

Company No. 823437K



Standard Chartered Saadiq Berhad

(Company No. 823437K)
(Incorporated in Malaysia)

**Financial statements for the nine months
ended 30 September 2013**

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

	30 September 2013	31 December 2012
Note	RM'000	RM'000
Assets		
Cash and short term funds	1,348,079	1,577,146
Investment securities available-for-sale	11 299,976	1,141,634
Financing and advances	12 4,667,622	3,936,712
Derivative financial assets	46,036	10,031
Other assets	14 998,871	513,939
Statutory deposits with Bank Negara Malaysia	174,322	138,685
Property, plant and equipment	5,356	6,357
Deferred tax assets	5,614	5,384
Total assets	<u>7,545,876</u>	<u>7,329,888</u>
Liabilities		
Deposits from customers	15 3,642,725	3,900,803
Deposits and placements of banks and other financial institutions	16 2,552,631	2,377,526
Derivatives financial liabilities	44,870	9,857
Other liabilities	17 639,132	485,878
Tax payable	6,977	12,186
Subordinated sukuk	6 100,000	-
Total liabilities	<u>6,986,335</u>	<u>6,786,250</u>
Equity		
Share capital	102,750	102,750
Reserves	456,791	440,888
Total equity attributable to equity holder of the Bank	<u>559,541</u>	<u>543,638</u>
Total liabilities and equity	<u>7,545,876</u>	<u>7,329,888</u>
Commitments and contingencies	23 <u>6,506,720</u>	<u>2,474,525</u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012.

STANDARD CHARTERED SAADIQ BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3RD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2013

	Note	3rd Quarter ended		Nine months ended	
		30 September 2013	30 September 2012	30 September 2013	30 September 2012
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	18	39,020	38,788	128,804	121,025
Income derived from investment of shareholder's funds	20	50,086	64,838	167,610	179,619
Provisions for financing	22	(17,448)	(17,432)	(55,060)	(44,613)
Total distributable income		71,658	86,194	241,354	256,031
Income attributable to depositors	19	(40,669)	(43,429)	(137,771)	(125,758)
Total net income		30,989	42,765	103,583	130,273
Other operating expenses	21	(22,051)	(26,534)	(83,801)	(76,465)
Profit before taxation		8,938	16,231	19,782	53,808
Tax expense		(2,325)	(4,292)	(3,934)	(13,473)
Profit for the period		6,613	11,939	15,848	40,335
Other comprehensive income/(loss), net of income tax					
Fair value reserve (investment securities available for sale):					
Net change in fair value		58	(3)	55	(308)
Other comprehensive income/(loss) for the period, net of income tax		58	(3)	55	(308)
Total comprehensive income for the period		6,671	11,936	15,903	40,027

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012.

STANDARD CHARTERED SAADIQ BERHAD

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

	← Non-Distributable Reserves →				Distributable Reserves Retained profits	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	RM'000	
At 1 January 2013	102,750	308,250	86,017	(73)	46,694	543,638
Fair value reserve (investment securities available- for-sale):-						
Net changes in fair value	-	-	-	55	-	55
Total other comprehensive income for the period	-	-	-	55	-	55
Profit for the period	-	-	-	-	15,848	15,848
Total comprehensive income for the period	-	-	-	55	15,848	15,903
At 30 September 2013	102,750	308,250	86,017	(18)	62,542	559,541

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012.

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013**

	← Non-Distributable Reserves →				<i>Distributable Reserves Retained profits</i> RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000		
At 1 January 2012	96,500	289,500	59,924	57	20,600	466,581
Issuance of Ordinary Shares	6,250	18,750	-	-	-	25,000
Fair value reserve (investment securities available-for-sale):- Net changes in fair value	-	-	-	(308)	-	(308)
Total other comprehensive expense for the period	-	-	-	(308)	-	(308)
Profit for the period	-	-	-	-	40,335	40,335
Total comprehensive (expense)/income for the period	-	-	-	(308)	40,335	40,027
At 30 September 2012	102,750	308,250	59,924	(251)	60,935	531,608

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012.

STANDARD CHARTERED SAADIQ BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

	30 September 2013 RM'000	30 September 2012 RM'000
Profit before taxation	19,782	53,808
Adjustment for non-cash items	6,621	(9,626)
Operating profit before working capital changes	<u>26,403</u>	<u>44,182</u>
Changes in working capital		
Net changes in operating assets	(1,252,471)	(1,128,842)
Net changes in operating liabilities	70,281	829,624
Income taxes paid	<u>(9,391)</u>	<u>(4,647)</u>
Net cash used in from operating activities	<u>(1,165,178)</u>	<u>(259,683)</u>
Net cash generated from/(used in) investing activities	836,111	(1,078,842)
Net cash generated from financing activities	<u>100,000</u>	<u>25,000</u>
Net decrease in cash and cash equivalents	(229,067)	(1,313,525)
Cash and cash equivalent at beginning of the year	<u>1,577,146</u>	<u>2,783,398</u>
Cash and cash equivalent at end of the period	<u><u>1,348,079</u></u>	<u><u>1,469,873</u></u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012.

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REVIEW OF PERFORMANCE

The Bank registered a profit before taxation of RM 19.78 million for the financial nine months period ended 30 September 2013, a RM 34.03 million decrease against the corresponding period. However, the Bank registered an increase of RM 7.78 million (or 6.43%) in the Income derived from investment of depositors' funds and others. The lower profit recorded for the current period was mainly as a result of lower income derived from investment of shareholder's funds of RM 12.01 million, increased Provisions for financing of RM 10.45 million and increased Income attributable to depositors, RM 12.01 million. The increase in Provisions for financing was mainly as a result of the change in impairment methodology for consumer banking loans under Debt Relief Programs coupled with recurring bad debt sale recognized in the corresponding period not repeated during the period. Higher Income attributable to depositors was in tandem with higher deposits balance during the period.

The Bank's total assets increased by 2.95% to RM 7.55 billion. The Bank's financing and advances increased by RM 730.91 million (or 18.57%). The Bank's Tier 1 Capital ratio and risk-weighted capital ratio remained strong at 10.27% and 12.59%, respectively.

PROSPECTS

The Bank's strategic imperatives in Consumer Banking is to create visibility and brand awareness in our target segment and providing comprehensive product suites and distinct customer value propositions using integrated distribution channels.

In Wholesale Banking, the focus will be on creating a core client base, while offering value added and strategic business solutions and leveraging on the Standard Chartered Group's global network.

STANDARD CHARTERED SAADIQ BERHAD
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Notes to the financial statements for the nine months ended 30 September 2013

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the third quarter and the nine months ended 30 September 2013 have been prepared in accordance with MFRS 134, *Interim Financial Reporting in Malaysia*.

The accounting policies and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements, except for the adoption of the following Malaysian Financial Reporting Standards ("MFRS"), Amendments to MFRSs and IC Interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB"):-

i)	MFRS 10	<i>Consolidated Financial Statements</i>
ii)	MFRS 11	<i>Joint Arrangements</i>
iii)	MFRS 12	<i>Disclosure of Interests in Other Entities</i>
iv)	MFRS 13	<i>Fair Value Measurement</i>
v)	MFRS 119	<i>Employee Benefits</i>
vi)	MFRS 127	<i>Separate Financial Statements (2011)</i>
vii)	MFRS 128	<i>Investments in Associates and Joint Ventures (2011)</i>
viii)	IC Interpretation 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
ix)	Amendments to MFRS 7	<i>Financial Instruments: Disclosures - Offsetting Financial Assets and Liabilities</i>
x)	Amendments to MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards - Government Loans</i>
xi)	Amendments to MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)</i>
xii)	Amendments to MFRS 101	<i>Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)</i>
xiii)	Amendments to MFRS 116	<i>Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)</i>
xiv)	Amendments to MFRS 132	<i>Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)</i>
xv)	Amendments to MFRS 134	<i>Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)</i>
xvi)	Amendments to MFRS 10	<i>Consolidated Financial Statements: Transition Guidance</i>
xvii)	Amendments to MFRS 11	<i>Joint Arrangements: Transition Guidance</i>
xviii)	Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities: Transition Guidance</i>

The adoption of the above MFRSs, Amendments and IC Interpretation do not have any material impacts on the financial statements of the Bank.

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective:

MFRSs and Amendments to MFRS effective for annual periods beginning on or after 1 January 2014

i)	Amendments to MFRS 10	<i>Consolidated Financial Statements: Investment Entities</i>
ii)	Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities: Investment Entities</i>
iii)	Amendments to MFRS 127	<i>Separate Financial Statements (2011): Investment Entities</i>
iv)	Amendments to MFRS 132	<i>Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities</i>

STANDARD CHARTERED SAADIQ BERHAD
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1. Basis of preparation of the financial statements (continued)

MFRSs and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2015

i)	MFRS 9	<i>Financial Instruments (2009)</i>
ii)	MFRS 9	<i>Financial Instruments (2010)</i>
iii)	Amendments to MFRS 7	<i>Financial Instruments: Disclosures- Mandatory Effective Date of MFRS 9 and Transition Disclosures</i>

The Bank plans to apply the abovementioned standards and amendments:-

- from the annual period beginning on 1 January 2014 for those standards and amendments that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards and amendments that are effective for annual periods beginning on or after 1 January 2015.

Except for MFRS 9, the initial application of all the above applicable MFRSs, amendments is not expected to have any material impact on the financial statements upon their first adoption.

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The Bank is currently assessing the financial impact of adopting MFRS 9.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012. 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 Bank since the financial year ended 31 December 2012.

2. Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2012 was not qualified.

3. Seasonal or cyclical factors

The business operations of 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 Bank in the third quarter and the nine months ended 30 September 2013.

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 nine months ended 30 September 2013.

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

On 29 March 2013, the Bank issued RM 100 million nominal value Subordinated Sukuk ("the Sukuk") at profit rate of 4.85% per annum, payable every six months period from the issue date. The rate is applicable throughout the tenure of the Sukuk. The Sukuk, with a 10-year tenor, due in March 2023, is callable after 5 years at the Bank's option, subject to consent of BNM and satisfaction of redemption conditions. The Sukuk qualifies as Tier 2 capital of the Bank.

Except for the above, there was no other 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 nine months ended 30 September 2013.

7. Proposed Dividend

No dividend has been proposed for the third quarter and the nine months ended 30 September 2013.

8. Subsequent events

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

9. Changes in the composition of the Bank

There were no significant changes in the composition of the Bank in the third quarter and the nine months ended 30 September 2013.

10. Deposits and placements with banks and other financial institutions

There are no deposits and placements with banks and other financial institutions which are of a duration that is greater than one month.

11. Investment securities available-for-sale

	30 September 2013 RM'000	31 December 2012 RM'000
<u>At fair value</u>		
Bank Negara Malaysia bills	299,976	1,096,633
Islamic negotiable instruments of deposit	-	39,992
Islamic private debt securities	-	5,009
	<u>299,976</u>	<u>1,141,634</u>

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12. Financing and advances**(i) By type**

	30 September 2013 RM'000	31 December 2012 RM'000
<u>At amortised cost</u>		
Term financing		
- House financing	1,669,996	1,099,405
- Hire purchase receivables	220,491	234,809
- Lease receivables	554,322	559,044
- Other term financing	2,253,269	2,491,825
Bills receivable	69,711	47,352
Trust receipts	194,466	160,608
Staff financing	1,679	1,843
Revolving credit	739,125	667,035
	<u>5,703,059</u>	<u>5,261,921</u>
Less: Unearned income	<u>(960,318)</u>	<u>(1,243,438)</u>
Gross financing and advances	4,742,741	4,018,483
Less: Impairment provisions on financing and advances:-		
- Individual impairment provisions	(12,646)	(3,374)
- Collective impairment provisions	<u>(62,473)</u>	<u>(78,397)</u>
Total net financing and advances	<u><u>4,667,622</u></u>	<u><u>3,936,712</u></u>

(ii) By contract

	30 September 2013 RM'000	31 December 2012 RM'000
Bai Bithaman Ajil (<i>deferred payment sale</i>)	376,441	416,846
Ijarah (<i>lease</i>)	427,593	436,749
Ijarah Thumma Al-Bai (<i>finance lease</i>)	204,291	217,923
Murabahah (<i>cost plus</i>)	1,055,435	61,092
Bai'Al Inah (<i>sale and buy-back</i>)	2,618,064	2,790,226
Others	60,917	95,647
	<u><u>4,742,741</u></u>	<u><u>4,018,483</u></u>

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12. Financing and advances (continued)**(iii) By type of customer**

	30 September 2013 RM'000	31 December 2012 RM'000
Domestic non-bank financial institutions	200,460	249,761
Domestic business enterprises	2,128,442	1,734,919
<i>Small medium enterprises</i>	703,354	492,635
<i>Others</i>	1,425,088	1,242,284
Individuals	2,253,989	1,968,313
Foreign entities	159,850	65,490
	4,742,741	4,018,483

(iv) By profit rate sensitivity

	30 September 2013 RM'000	31 December 2012 RM'000
Fixed rate		
- House financing	2,689	3,045
- Hire purchase receivables	220,491	234,809
- Other financing	1,603,155	1,628,673
Variable rate		
- House financing	1,238,950	607,510
- Revolving credit	695,930	612,233
- Other financing	981,526	932,213
	4,742,741	4,018,483

(v) By sector

	30 September 2013 RM'000	31 December 2012 RM'000
Agriculture	216,959	152,690
Mining and quarrying	70,674	57,505
Manufacturing	551,078	512,174
Electricity, gas and water	2,135	2,225
Construction	90,294	78,203
Real estate	314,937	111,705
Wholesale & retail trade and restaurants & hotels	280,497	367,749
Transportation, storage and communication	221,013	230,755
Finance, insurance and business services	472,321	390,520
Household	2,413,839	2,033,803
Others	108,994	81,154
	4,742,741	4,018,483

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12. Financing and advances (continued)**(vi) By purpose**

	30 September 2013 RM'000	31 December 2012 RM'000
Purchase of landed property		
- Residential	1,263,398	636,949
- Non-residential	573,484	181,408
Fixed assets excluding land and building	151,175	148,826
Personal Use	1,009,034	1,364,134
Working Capital	1,745,650	1,687,166
	<u>4,742,741</u>	<u>4,018,483</u>

(vii) By maturity structure

	30 September 2013 RM'000	31 December 2012 RM'000
Maturing within one year	850,507	728,327
One year to three years	741,702	851,449
Three years to five years	934,649	1,279,406
Over five years	2,215,883	1,159,301
	<u>4,742,741</u>	<u>4,018,483</u>

(viii) By geographical distribution

	30 September 2013 RM'000	31 December 2012 RM'000
Within Malaysia	<u>4,742,741</u>	<u>4,018,483</u>

(ix) Analysis of foreign currency exposure

	30 September 2013 RM'000	31 December 2012 RM'000
USD	<u>402,400</u>	<u>122,373</u>

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13. Impaired financing and advances

(i) Movements in impaired financing and advances

	30 September 2013 RM'000	31 December 2012 RM'000
At 1 January	33,889	18,510
Classified as impaired during the financial period/year	84,108	95,470
Reclassified as performing during the financial	(2,133)	(1,687)
Amount recovered during the financial period/year	(4,740)	(11,616)
Amount written off	<u>(66,636)</u>	<u>(66,788)</u>
At end of reporting period/year	44,488	33,889
Individual impairment provisions	<u>(12,646)</u>	<u>(3,374)</u>
Net impaired financing and advances	<u><u>31,842</u></u>	<u><u>30,515</u></u>

(ii) Movements in impairment provisions for financing and advances

	30 September 2013 RM'000	31 December 2012 RM'000
Collective impairment provisions		
At 1 January	78,397	75,115
Impairments made during the financial period/year	3,346	15,241
Amount written back	<u>(19,270)</u>	<u>(11,959)</u>
At end of reporting period/year	<u><u>62,473</u></u>	<u><u>78,397</u></u>

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13. Impaired financing and advances (continued)

	30 September 2013 RM'000	31 December 2012 RM'000
Individual impairment provisions		
At 1 January	3,374	2,509
Impairments made during the financial period/year	78,075	70,102
Amount written back in respect of recoveries	(1,984)	(1,519)
Amount written off	(66,819)	(67,718)
At end of reporting period/year	<u>12,646</u>	<u>3,374</u>

(iii) Impaired financing and advances by sector

	30 September 2013 RM'000	31 December 2012 RM'000
Manufacturing	722	880
Wholesale & retail trade and restaurants & hotels	1,125	144
Finance, insurance and business services	260	-
Household	42,192	32,719
Others	189	146
	<u>44,488</u>	<u>33,889</u>

(iv) Impaired financing and advances by purpose

	30 September 2013 RM'000	31 December 2012 RM'000
Purchase of landed property	4,246	4,026
- Residential	3,255	4,026
- Non-residential	991	-
Fixed assets excluding land and building	722	-
Personal use	37,946	29,573
Working capital	1,574	290
	<u>44,488</u>	<u>33,889</u>

(v) Impaired financing and advances by geographical distribution

	30 September 2013 RM'000	31 December 2012 RM'000
Within Malaysia	<u>44,488</u>	<u>33,889</u>

14. Other assets

	30 September 2013 RM'000	31 December 2012 RM'000
Income receivable	170	1,653
Other receivables, deposits and prepayments	998,701	512,286
	<u>998,871</u>	<u>513,939</u>

STANDARD CHARTERED SAADIQ BERHAD

15. Deposits from customers

(i) By type of deposits

	30 September 2013 RM'000	31 December 2012 RM'000
Demand deposits	1,199,588	1,291,247
- Mudharabah	894,628	1,040,364
- Wadiah	304,960	250,883
Saving deposits	103,043	86,270
- Mudharabah	57,422	34,987
- Wadiah	45,621	51,283
Investment deposits		
- Murabahah	18,357	13,599
Negotiable instruments of deposits		
- Bai-Inah	107,046	122,281
General investment deposits		
- Mudharabah	2,214,691	2,387,406
	<u>3,642,725</u>	<u>3,900,803</u>

The maturity structure of the investment deposits, general investment deposits and negotiable instrument of deposits is as follows:-

	30 September 2013 RM'000	31 December 2012 RM'000
Due within six months	1,929,389	2,166,871
Six months to one year	282,003	239,158
One year to three years	12,255	9,231
Three years to five years	116,447	13,599
Over five years	-	94,427
	<u>2,440,104</u>	<u>2,623,286</u>

(ii) By type of customers

	30 September 2013 RM'000	31 December 2012 RM'000
Government and statutory bodies	1,105,403	1,154,653
Business enterprises	537,624	703,653
Individuals	1,469,699	1,570,905
Others	529,999	471,592
	<u>3,642,725</u>	<u>3,900,803</u>

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16. Deposits and placements of banks and other financial institutions

	30 September 2013 RM'000	31 December 2012 RM'000
Non-Mudharabah		
Licensed banks	107,994	98,796
Other financial institutions	<u>3,577</u>	<u>37,137</u>
	111,571	135,933
Mudharabah		
Licensed banks	<u>2,441,060</u>	<u>2,241,593</u>
	<u><u>2,552,631</u></u>	<u><u>2,377,526</u></u>

17. Other liabilities

	30 September 2013 RM'000	31 December 2012 RM'000
Income payable	21,032	24,228
Other payables and accruals	<u>618,100</u>	<u>461,650</u>
	<u><u>639,132</u></u>	<u><u>485,878</u></u>

18. Income derived from investment of depositors' funds and others

	3rd Quarter ended		Nine months ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Income derived from investment of:-				
(i) General investment deposits	15,722	21,856	78,571	67,776
(ii) Other deposits	<u>23,298</u>	<u>16,932</u>	<u>50,233</u>	<u>53,249</u>
	<u><u>39,020</u></u>	<u><u>38,788</u></u>	<u><u>128,804</u></u>	<u><u>121,025</u></u>

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18. Income derived from investment of depositors' funds and others (continued)**(i) Income derived from investment of general investment deposits**

	3rd Quarter ended		Nine months ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Finance income and hibah				
Financing and advances	15,695	14,683	55,091	43,898
Investment securities available-for-sale	-	1	-	212
Money at call and deposits with financial institutions	2,030	4,265	27,368	18,421
	17,725	18,949	82,459	62,531
Amortisation of premium less accretion of discount	(231)	4,710	(2,521)	6,615
Total finance income and hibah	17,494	23,659	79,938	69,146
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	1,009	3,301	7,877	10,946
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(2,781)	(5,104)	(9,244)	(12,316)
	(1,772)	(1,803)	(1,367)	(1,370)
	15,722	21,856	78,571	67,776

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18. Income derived from investment of depositors' funds and others (continued)**(ii) Income derived from investment of other deposits**

	3rd Quarter ended		Nine months ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Finance income and hibah				
Financing and advances	18,338	11,385	35,222	34,491
Investment securities available-for-sale	-	(1)	-	166
Money at call and deposits with financial institutions	6,639	3,278	17,498	14,474
	24,977	14,662	52,720	49,131
Amortisation of premium less accretion of discount	(631)	3,690	(1,612)	5,197
Total finance income and hibah	24,346	18,352	51,108	54,328
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	2,092	2,553	5,035	8,598
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(3,140)	(3,973)	(5,910)	(9,677)
	(1,048)	(1,420)	(875)	(1,079)
	23,298	16,932	50,233	53,249

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19. Income attributable to depositors

	3rd Quarter ended		Nine months ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Deposits from customers				
- Mudharabah fund	25,489	20,209	87,930	53,031
- Non-Mudharabah fund	961	1,369	2,434	3,864
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	12,856	21,713	44,435	68,534
- Non-Mudharabah fund	1,363	138	2,972	329
	<u>40,669</u>	<u>43,429</u>	<u>137,771</u>	<u>125,758</u>

20. Income derived from investment of shareholder's funds

	3rd Quarter ended		Nine months ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Finance income and hibah				
Financing and advances	50,086	62,153	167,569	176,053
Investment securities available-for-sale	-	369	41	1,250
Other operating income				
Other income	-	2,316	-	2,316
	<u>50,086</u>	<u>64,838</u>	<u>167,610</u>	<u>179,619</u>

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21. Other operating expenses

	3rd Quarter ended		Nine months ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	2,479	3,282	6,038	6,776
- Other staff related cost	575	484	1,474	1,983
	<u>3,054</u>	<u>3,766</u>	<u>7,512</u>	<u>8,759</u>
Establishment costs				
- Depreciation of property, plant and equipment	909	768	2,488	2,186
- Rental	493	448	1,459	1,280
- Information technology expenses	5	(15)	(5)	95
- Utilities and maintenance	610	479	1,439	1,808
	<u>2,017</u>	<u>1,680</u>	<u>5,381</u>	<u>5,369</u>
Marketing expenses				
- Advertisement and publicity	45	99	134	388
- Others	159	140	347	320
	<u>204</u>	<u>239</u>	<u>481</u>	<u>708</u>
Administration and general expenses				
- Communication expenses	105	64	373	332
- Group administration fees and business support expenses	1,389	1,755	4,810	5,345
- Management fee	12,852	16,203	51,922	47,613
- Others	2,430	2,827	13,322	8,339
	<u>16,776</u>	<u>20,849</u>	<u>70,427</u>	<u>61,629</u>
Total other operating expenses	<u>22,051</u>	<u>26,534</u>	<u>83,801</u>	<u>76,465</u>

22. Provisions for financing

	3rd Quarter ended		Nine months ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Provisions for financing:-				
Individual impairment provisions	24,191	16,242	76,091	46,754
- Made in the financial period	25,131	16,530	78,075	47,650
- Written back in respect of recoveries	(940)	(288)	(1,984)	(896)
Collective impairment provisions				
- Made in the financial period	680	4,353	3,346	10,143
- Written back	(5,243)	(3)	(19,270)	(3,997)
Bad and doubtful debts on financing and advances:-				
- Recovered	(2,180)	(3,160)	(5,107)	(8,287)
	<u>17,448</u>	<u>17,432</u>	<u>55,060</u>	<u>44,613</u>

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23. 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 2013			As at 31 December 2012		
	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	13,511	13,511	5,741	3,565	2,221	611
Transaction-related contingent items	46,766	46,766	16,695	57,501	48,579	17,722
Short-term self liquidating trade-related contingencies	56,311	56,311	18,668	159,685	158,253	44,916
Obligations under underwriting agreement	-	-	-	-	-	-
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	2,164,374	1,331,952 **	427,676 **	827,365	299,652	101,260 **
- maturity exceeding one year	972,948	173,960	75,002	752,751	116,913 **	93,411
Foreign exchange related contracts:-						
- less than one year	3,102,082	85,490	28,906	221,209	2,955	1,450
- one year to less than five years	-	-	-	-	-	-
Profit rate related contracts:-						
- less than one year	-	-	-	300,000	532	141
- one year to less than five years	28,434	7,675	11,030	27,221	10,288	18,112
- five years and above	122,294	6,498	6,432	125,228	7,826	9,700
	<u>6,506,720</u>	<u>1,722,163</u>	<u>590,150</u>	<u>2,474,525</u>	<u>647,219</u>	<u>287,323</u>

** Excluded in the credit equivalent and risk weighted amount of the Bank are RM24.1 million (2012: RM39.4 million) and RM8.1 million (2012: RM19.8 million) respectively related to undrawn financing facilities funded by SIA placements from SCBMB as provided by BNM's guidelines on the Booking of General and Specific Provisions for Financing Asset Funded by Specific Investment Account. The facilities funded by the SIA is allowed to be transferred to SCBMB as the fund provider.

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

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24. Profit rate risk

As at 30 September 2013	3 months or less	> 3 - 12 months	>1 - 5 years	Over 5 years	Non profit sensitive	Total	Effective profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	(%)
Financial assets							
Cash and short term funds	1,327,000	-	-	-	21,079	1,348,079	2.90
Investment securities available-for-sale	299,976	-	-	-	-	299,976	2.95
Financing and advances							
- Performing	2,264,434	129,254	1,641,161	600,931	-	4,635,780	7.23
- Impaired	-	-	-	-	31,842	31,842	
Derivative financial assets	28,797	10,176	6,822	241	-	46,036	
Other balances	-	-	-	-	1,173,193	1,173,193	
	3,920,207	139,430	1,647,983	601,172	1,226,114	7,534,906	
Financial liabilities							
Deposits from customers	2,101,942	1,412,108	128,675	-	-	3,642,725	2.79
Deposits and placements of banks and other financial institutions	2,114,148	434,906	-	3,577	-	2,552,631	2.78
Derivative financial liabilities	26,475	10,177	6,822	1,396	-	44,870	
Other balances	-	-	-	-	639,132	639,132	
Subordinated sukuk	-	-	-	100,000	-	100,000	4.85
	4,242,565	1,857,191	135,497	104,973	639,132	6,979,358	
On-balance sheet profit sensitivity gap	(322,358)	(1,717,761)	1,512,486	496,199	586,982		
Total profit sensitivity gap	(322,358)	(1,717,761)	1,512,486	496,199	586,982		
As at 31 December 2012	3 months or less	> 3 - 12 months	>1 - 5 years	Over 5 years	Non profit sensitive	Total	Effective profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	(%)
Financial assets							
Cash and short term funds	1,561,000	-	-	-	16,146	1,577,146	2.97
Investment securities available-for-sale	804,069	337,565	-	-	-	1,141,634	3.08
Financing and advances							
- Performing	1,235,693	129,562	2,038,764	502,178	-	3,906,197	8.96
- Impaired	-	-	-	-	30,515	30,515	
Derivative financial assets	464	145	9,199	223	-	10,031	
Other balances	-	-	-	-	652,624	652,624	
	3,601,226	467,272	2,047,963	502,401	699,285	7,318,147	
Financial liabilities							
Deposits from customers	2,332,412	1,445,673	28,291	94,427	-	3,900,803	2.74
Deposits and placements of banks and other financial institutions	1,276,576	1,071,831	-	29,119	-	2,377,526	2.99
Derivative financial liabilities	289	145	9,200	223	-	9,857	
Other balances	-	-	-	-	485,878	485,878	
	3,609,277	2,517,649	37,491	123,769	485,878	6,774,064	
On-balance sheet profit sensitivity gap	(8,051)	(2,050,377)	2,010,472	378,632	213,407		
Total profit sensitivity gap	(8,051)	(2,050,377)	2,010,472	378,632	213,407		

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25. Liquidity risk

The following tables summarise assets and liabilities into relevant maturity groupings based on the remaining contractual maturities as at the financial period / year end, on an undiscounted basis. The assets and liabilities in this table will not agree to the balances reported on the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis.

At 30 September 2013	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial assets					
Cash and short term funds	1,351,332	-	-	-	1,351,332
Investment securities available-for-sale	300,713	-	-	-	300,713
Financing and advances					
- Performing	832,387	428,592	1,663,021	4,076,322	7,000,322
- Impaired	-	-	-	31,842	31,842
Derivative financial assets	28,795	10,177	6,822	242	46,036
Other balances	1,173,193	-	-	-	1,173,193
	3,686,420	438,769	1,669,843	4,108,406	9,903,438
Financial liabilities					
Deposits from customers	2,109,144	1,435,743	146,145	-	3,691,032
Deposits and placements of banks and other financial institutions	2,123,093	444,826	-	4,220	2,572,139
Derivative financial liabilities	26,475	10,177	6,822	1,396	44,870
Subordinated sukuk	-	-	-	129,100	129,100
Other balances	633,559	5,573	-	-	639,132
	4,892,271	1,896,319	152,967	134,716	7,076,273
Net liquidity gap	(1,205,851)	(1,457,550)	1,516,876	3,973,690	2,827,165
Gross financing commitments	255,732	1,131,797	25,245	388,093	1,800,867

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25. Liquidity risk (continued)

At 31 December 2012	3 months or less RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
Financial assets					
Cash and short term funds	1,581,051	-	-	-	1,581,051
Investment securities available-for-sale	806,667	341,027	-	-	1,147,694
Financing and advances					
- Performing	732,932	450,883	2,249,889	2,212,371	5,646,075
- Impaired	-	-	-	30,515	30,515
Derivative financial assets	464	145	9,200	222	10,031
Other balances	652,624	-	-	-	652,624
	3,773,738	792,055	2,259,089	2,243,108	9,067,990
Financial liabilities					
Deposits from customers	2,340,230	1,469,846	31,339	111,049	3,952,464
Deposits and placements of banks and other financial institutions	1,282,636	1,090,935	-	34,756	2,408,327
Derivative financial liabilities	290	145	9,200	222	9,857
Other balances	473,825	12,053	-	-	485,878
	4,096,981	2,572,979	40,539	146,027	6,856,526
Net liquidity gap	(323,243)	(1,780,924)	2,218,550	2,097,081	2,211,464
Gross financing commitments	255,732	1,131,797	25,245	388,093	1,800,867

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26. Fair values of financial assets and liabilities**Fair value hierarchy**

The valuation hierarchy and the types of instruments classified into each level within that hierarchy, is set out below:

	Level 1	Level 2	Level 3
Fair value determined using	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Type of financial assets	Actively traded government and agency securities	Corporate and other government bonds and loans Over-the-counter (OTC) derivatives	Private debt equity investments Corporate bonds with illiquid markets
Type of financial liabilities	-	OTC derivatives	-

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 September 2013				
Assets				
Investment securities available-for-sale				
Malaysian Government / Bank Negara Bills	299,976	-	-	299,976
Derivative financial instruments	-	46,036	-	46,036
At 30 September 2013	<u>299,976</u>	<u>46,036</u>	<u>-</u>	<u>346,012</u>
Liabilities				
Derivative financial instruments	-	44,870	-	44,870
At 30 September 2013	<u>-</u>	<u>44,870</u>	<u>-</u>	<u>44,870</u>
31 December 2012				
Assets				
Investment securities available-for-sale				
Malaysian Government / Bank Negara Bills	1,096,633	-	-	1,096,633
Debt securities	-	45,001	-	45,001
Derivative financial instruments	-	10,031	-	10,031
At 31 December 2012	<u>1,096,633</u>	<u>55,032</u>	<u>-</u>	<u>1,151,665</u>
Liabilities				
Derivative financial instruments	-	9,857	-	9,857
At 31 December 2012	<u>-</u>	<u>9,857</u>	<u>-</u>	<u>9,857</u>

There were no transfers between Level 1 and Level 2 during the period ended 30 September 2013.

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27. Capital adequacy

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

	30 September 2013 RM'000	31 December 2012 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	102,750	102,750
Share premium	308,250	308,250
Other reserves	148,559	132,711
Less: Deferred tax assets	(5,608)	(5,360)
Deductions in excess of Tier 2 capital	-	(99,497)
Excess of Expected Loss over Expected Provisions under IRB approach	(98,783)	-
Unrealised gains and losses on 'available-for-sale' financial instruments	(18)	-
CET 1 and Eligible Tier 1 capital	455,150	438,854
Tier 2 Capital		
Islamic subordinated sukuk	100,000	-
Collective impairment provisions under standardised approach	2,445	12,607
	102,445	12,607
Less : Excess of expected loss over expected provisions under IRB approach	-	(95,171)
Exclusion of collective impairment provisions on impaired loans	-	(16,933)
Eligible Tier 2 capital	102,445	-
Total capital base	557,595	438,854

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

	30 September 2013 RM'000	31 December 2012 RM'000
Total risk-weighted assets:-		
Credit risk	4,077,676	3,437,066
Operational risk	352,358	384,920
	4,430,034	3,821,986
	30 September 2013 RM'000	31 December 2012 RM'000
CET 1 capital ratio	10.274%	11.482% **
Tier 1 capital ratio	10.274%	11.482%
Risk-weighted capital ratio	12.587%	11.482%

With effect from 1 January 2013, the capital ratios have been computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB) - Basel III.

Comparative figures computed based on CAFIB - Basel II have not been restated. However, CET 1 ratio (***) have been presented for comparative purpose.