

Company No. 823437K



Standard Chartered Saadiq Berhad

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

**Financial statements for the three months
ended 31 March 2014**

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	Note	31 March 2014 RM'000	31 December 2013 RM'000
Assets			
Cash and short term funds		1,995,002	1,955,600
Investment securities available-for-sale	11	49,629	99,698
Financing and advances	12	5,682,828	5,045,529
Derivative financial assets		5,347	11,673
Other assets	14	913,156	868,199
Current tax assets		10,906	11,474
Statutory deposits with Bank Negara Malaysia		218,747	201,317
Property, plant and equipment		3,731	4,375
Deferred tax assets		2,940	2,943
Total assets		<u>8,882,286</u>	<u>8,200,808</u>
Liabilities			
Deposits from customers	15	4,543,692	4,165,522
Deposits and placements of banks and other financial institutions	16	3,322,485	3,098,442
Derivatives financial liabilities		6,828	8,465
Other liabilities	17	352,256	278,699
Subordinated sukuk	6	100,000	100,000
Total liabilities		<u>8,325,261</u>	<u>7,651,128</u>
Equity			
Share capital		102,750	102,750
Reserves		454,275	446,930
Total equity attributable to equity holder of the Bank		<u>557,025</u>	<u>549,680</u>
Total liabilities and equity		<u>8,882,286</u>	<u>8,200,808</u>
Commitments and contingencies	23	<u>3,588,729</u>	<u>4,107,010</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 2013.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 1ST QUARTER AND THREE MONTHS ENDED 31 MARCH 2014**

	Note	1st Quarter ended		Three months ended	
		31 March 2014 RM'000	31 March 2013 Restated RM'000	31 March 2014 RM'000	31 March 2013 Restated RM'000
Income derived from investment of depositors' funds and others	18	54,108	43,180	54,108	43,180
Income derived from investment of shareholder's funds	20	41,671	62,170	41,671	62,170
Provisions for financing	22	(12,900)	(21,833)	(12,900)	(21,833)
Total distributable income		82,879	83,517	82,879	83,517
Income attributable to depositors	19	(42,123)	(46,146)	(42,123)	(46,146)
Total net income		40,756	37,371	40,756	37,371
Other operating expenses	21	(30,299)	(28,124)	(30,299)	(28,124)
Profit before taxation		10,457	9,247	10,457	9,247
Tax expense		(3,121)	(2,398)	(3,121)	(2,398)
Profit for the period		7,336	6,849	7,336	6,849
Other comprehensive income, net of income tax					
Fair value reserve (investment securities available for sale):					
Net change in fair value		9	20	9	20
Other comprehensive income for the period, net of income tax		9	20	9	20
Total comprehensive income for the period		7,345	6,869	7,345	6,869

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 2013.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2014

	← Non-Distributable Reserves →				Distributable Reserves Retained profits	Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	RM'000	
At 1 January 2014	102,750	308,250	102,750	(9)	35,939	549,680
Fair value reserve (investment securities available-for-sale):-						
Net changes in fair value	-	-	-	9	-	9
Total other comprehensive income for the period	-	-	-	9	-	9
Profit for the period	-	-	-	-	7,336	7,336
Total comprehensive income for the period	-	-	-	9	7,336	7,345
At 31 March 2014	102,750	308,250	102,750	-	43,275	557,025

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 2013.

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CONDENSED INTERIM FINANCIAL STATEMENTS**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2014**

	← <i>Non-Distributable Reserves</i> →				<i>Distributable Reserves Retained profits</i>	Total
	Share capital	Share premium	Statutory reserves	AFS reserves	RM'000	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013 (restated)	102,750	308,250	86,017	(73)	4,378	501,322
Fair value reserve (investment securities available-for-sale):- Net changes in fair value	-	-	-	20	-	20
Total other comprehensive income for the period	-	-	-	20	-	20
Profit for the period	-	-	-	-	6,849	6,849
Total comprehensive income for the period	-	-	-	20	6,849	6,869
At 31 March 2013	102,750	308,250	86,017	(53)	11,227	508,191

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 2013.

STANDARD CHARTERED SAADIQ BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2014

	31 March 2014	31 March 2013 Restated
	RM'000	RM'000
Profit before taxation	10,457	9,247
Adjustment for non-cash items	644	1,906
Operating profit before working capital changes	<u>11,101</u>	<u>11,153</u>
Changes in working capital		
Net changes in operating assets	(694,996)	(489,809)
Net changes in operating liabilities	675,769	641,347
Income taxes paid	<u>(2,553)</u>	<u>(4,273)</u>
Net cash (used in)/generated from operating activities	(10,679)	158,418
Net cash generated from investing activities	50,081	799,742
Net cash generated from financing activities	<u>-</u>	<u>100,000</u>
Net increase in cash and cash equivalents	39,402	1,058,160
Cash and cash equivalent at beginning of the year	<u>1,955,600</u>	<u>1,577,146</u>
Cash and cash equivalent at end of the period	<u><u>1,995,002</u></u>	<u><u>2,635,306</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 2013.

STANDARD CHARTERED SAADIQ BERHAD
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REVIEW OF PERFORMANCE

The Bank recorded net profit before taxation of RM 10.46 million for the financial period ended 31 March 2014, representing a 13% increase against the previous period last year. The higher profit was mainly due to increase in income derived from depositors' funds and others of RM 10.93 million coupled with lower provision for financing of RM 8.93 million and income attributable to depositors of RM 4.02 million. The higher profit was offset by reduction in income from shareholder's funds of RM 20.50 million and higher operating expenses of RM 2.18 million. The significant improvement in provision for financing was a result from intensified recovery efforts, better asset quality and credit management. Meanwhile, operating expenses has increased as the Bank continues to invest to support growth and ensuring compliance with regulatory requirements, while retaining the best talents in a highly competitive market.

The Bank's total assets increased by 8.31% to RM 8.88 billion driven by a RM 637.30 million or 12.63% increase in financing and advances. The Bank's Tier 1 Common Equity ratio and risk-weighted capital ratio remained strong at 11.35% and 13.73%, respectively.

PROSPECTS

Standard Chartered PLC Group's refreshed strategy aspirations was recently announced, which is *'To bank the people and companies driving investment, trade and wealth creation across Asia, Africa and the Middle East'*. In line with this refreshed strategy and to reinvigorate growth momentum, Standard Chartered has integrated the two businesses of Wholesale Banking and Consumer Banking into one business. This entails the creation of three customer segment groups, namely Corporate and Institutional Clients, Commercial and Private Banking Clients and Retail Customers, as well as five global product groups - Corporate Finance, Financial Markets, Transaction Banking, Wealth Products and Retail Products. This new structure will enable Standard Chartered to better adapt to new changes in the market and regulatory environment. With one team driving active collaboration towards sustainable growth, the structure will also enable the deployment of capital, liquidity and investment spend more effectively and deliver improvements in productivity and quality of service to customers.

STANDARD CHARTERED SAADIQ BERHAD
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Notes to the financial statements for the three months ended 31 March 2014

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the first quarter and the three months ended 31 March 2014 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 Amendments to MFRSs and IC Interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB"):-

- | | | |
|------|------------------------|--|
| 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> |
| v) | Amendments to MFRS 136 | <i>Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets</i> |
| vi) | Amendments to MFRS 139 | <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> |
| vii) | IC Interpretation 21 | <i>Levies</i> |

The adoption of the above 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 MFRSs effective for annual periods beginning on or after 1 July 2014

- | | | |
|-------|------------------------|---|
| i) | Amendments to MFRS 1 | <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013)</i> |
| ii) | Amendments to MFRS 2 | <i>Share-based Payment (Annual Improvements 2010-2012 Cycle)</i> |
| iii) | Amendments to MFRS 3 | <i>Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i> |
| iv) | Amendments to MFRS 8 | <i>Operating Segments (Annual Improvements 2010-2012 Cycle)</i> |
| v) | Amendments to MFRS 13 | <i>Fair Value Measurement (Annual Improvements 2011-2013 Cycle)</i> |
| vi) | Amendments to MFRS 116 | <i>Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)</i> |
| vii) | Amendments to MFRS 119 | <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> |
| viii) | Amendments to MFRS 124 | <i>Related Party Disclosures (Annual Improvements 2010-2012 Cycle)</i> |
| ix) | Amendments to MFRS 138 | <i>Intangible Assets (Annual Improvements 2010-2012 Cycle)</i> |
| x) | Amendments to MFRS 140 | <i>Investment Property (Annual Improvements 2011-2013 Cycle)</i> |

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1. Basis of preparation of the financial statements (continued)

MFRSs and Amendments to MFRS effective for a date yet to be confirmed

- | | | |
|------|----------------------|--|
| i) | MFRS 9 | <i>Financial Instruments (2009)</i> |
| ii) | MFRS 9 | <i>Financial Instruments (2010)</i> |
| iii) | MFRS 9 | <i>Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139</i> |
| iv) | 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 accounting standards and amendments 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 July 2014.

Except for MFRS 9, the initial application of all the above applicable amendments to MFRSs 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 2013. 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 2013.

2. Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2013 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 first quarter and the three months ended 31 March 2014.

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 first quarter and the three months ended 31 March 2014.

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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 first quarter and three months ended 31 March 2014.

7. Proposed Dividend

No dividend has been proposed for the first quarter and the three months ended 31 March 2014.

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 first quarter and the three months ended 31 March 2014.

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

	31 March 2014 RM'000	31 December 2013 RM'000
<u>At fair value</u>		
Bank Negara Malaysia bills	49,629	99,698
	49,629	99,698

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

	Bai Bithaman Ajil (deferred payment sale)	Ijarah (lease)	Ijarah Thumma Al- Bai (finance lease)	Murabahah (cost plus)	Bai'Al Inah (sale and buy- back)	Others	Total financing and advances
As at 31 March 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing							
- House financing	714,725	-	-	-	609,085	1,140,133	2,463,943
- Hire purchase receivables	-	-	270,691	-	-	-	270,691
- Lease receivables	-	548,485	-	25,380	-	-	573,865
- Other term financing	73,694	-	-	391,738	802,879	1,092,304	2,360,615
Bills receivable	-	-	-	-	-	70,995	70,995
Trust receipts	-	-	-	139,394	-	550	139,944
Staff financing	1,111	-	-	-	-	466	1,577
Revolving credit	-	-	-	808,381	-	-	808,381
	<u>789,530</u>	<u>548,485</u>	<u>270,691</u>	<u>1,364,893</u>	<u>1,411,964</u>	<u>2,304,448</u>	<u>6,690,011</u>
Less: Unearned income							<u>(889,947)</u>
Gross financing and advances							5,800,064
Less: Impairment provisions on financing and advances:-							
- Individual impairment provisions							(17,673)
- Collective impairment provisions							<u>(99,563)</u>
Total net financing and advances							<u><u>5,682,828</u></u>

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12. Financing and advances (continued)

(i) By type and by contract (continued)

	Bai Bithaman Ajil (<i>deferred payment sale</i>)	Ijarah (<i>lease</i>)	Ijarah Thumma Al- Bai (<i>finance lease</i>)	Murabahah (<i>cost plus</i>)	Bai'Al Inah (<i>sale and buy- back</i>)	Others	Total financing and advances
As at 31 December 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing							
- House financing	725,974	-	-	-	557,502	759,877	2,043,353
- Hire purchase receivables	-	-	248,672	-	-	-	248,672
- Lease receivables	-	515,753	-	26,915	-	-	542,668
- Other term financing	76,066	-	-	248,687	692,138	1,264,759	2,281,650
Bills receivable	-	-	-	-	-	65,066	65,066
Trust receipts	-	-	-	101,740	-	906	102,646
Staff financing	1,129	-	-	-	-	498	1,627
Revolving credit	-	1,269	-	791,038	-	674	792,981
	803,169	517,022	248,672	1,168,380	1,249,640	2,091,780	6,078,663
Less: Unearned income							(913,414)
Gross financing and advances							5,165,249
Less: Impairment provisions on financing and advances:-							
- Individual impairment provisions							(15,783)
- Collective impairment provisions							(103,937)
Total net financing and advances							5,045,529

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

	31 March 2014 RM'000	31 December 2013 RM'000
Domestic non-bank financial institutions	233,076	200,450
Domestic business enterprises	2,404,669	2,185,638
<i>Small medium enterprises</i>	953,203	799,858
<i>Others</i>	1,451,466	1,385,780
Individuals	2,866,949	2,563,098
Foreign entities	295,370	216,063
	5,800,064	5,165,249

(iii) By profit rate sensitivity

	31 March 2014 RM'000	31 December 2013 RM'000
Fixed rate		
- House financing	2,420	2,561
- Hire purchase receivables	270,691	248,672
- Other financing	1,184,688	1,200,690
Variable rate		
- House financing	2,072,375	1,631,982
- Revolving credit	770,270	751,340
- Other financing	1,499,620	1,330,004
	5,800,064	5,165,249

(iv) By sector

	31 March 2014 RM'000	31 December 2013 RM'000
Agriculture	199,437	148,147
Mining and quarrying	80,674	68,883
Manufacturing	552,626	514,362
Electricity, gas and water	2,109	2,100
Construction	90,473	98,050
Real estate	365,123	369,542
Wholesale & retail trade and restaurants & hotels	382,936	317,197
Transportation, storage and communication	230,704	232,150
Finance, insurance and business services	612,720	519,309
Household	3,162,319	2,779,161
Others	120,943	116,348
	5,800,064	5,165,249

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

	31 March 2014 RM'000	31 December 2013 RM'000
Purchase of landed property		
- Residential	2,095,572	1,655,949
- Non-residential	834,566	724,191
Fixed assets excluding land and building	209,855	179,994
Personal Use	851,901	928,075
Working Capital	1,808,170	1,677,040
	<u>5,800,064</u>	<u>5,165,249</u>

(vi) By maturity structure

	31 March 2014 RM'000	31 December 2013 RM'000
Maturing within one year	909,707	565,032
One year to three years	706,810	1,001,874
Three years to five years	928,103	831,243
Over five years	3,255,444	2,767,100
	<u>5,800,064</u>	<u>5,165,249</u>

(vii) By geographical distribution

	31 March 2014 RM'000	31 December 2013 RM'000
Within Malaysia	<u>5,800,064</u>	<u>5,165,249</u>

(viii) Analysis of foreign currency exposure

	31 March 2014 RM'000	31 December 2013 RM'000
USD	<u>393,728</u>	<u>305,379</u>

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13. Impaired financing and advances

(i) Movements in impaired financing and advances

	31 March 2014 RM'000	31 December 2013 RM'000
At 1 January	40,609	33,889
Classified as impaired during the financial period/year	23,035	105,163
Reclassified as performing during the financial period/year	(1,630)	(3,359)
Amount recovered during the financial period/year	(2,863)	(8,260)
Amount written off during the financial period/year	<u>(18,302)</u>	<u>(86,824)</u>
At end of reporting period/year	40,849	40,609
Individual impairment provisions	<u>(17,673)</u>	<u>(15,783)</u>
Net impaired financing and advances	<u>23,176</u>	<u>24,826</u>

(ii) Movements in impairment provisions for financing and advances

	31 March 2014 RM'000	31 December 2013 RM'000
Collective impairment provisions		
At 1 January	103,937	134,818
Impairments made during the financial period/year	780	3,994
Amount written back	<u>(5,154)</u>	<u>(34,875)</u>
At end of reporting period/year	<u>99,563</u>	<u>103,937</u>
As a percentage of gross financing and advances less individual impairment provisions	<u>1.72%</u>	<u>2.02%</u>

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13. Impaired financing and advances (continued)

	31 March 2014 RM'000	31 December 2013 RM'000
Individual impairment provisions		
At 1 January	15,783	3,374
Impairments made during the financial period/year	21,369	102,383
Amount written back	(1,232)	(3,105)
Amount written off	(18,247)	(86,869)
At end of reporting period/year	<u>17,673</u>	<u>15,783</u>
(iii) Impaired financing and advances by sector		
	31 March 2014 RM'000	31 December 2013 RM'000
Manufacturing	876	1,266
Wholesale & retail trade and restaurants & hotels	1,277	889
Transportation, storage and communication	271	-
Finance, insurance and business services	177	247
Household	38,248	38,207
	<u>40,849</u>	<u>40,609</u>
(iv) Impaired financing and advances by purpose		
	31 March 2014 RM'000	31 December 2013 RM'000
Purchase of landed property	4,906	2,789
- Residential	3,914	1,797
- Non-residential	992	992
Fixed assets excluding land and building	722	722
Personal use	33,342	35,418
Working capital	1,879	1,680
	<u>40,849</u>	<u>40,609</u>
(v) Impaired financing and advances by geographical distribution		
	31 March 2014 RM'000	31 December 2013 RM'000
Within Malaysia	<u>40,849</u>	<u>40,609</u>

14. Other assets

	31 March 2014 RM'000	31 December 2013 RM'000
Income receivable	375	157
Other receivables, deposits and prepayments	912,781	868,042
	<u>913,156</u>	<u>868,199</u>

STANDARD CHARTERED SAADIQ BERHAD

15. Deposits from customers

(i) By type of deposits

	31 March 2014 RM'000	31 December 2013 RM'000
Demand deposits	1,328,478	1,203,191
- Mudharabah	1,016,560	931,455
- Wadiah	311,918	271,736
Saving deposits	150,448	152,070
- Mudharabah	106,222	103,189
- Wadiah	44,226	48,881
Investment deposits		
- Murabahah	18,409	18,342
Negotiable instruments of deposits		
- Bai-Inah	109,778	108,410
General investment deposits		
- Mudharabah	2,936,579	2,683,509
	4,543,692	4,165,522

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

	31 March 2014 RM'000	31 December 2013 RM'000
Due within six months	2,786,607	2,489,207
Six months to one year	147,196	182,533
One year to three years	1,575	20,775
Three years to five years	129,388	117,746
Over five years	-	-
	-	-

(ii) By type of customers

	31 March 2014 RM'000	31 December 2013 RM'000
Government and statutory bodies	1,274,261	1,607,492
Business enterprises	510,720	483,728
Individuals	1,590,099	1,588,945
Others	1,168,612	485,357
	4,543,692	4,165,522

STANDARD CHARTERED SAADIQ BERHAD

16. Deposits and placements of banks and other financial institutions

	31 March 2014 RM'000	31 December 2013 RM'000
Non-Mudharabah		
Licensed banks	110,146	110,808
Other financial institutions	3,581	3,639
Mudharabah		
Licensed banks	3,208,758	2,983,995
	<u>3,322,485</u>	<u>3,098,442</u>

The Mudharabah deposits placements of licensed banks consists of placements made by the Bank's immediate holding company under Profit Sharing Investment Account ("PSIA").

17. Other liabilities

	31 March 2014 RM'000	31 December 2013 RM'000
Income payable	27,683	22,523
Other payables and accruals	324,573	256,176
	<u>352,256</u>	<u>278,699</u>

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

	1st Quarter ended		Three months ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Income derived from investment of:-				
(i) General investment deposits	35,171	31,090	35,171	31,090
(ii) Other deposits	18,937	12,090	18,937	12,090
	<u>54,108</u>	<u>43,180</u>	<u>54,108</u>	<u>43,180</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**

	1st Quarter ended		Three months ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Finance income and hibah				
Financing and advances	28,296	18,904	28,296	18,904
Money at call and deposits with financial institutions	5,413	11,649	5,413	11,649
	33,709	30,553	33,709	30,553
Amortisation of premium less accretion of discount	(2,445)	(786)	(2,445)	(786)
Total finance income and hibah	31,264	29,767	31,264	29,767
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	6,205	4,248	6,205	4,248
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(2,298)	(2,925)	(2,298)	(2,925)
	3,907	1,323	3,907	1,323
	35,171	31,090	35,171	31,090

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

(ii) **Income derived from investment of other deposits**

	1st Quarter ended		Three months ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Finance income and hibah				
Financing and advances	15,236	7,351	15,236	7,351
Money at call and deposits with financial institutions	2,915	4,530	2,915	4,530
	18,151	11,881	18,151	11,881
Amortisation of premium less accretion of discount	(1,316)	(305)	(1,316)	(305)
Total finance income and hibah	16,835	11,576	16,835	11,576
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	3,339	1,651	3,339	1,651
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(1,237)	(1,137)	(1,237)	(1,137)
	2,102	514	2,102	514
	18,937	12,090	18,937	12,090

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19. Income attributable to depositors

	1st Quarter ended		Three months ended	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	20,799	28,295	20,799	28,295
- Non-Mudharabah fund	801	575	801	575
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	19,219	17,064	19,219	17,064
- Non-Mudharabah fund	1,304	212	1,304	212
	<u>42,123</u>	<u>46,146</u>	<u>42,123</u>	<u>46,146</u>

20. Income derived from investment of shareholder's funds

	1st Quarter ended		Three months ended	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	41,671	62,129	41,671	62,129
Investment securities available-for-sale	-	41	-	41
	<u>41,671</u>	<u>62,170</u>	<u>41,671</u>	<u>62,170</u>

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21. Other operating expenses

	1st Quarter ended		Three months ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	2,935	2,295	2,935	2,295
- Other staff related cost	352	710	352	710
	<u>3,287</u>	<u>3,005</u>	<u>3,287</u>	<u>3,005</u>
Establishment costs				
- Depreciation of property, plant and equipment	644	815	644	815
- Rental	493	480	493	480
- Information technology expenses	23	8	23	8
- Utilities and maintenance	496	380	496	380
	<u>1,656</u>	<u>1,683</u>	<u>1,656</u>	<u>1,683</u>
Marketing expenses				
- Advertisement and publicity	34	26	34	26
- Others	139	92	139	92
	<u>173</u>	<u>118</u>	<u>173</u>	<u>118</u>
Administration and general expenses				
- Communication expenses	83	128	83	128
- Group administration fees and business support expenses	1,620	1,877	1,620	1,877
- Management fee	20,821	18,226	20,821	18,226
- Others	2,659	3,087	2,659	3,087
	<u>25,183</u>	<u>23,318</u>	<u>25,183</u>	<u>23,318</u>
Total other operating expenses	<u><u>30,299</u></u>	<u><u>28,124</u></u>	<u><u>30,299</u></u>	<u><u>28,124</u></u>

22. Provisions for financing

	1st Quarter ended		Three months ended	
	31 March 2014 RM'000	31 March 2013 Restated RM'000	31 March 2014 RM'000	31 March 2013 Restated RM'000
Provisions for financing:-				
Individual impairment provisions	20,137	25,417	20,137	25,417
- Made in the financial period	21,369	25,746	21,369	25,746
- Written back in respect of recoveries	(1,232)	(329)	(1,232)	(329)
Collective impairment provisions				
- Made in the financial period	780	1,577	780	1,577
- Written back	(5,154)	(3,947)	(5,154)	(3,947)
Bad and doubtful debts on financing and advances:-				
- Recovered	(2,863)	(1,214)	(2,863)	(1,214)
	<u>12,900</u>	<u>21,833</u>	<u>12,900</u>	<u>21,833</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 31 March 2014			As at 31 December 2013		
	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	2,796	2,796	537	2,812	2,812	572
Transaction-related contingent items	11,706	11,706	2,149	73,090	73,090	20,747
Short-term self liquidating trade-related contingencies	59,173	59,173	23,924	66,157	66,157	31,071
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	1,459,455	873,822 **	283,689 **	2,110,403	1,349,596 **	441,212 **
- maturity exceeding one year	1,123,037	252,407	101,327	1,276,469	232,681	87,349
Foreign exchange related contracts:-						
- less than one year	878,199	20,082	2,538	523,528	14,406	2,152
Profit rate related contracts:-						
- one year to less than five years	27,836	3,467	3,421	27,902	3,619	3,753
- five years and above	6,265	1,443	362	6,293	1,160	292
Miscellaneous commitments and contingencies	20,262	1,742	3,598	20,356	1,750	3,674
	3,588,729	1,226,638	421,545	4,107,010	1,745,271	590,822

** Excluded in the credit equivalent and risk weighted amount of the Bank are RM5.0 million (2013: RM6.3 million) and RM0.9 million (2013: RM2.4 million) respectively related to undrawn financing facilities funded by Specific Investment Account ("SIA") placements from SCBMB as provided by BNM's guidelines on the Booking of General and Specific Provisions for Financing Asset Funded by SIA. 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 credit risk.

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24. Profit rate risk

As at 31 March 2014	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	1,982,000	-	-	-	13,002	1,995,002	2.95
Investment securities available-for-sale	-	49,629	-	-	-	49,629	3.00
Financing and advances							
- Performing	3,073,931	174,657	1,741,369	669,695	-	5,659,652	5.93
- Impaired	-	-	-	-	23,176	23,176	
Derivative financial assets	1,154	54	3,011	1,128	-	5,347	
Other balances	-	-	-	-	1,131,903	1,131,903	
	5,057,085	224,340	1,744,380	670,823	1,168,081	8,864,709	
Financial liabilities							
Deposits from customers	3,015,147	1,407,639	116,107	4,799	-	4,543,692	2.85
Deposits and placements of banks and other financial institutions	1,543,090	1,775,816	-	3,579	-	3,322,485	2.85
Derivative financial liabilities	1,515	54	3,011	2,248	-	6,828	
Other balances	-	-	-	-	352,256	352,256	
Subordinated sukuk	-	-	-	100,000	-	100,000	4.85
	4,559,752	3,183,509	119,118	110,626	352,256	8,325,261	
On-balance sheet profit sensitivity gap	497,333	(2,959,169)	1,625,262	560,197	815,825		
Total profit sensitivity gap	497,333	(2,959,169)	1,625,262	560,197	815,825		
As at 31 December 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	1,941,000	-	-	-	14,600	1,955,600	2.95
Investment securities available-for-sale	99,698	-	-	-	-	99,698	2.99
Financing and advances							
- Performing	2,718,108	113,640	1,544,574	644,381	-	5,020,703	6.51
- Impaired	-	-	-	-	24,826	24,826	
Derivative financial assets	7,970	78	2,782	843	-	11,673	
Other balances	-	-	-	-	1,069,516	1,069,516	
	4,766,776	113,718	1,547,356	645,224	1,108,942	8,182,016	
Financial liabilities							
Deposits from customers	2,793,443	1,243,513	123,795	4,771	-	4,165,522	3.03
Deposits and placements of banks and other financial institutions	2,159,496	935,341	-	3,605	-	3,098,442	2.97
Derivative financial liabilities	3,582	78	2,782	2,023	-	8,465	
Other balances	-	-	-	-	278,699	278,699	
Subordinated sukuk	-	-	-	100,000	-	100,000	4.85
	4,956,521	2,178,932	126,577	110,399	278,699	7,651,128	
On-balance sheet profit sensitivity gap	(189,745)	(2,065,214)	1,420,779	534,825	830,243		
Total profit sensitivity gap	(189,745)	(2,065,214)	1,420,779	534,825	830,243		

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26. Fair values of financial assets and liabilities**Methods and assumptions****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 financing and advances Over-the-counter (OTC) derivatives	-
Type of financial liabilities	-	OTC derivatives	-

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2014				
Assets				
Investment securities available-for-sale				
Bank Negara Malaysia Bills	49,629	-	-	49,629
Derivative financial instruments	-	5,347	-	5,347
At 31 March 2014	49,629	5,347	-	54,976
Liabilities				
Derivative financial instruments	-	6,828	-	6,828
At 31 March 2014	-	6,828	-	6,828
31 December 2013				
Assets				
Investment securities available-for-sale				
Bank Negara Malaysia Bills	99,698	-	-	99,698
Derivative financial instruments	-	11,673	-	11,673
At 31 December 2013	99,698	11,673	-	111,371
Liabilities				
Derivative financial instruments	-	8,465	-	8,465
At 31 December 2013	-	8,465	-	8,465

There were no transfers between Level 1 and Level 2 during the period ended 31 March 2014.

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27. Capital adequacy

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

	31 March 2014 RM'000	31 December 2013 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	102,750	102,750
Share premium	308,250	308,250
Other reserves	146,025	138,689
Less: Deferred tax assets	(2,940)	(2,940)
Excess of Expected Loss over Expected Provisions under IRB approach	(52,464)	(54,996)
Unrealised gains and losses on 'available-for-sale' financial instruments	-	(9)
 CET 1 and Eligible Tier 1 capital	<u>501,621</u>	<u>491,744</u>
Tier 2 Capital		
Islamic subordinated sukuk	100,000	100,000
Collective impairment provisions	5,507	4,560
Eligible Tier 2 capital	<u>105,507</u>	<u>104,560</u>
Total capital base	<u><u>607,128</u></u>	<u><u>596,304</u></u>

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

	31 March 2014 RM'000	31 December 2013 RM'000
Total risk-weighted assets:-		
Credit risk	4,043,855	3,979,258
Operational risk	376,987	367,218
	<u>4,420,842</u>	<u>4,346,476</u>
	31 March 2014 RM'000	31 December 2013 RM'000
CET 1 capital ratio	11.347%	11.314%
Tier 1 capital ratio	11.347%	11.314%
Risk-weighted capital ratio	13.733%	13.719%

28. Comparatives

Certain comparatives have been restated as a result of the change in accounting policy with respect to the measurement basis of collective impairment for financing and advances as disclosed in the audited financial statements of the Bank for the financial year ended 31 December 2013.