2.93
Securities held-for-trading	-	-	-	-	-	-	624,745	624,745	4.55
Securities available-for-sale	697,937	2,614,087	1,052,896	660,698	-	29,399	-	5,055,017	3.26
Loans, advances and financing									
- Performing	16,171,341	1,364,284	1,550,475	92,895	124,840	-	-	19,303,835	6.86
- Non performing	-	-	-	-	-	406,391	-	406,391	
Other non-interest sensitive balances	-	-	-	-	-	1,350,118	-	1,350,118	
Total assets	22,596,542	6,147,393	2,603,371	753,593	124,840	2,057,962	624,745	34,908,446	
Liabilities and Shareholder's funds									
Deposits from customers	10,339,181	2,653,269	4,523,624	917,247	32,109	3,904,302	-	22,369,732	2.34
Deposits and placements of banks and other financial institutions	3,763,467	158,536	723,933	120,000	-	-	-	4,765,936	3.49
Obligations on securities sold under repurchase agreements	2,803,395	16,773	-	-	-	-	-	2,820,168	2.65
Bills and acceptances payable	550,229	-	-	-	-	-	-	550,229	3.09
Amount due to Cagamas	7,107	14,282	289,010	434,653	-	-	-	745,052	3.84
Subordinated debt	-	-	-	-	380,000	-	-	380,000	7.00
Redeemable preference shares	-	-	-	-	190,000	-	-	190,000	10.43
Other non-interest sensitive balances	-	-	-	-	-	1,438,498	-	1,438,498	
Total liabilities	17,463,379	2,842,860	5,536,567	1,471,900	602,109	5,342,800	-	33,259,615	
Shareholder's funds	-	-	-	-	-	1,648,831	-	1,648,831	
Total liabilities and shareholder's funds	17,463,379	2,842,860	5,536,567	1,471,900	602,109	6,991,631	-	34,908,446	
On-balance sheet interest sensitivity	5,133,163	3,304,533	(2,933,196)	(718,307)	(477,269)	(4,933,669)	624,745		
Off-balance sheet interest sensitivity	(2,010,773)	859,460	1,001,942	(376,887)	526,258	-	-		
Total interest sensitivity gap	3,122,390	4,163,993	(1,931,254)	(1,095,194)	48,989	(4,933,669)	624,745		

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28) Operations of Islamic Banking

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEETS AS AT 30 SEPTEMBER 2006

	Note	Group and Bank	
		30 September 2006 RM'000	31 December 2005 RM'000
Assets			
Cash and short term funds		179,642	422,992
Deposits and placements with banks and other financial institutions		50,000	40,000
Securities purchased under resale agreements		-	65,606
Securities available-for-sale		830,304	286,366
Financing, advances and other loans	(a), (b)	627,873	185,187
Other receivables	(c)	39,273	3,693
Deferred tax asset		-	442
Total assets		<u>1,727,092</u>	<u>1,004,286</u>
Liabilities			
Deposits from customers	(d)	1,062,117	381,928
Deposits and placements of banks and other financial institutions	(e)	-	162,657
Investment		7,446	
Other payables	(f)	60,145	15,303
Subordinated debt		380,000	380,000
Tax payable		2,355	1,911
Total liabilities		<u>1,512,063</u>	<u>941,799</u>
Islamic Banking capital funds			
Islamic Banking funds		183,000	43,000
Reserves		32,029	19,487
Total liabilities and Islamic Banking funds		<u>1,727,092</u>	<u>1,004,286</u>
Commitments and contingencies		<u>535,960</u>	<u>180,716</u>

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28) Operations of Islamic Banking (continued)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2006

	Group and Bank 3rd Quarter Ended		Group and Bank Nine months ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Income derived from investment of depositors' funds and others	24,341	17,933	58,730	35,137
Transfer to profit equalisation reserves	<u>(1,713)</u>	<u>(540)</u>	<u>(4,296)</u>	<u>(577)</u>
Total distributable income	22,628	17,393	54,434	34,560
Income attributable to depositors	<u>(8,301)</u>	<u>(2,384)</u>	<u>(14,891)</u>	<u>(6,018)</u>
Income attributable to the Bank	14,327	15,009	39,543	28,542
Income derived from investment of Islamic Banking				
Capital funds	3,140	282	4,023	732
Less: Income attributable to investors of subordinated debt	<u>(6,686)</u>	<u>(6,686)</u>	<u>(19,909)</u>	<u>(19,909)</u>
Total net income	10,781	8,605	23,657	9,365
Other operating expenses	<u>(2,416)</u>	<u>(1,313)</u>	<u>(7,134)</u>	<u>(1,749)</u>
	8,365	7,292	16,523	7,616
Allowance for bad and doubtful debts and financing	<u>(2,434)</u>	<u>(169)</u>	<u>(8,111)</u>	<u>(802)</u>
Profit / (loss) before taxation	5,931	7,123	8,412	6,814
Tax expense	<u>(1,635)</u>	<u>(1,908)</u>	<u>(2,355)</u>	<u>(1,908)</u>
Net profit for the period	<u><u>4,296</u></u>	<u><u>5,215</u></u>	<u><u>6,057</u></u>	<u><u>4,906</u></u>

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28) Operations of Islamic Banking (continued)**(a) Financing, advances and other loans****(i) By type**

	Group and Bank	
	30 September	31 December
	2006	2005
	RM'000	RM'000
Term loans/financing		
House financing	69,016	44,870
Syndicated financing	3,768	15,000
Lease receivables	28,978	34,646
Other term loans/financing	412,148	142,137
Revolving credit	290,836	19,730
Unearned income	<u>(165,803)</u>	<u>(67,167)</u>
	638,943	189,216
Allowances for bad and doubtful financing :		
General	(9,528)	(2,817)
Specific	<u>(1,542)</u>	<u>(1,212)</u>
Total net financing, advances and other loans	<u><u>627,873</u></u>	<u><u>185,187</u></u>

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

	Group and Bank	
	30 September	31 December
	2006	2005
	RM'000	RM'000
At 1 January	1,766	1,758
Classified as non-performing during the period	3,767	113
Amount recovered during the period	(51)	(35)
Amount written off	(1,106)	-
Others	-	(70)
At period end	<u>4,376</u>	<u>1,766</u>
Specific allowance	<u>(1,542)</u>	<u>(1,212)</u>
Net non-performing loans, advances and financing	<u><u>2,834</u></u>	<u><u>554</u></u>
Ratio of net non-performing financing, advances and other loans	<u><u>0.4%</u></u>	<u><u>0.3%</u></u>

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28) Operations of Islamic Banking (continued)**(b) Non-performing loans/financing (NPL/NPF) (continued)****(ii) Movements in allowance for bad and doubtful debts**

	Group and Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
General Allowance		
At 1 January	2,817	183
Allowance made during the period	6,711	2,634
At period end	<u>9,528</u>	<u>2,817</u>
As a percentage of total financing less specific allowance	1.5%	1.5%
Specific Allowance		
At 1 January	1,212	1,003
Allowance made during the period	1,482	312
Allowance written back in respect of recoveries	(82)	(103)
Amount written off	(1,070)	
Amount transferred to allowance for diminution in value		
At period end	<u>1,542</u>	<u>1,212</u>

(c) Other receivables

	Group and Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
Other receivables, deposits and prepayments	<u>39,273</u>	<u>3,693</u>

(d) Deposits from customers

	Group and Bank	
	30 September 2006 RM'000	31 December 2005 RM'000
Non-Mudharabah fund		
Demand deposits	104,703	26,019
Savings deposits	21,346	23,013
Mudharabah fund		
General investment deposits	936,068	332,896
	<u>1,062,117</u>	<u>381,928</u>

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28) Operations of Islamic Banking (continued)**(e) Deposits and placements of banks and other financial institutions**

	Group and Bank	
	30 September	31 December
	2006	2005
	RM'000	RM'000
Non-Mudharabah fund		
Licensed banks	-	162,657
	<u> </u>	<u> </u>

(f) Other payables

	Group and Bank	
	30 September	31 December
	2006	2005
	RM'000	RM'000
Income/dividend payable	11,270	1,552
Accruals	1,392	3,171
Profit equalisation reserve	5,124	826
Other payables	42,359	9,754
	<u>60,145</u>	<u>15,303</u>