



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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REVIEW OF PERFORMANCE

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

PROSPECTS

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

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

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

1. Basis of preparation of the financial statements

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

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

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

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

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

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

2. Auditor's report on preceding annual financial statements

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

3. Seasonal or cyclical factors

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

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

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

5. Changes in accounting estimates

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

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

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

7. Dividend

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

8. Carrying amount of revalued assets

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

9. Subsequent events

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

10. Changes in the composition of the Group

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

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11. Securities held for trading

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

12. Securities available-for-sale

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

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

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

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

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

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

(ii) By type of customer

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

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

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

(iv) By sector

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

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

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

(ii) Movements in allowance for bad and doubtful debts

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

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

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

15. Other receivables

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

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

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

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

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

17. Deposits and placements of banks and other financial institutions

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

18. Other payables

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

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

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

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

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

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

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20. Interest income

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

21. Interest expense

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

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22. Other operating income

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

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23. Other operating expenses

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

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24. Allowance for bad and doubtful debts and financing

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

25. Credit exposure to connected parties

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

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

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26. Capital adequacy

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

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

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

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

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27. Commitments and contingencies

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

The commitments and contingencies are as follows:-

	As at 30 June 2008			As at 31 December 2007		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000
Group and Bank						
Direct credit substitutes	882,215	882,215	746,673	1,078,978	1,078,978	796,409
Transaction-related contingent items	2,698,092	1,349,046	1,189,194	2,306,605	1,153,303	979,748
Short-term self liquidating trade-related contingencies	487,623	97,525	97,038	582,274	116,455	115,620
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	8,520,870	-	-	8,955,725	-	-
- maturity exceeding one year	1,831,015	915,508	457,754	788,681	394,341	197,170
Foreign exchange related contracts:-						
- less than one year	56,164,191	1,421,809	447,422	45,171,788	1,221,035	356,248
- one year to less than five years	16,470,886	1,738,633	719,526	8,870,529	784,704	290,637
- five years and above	5,497,321	539,379	135,030	1,730,417	226,568	65,011
Interest rate related contracts:-						
- less than one year	37,548,080	125,448	25,680	29,175,876	75,565	15,873
- one year to less than five years	49,419,103	1,724,999	377,311	45,174,882	1,303,118	286,127
- five years and above	8,031,719	884,967	189,933	4,304,302	389,492	88,033
Miscellaneous commitments and contingencies	2,055,973	-	-	1,150,405	-	-
	<u>189,607,088</u>	<u>9,679,529</u>	<u>4,385,561</u>	<u>149,290,462</u>	<u>6,743,559</u>	<u>3,190,876</u>

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

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28. Interest rate risk

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

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28. Interest rate risk (continued)

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

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29. The operations of Islamic Banking

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

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

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29. The operations of Islamic Banking (continued)

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

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

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

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

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

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

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

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

(c) Other receivables

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

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

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

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29. The operations of Islamic Banking (continued)

(e) Other payables

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