

Company No. 823437K



Standard Chartered Saadiq Berhad

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

**Financial statements for the nine months
ended 30 September 2014**

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014**

	30 September 2014	31 December 2013
Note	RM'000	RM'000
Assets		
Cash and short term funds	1,677,679	1,955,600
Investment securities available-for-sale	11 99,355	99,698
Financing and advances	12 6,359,380	5,045,529
Derivative financial assets	54,278	11,673
Other assets	14 1,041,476	868,199
Current tax assets	6,940	11,474
Statutory deposits with Bank Negara Malaysia	240,078	201,317
Property, plant and equipment	2,527	4,375
Deferred tax assets	3,643	2,943
Total assets	<u>9,485,356</u>	<u>8,200,808</u>
Liabilities		
Deposits from customers	15 4,681,089	4,165,522
Deposits and placements of banks and other financial institutions	16 3,703,383	3,098,442
Derivatives financial liabilities	58,998	8,465
Other liabilities	17 364,185	278,699
Subordinated sukuk	100,000	100,000
Total liabilities	<u>8,907,655</u>	<u>7,651,128</u>
Equity		
Share capital	102,750	102,750
Reserves	474,951	446,930
Total equity attributable to equity holder of the Bank	<u>577,701</u>	<u>549,680</u>
Total liabilities and equity	<u>9,485,356</u>	<u>8,200,808</u>
Commitments and contingencies	23 <u>5,873,338</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 3RD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2014

	Note	3rd Quarter ended		Nine months ended	
		30 September 2014	30 September 2013 Restated RM'000	30 September 2014	30 September 2013 Restated RM'000
Income derived from investment of depositors' funds and others	18	66,863	39,020	189,183	128,804
Income derived from investment of shareholder's funds	20	38,491	50,086	120,934	167,610
Provisions for financing	22	(15,503)	(21,521)	(39,110)	(51,869)
Total distributable income		89,851	67,585	271,007	244,545
Income attributable to depositors	19	(53,337)	(40,669)	(147,542)	(137,771)
Total net income		36,514	26,916	123,465	106,774
Other operating expenses	21	(24,920)	(22,051)	(85,575)	(83,801)
Profit before taxation		11,594	4,865	37,890	22,973
Tax expense		(2,128)	(1,307)	(9,866)	(4,732)
Profit for the period		9,466	3,558	28,024	18,241
Other comprehensive (loss)/income, net of income tax					
Fair value reserve (investment securities available for sale):					
Net change in fair value		(47)	58	(3)	55
Other comprehensive (loss)/income for the period, net of income tax		(47)	58	(3)	55
Total comprehensive income for the period		9,419	3,616	28,021	18,296

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 NINE MONTHS ENDED 30 SEPTEMBER 2014**

	← 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 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	-	-	-	(3)	-	(3)
Total other comprehensive income for the period	-	-	-	(3)	-	(3)
Profit for the period	-	-	-	-	28,024	28,024
Total comprehensive income for the period	-	-	-	(3)	28,024	28,021
At 30 September 2014	102,750	308,250	102,750	(12)	63,963	577,701

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 NINE MONTHS ENDED 30 SEPTEMBER 2013**

	← <i>Non-Distributable Reserves</i> →				<i>Distributable Reserves</i>	Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Retained profits 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	-	-	-	55	-	55
Total other comprehensive income for the period	-	-	-	55	-	55
Profit for the period	-	-	-	-	18,241	18,241
Total comprehensive income for the period	-	-	-	55	18,241	18,296
At 30 September 2013	102,750	308,250	86,017	(18)	22,619	519,618

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 NINE MONTHS ENDED 30 SEPTEMBER 2014

	30 September 2014	30 September 2013 Restated
	RM'000	RM'000
Profit before taxation	37,890	22,973
Adjustment for non-cash items	1,887	6,621
Operating profit before working capital changes	<u>39,777</u>	<u>29,594</u>
Changes in working capital		
Net changes in operating assets	(1,517,958)	(1,255,662)
Net changes in operating liabilities	1,205,994	70,281
Income taxes paid	(6,034)	(9,391)
Net cash used in operating activities	<u>(278,221)</u>	<u>(1,165,178)</u>
Net cash generated from investing activities	300	836,111
Net cash generated from financing activities	-	100,000
Net decrease in cash and cash equivalents	<u>(277,921)</u>	<u>(229,067)</u>
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>1,677,679</u></u>	<u><u>1,348,079</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.

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REVIEW OF PERFORMANCE

The Bank recorded net profit before taxation of RM 37.89 million for the financial period ended 30 September 2014, representing a 65% increase against the corresponding period last year. The higher profit was mainly attributable to strong asset growth. The significant improvement in provision for financing of RM12.76 million or 24.60%, was a result of intensified recovery efforts, better asset quality and credit management.

The Bank's total assets increased by 15.66% to RM 12.85 billion driven by a RM 1.31 billion or 26.04% increase in financing and advances. The Bank's Tier 1 Common Equity ratio and risk-weighted capital ratio remained strong at 11.36% and 13.62%, respectively.

PROSPECTS

In line with Standard Chartered PLC Group's refreshed strategy '*To bank the people and companies driving investment, trade and wealth creation across Asia, Africa and the Middle East*', the Bank implemented a new business structure through 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 under one business. Through this new structure, Standard Chartered is better placed to adapt to 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 nine months ended 30 September 2014

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 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 Cycle)</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 third quarter and nine months ended 30 September 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 third quarter and nine months ended 30 September 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 third quarter and nine months ended 30 September 2014.

7. Proposed Dividend

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

	30 September 2014 RM'000	31 December 2013 RM'000
<u>At fair value</u>		
Bank Negara Malaysia bills	99,355	99,698
	<u>99,355</u>	<u>99,698</u>

STANDARD CHARTERED SAADIQ BERHAD
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12. Financing and advances

(i) **By type and by contract**

	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 30 September 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing							
- House financing	656,709	-	-	-	644,742	1,550,354	2,851,805
- Hire purchase receivables	-	-	254,828	-	-	-	254,828
- Lease receivables	-	390,043	-	22,310	-	-	412,353
- Other term financing	68,872	-	-	763,980	802,879	895,285	2,531,016
Bills receivable	-	-	-	-	-	202,687	202,687
Trust receipts	-	-	-	262,782	-	265	263,047
Staff financing	1,070	-	-	125	-	405	1,600
Revolving credit	-	-	-	796,637	-	-	796,637
	726,651	390,043	254,828	1,845,834	1,447,621	2,648,996	7,313,973
Less: Unearned income							(834,667)
Gross financing and advances							6,479,306
Less: Impairment provisions on financing and advances:-							
- Individual impairment provisions							(22,288)
- Collective impairment provisions							(97,638)
Total net financing and advances							<u>6,359,380</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	-	-	-	557,507	759,872	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
	<u>803,169</u>	<u>517,022</u>	<u>248,672</u>	<u>1,168,380</u>	<u>1,249,645</u>	<u>2,091,775</u>	<u>6,078,663</u>
Less: Unearned income							<u>(913,414)</u>
Gross financing and advances							5,165,249
Less: Impairment provisions on financing and advances:-							
- Individual impairment provisions							(15,783)
- Collective impairment provisions							<u>(103,937)</u>
Total net financing and advances							<u>5,045,529</u>

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

	30 September 2014 RM'000	31 December 2013 RM'000
Domestic non-bank financial institutions	278,034	200,450
Domestic business enterprises	2,728,487	2,185,638
<i>Small medium enterprises</i>	1,077,590	799,858
<i>Others</i>	1,650,897	1,385,780
Individuals	3,070,103	2,563,098
Foreign entities	402,682	216,063
	6,479,306	5,165,249

(iii) By profit rate sensitivity

	30 September 2014 RM'000	31 December 2013 RM'000
Fixed rate		
- House financing	2,196	2,561
- Hire purchase receivables	232,478	248,672
- Other financing	1,278,238	1,200,690
Variable rate		
- House financing	2,493,225	1,631,982
- Revolving credit	741,208	751,340
- Other financing	1,731,961	1,330,004
	6,479,306	5,165,249

(iv) By sector

	30 September 2014 RM'000	31 December 2013 RM'000
Agriculture	122,430	148,147
Mining and quarrying	114,463	68,883
Manufacturing	736,227	514,362
Electricity, gas and water	770	2,100
Construction	106,716	98,050
Real estate	297,093	369,542
Wholesale & retail trade and restaurants & hotels	647,450	317,197
Transportation, storage and communication	115,637	232,150
Finance, insurance and business services	726,731	519,309
Household	3,472,785	2,779,161
Others	139,004	116,348
	6,479,306	5,165,249

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

	30 September 2014 RM'000	31 December 2013 RM'000
Purchase of landed property		
- Residential	2,514,785	1,655,949
- Non-residential	924,997	724,191
Fixed assets excluding land and building	204,887	179,994
Personal Use	723,797	928,075
Working Capital	2,110,840	1,677,040
	<u>6,479,306</u>	<u>5,165,249</u>

(vi) By maturity structure

	30 September 2014 RM'000	31 December 2013 RM'000
Maturing within one year	1,209,461	565,032
One year to three years	786,954	1,001,874
Three years to five years	758,795	831,243
Over five years	3,724,096	2,767,100
	<u>6,479,306</u>	<u>5,165,249</u>

(vii) By geographical distribution

	30 September 2014 RM'000	31 December 2013 RM'000
Within Malaysia	<u>6,479,306</u>	<u>5,165,249</u>

(viii) Analysis of foreign currency exposure

	30 September 2014 RM'000	31 December 2013 RM'000
USD	<u>587,075</u>	<u>305,379</u>

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13. Impaired financing and advances

(i) Movements in impaired financing and advances

	30 September 2014 RM'000	31 December 2013 RM'000
At 1 January	40,609	33,889
Classified as impaired during the financial period/year	64,302	105,163
Reclassified as performing during the financial period/year	(5,644)	(3,359)
Amount recovered during the financial period/year	(9,782)	(8,260)
Amount written off during the financial period/year	<u>(48,804)</u>	<u>(86,824)</u>
At end of reporting period/year	40,681	40,609
Individual impairment provisions	<u>(22,288)</u>	<u>(15,783)</u>
Net impaired financing and advances	<u>18,393</u>	<u>24,826</u>

(ii) Movements in impairment provisions for financing and advances

	30 September 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	11,905	3,994
Amount written back	<u>(18,204)</u>	<u>(34,875)</u>
At end of reporting period/year	<u>97,638</u>	<u>103,937</u>
As a percentage of gross financing and advances less individual impairment provisions	<u>1.51%</u>	<u>2.02%</u>

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13. Impaired financing and advances (continued)

	30 September 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	60,007	102,383
Amount written back	(4,816)	(3,105)
Amount written off	(48,686)	(86,869)
At end of reporting period/year	<u>22,288</u>	<u>15,783</u>

(iii) Impaired financing and advances by sector

	30 September 2014 RM'000	31 December 2013 RM'000
Manufacturing	1,097	1,266
Construction	461	-
Wholesale & retail trade and restaurants & hotels	483	889
Transportation, storage and communication	141	-
Finance, insurance and business services	-	247
Household	38,349	38,207
Others	150	-
	<u>40,681</u>	<u>40,609</u>

(iv) Impaired financing and advances by purpose

	30 September 2014 RM'000	31 December 2013 RM'000
Purchase of landed property	7,287	2,789
- Residential	3,435	1,797
- Non-residential	3,852	992
Fixed assets excluding land and building	735	722
Personal use	31,062	35,418
Working capital	1,597	1,680
	<u>40,681</u>	<u>40,609</u>

(v) Impaired financing and advances by geographical distribution

	30 September 2014 RM'000	31 December 2013 RM'000
Within Malaysia	<u>40,681</u>	<u>40,609</u>

14. Other assets

	30 September 2014 RM'000	31 December 2013 RM'000
Income receivable	144	157
Other receivables, deposits and prepayments	1,041,332	868,042
	<u>1,041,476</u>	<u>868,199</u>

STANDARD CHARTERED SAADIQ BERHAD

15. Deposits from customers

(i) By type of deposits

	30 September 2014 RM'000	31 December 2013 RM'000
Demand deposits	1,328,455	1,203,191
- Mudharabah	1,010,363	931,455
- Wadiah	318,092	271,736
Saving deposits	194,327	152,070
- Mudharabah	148,331	103,189
- Wadiah	45,996	48,881
Investment deposits		
- Murabahah	18,537	18,342
Negotiable instruments of deposits		
- Bai-Inah	112,673	108,410
General investment deposits	3,027,097	2,683,509
- Mudharabah	2,043,701	2,683,509
- Murabahah	983,396	-
	4,681,089	4,165,522

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

	30 September 2014 RM'000	31 December 2013 RM'000
Due within six months	2,858,959	2,489,207
Six months to one year	123,967	182,533
One year to three years	62,708	20,775
Three years to five years	112,673	117,746
	1,158,267	2,809,261

(ii) By type of customers

	30 September 2014 RM'000	31 December 2013 RM'000
Government and statutory bodies	1,165,686	1,607,492
Business enterprises	563,207	483,728
Individuals	2,188,000	1,588,945
Others	764,196	485,357
	4,681,089	4,165,522

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16. Deposits and placements of banks and other financial institutions

	30 September 2014 RM'000	31 December 2013 RM'000
Non-Mudharabah		
Licensed banks	92,632	110,808
Other financial institutions	3,585	3,639
Mudharabah		
Licensed banks	3,607,166	2,983,995
	<u>3,703,383</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

	30 September 2014 RM'000	31 December 2013 RM'000
Income payable	20,355	22,523
Other payables and accruals	343,830	256,176
	<u>364,185</u>	<u>278,699</u>

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

	3rd Quarter ended		Nine months ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Income derived from investment of:-				
(i) General investment deposits	39,790	15,722	122,969	78,571
(ii) Other deposits	27,073	23,298	66,214	50,233
	<u>66,863</u>	<u>39,020</u>	<u>189,183</u>	<u>128,804</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 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Finance income and hibah				
Financing and advances	32,213	15,695	94,298	55,091
Money at call and deposits with financial institutions	7,988	2,030	24,174	27,368
	40,201	17,725	118,472	82,459
Amortisation of premium less accretion of discount	(2,652)	(231)	(7,332)	(2,521)
Total finance income and hibah	37,549	17,494	111,140	79,938
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	6,530	1,009	20,514	7,877
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(4,289)	(2,781)	(8,685)	(9,244)
	2,241	(1,772)	11,829	(1,367)
	39,790	15,722	122,969	78,571

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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 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Finance income and hibah				
Financing and advances	21,560	18,338	50,776	35,222
Money at call and deposits with financial institutions	5,400	6,639	13,017	17,498
	26,960	24,977	63,793	52,720
Amortisation of premium less accretion of discount	(1,745)	(631)	(3,948)	(1,612)
Total finance income and hibah	25,215	24,346	59,845	51,108
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	4,467	2,092	11,046	5,035
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(2,609)	(3,140)	(4,677)	(5,910)
	1,858	(1,048)	6,369	(875)
	27,073	23,298	66,214	50,233

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19. Income attributable to depositors

	3rd Quarter ended		Nine months ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Deposits from customers				
- Mudharabah fund	23,224	25,489	69,044	87,930
- Non-Mudharabah fund	8,059	961	12,640	2,434
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	20,439	12,856	61,241	44,435
- Non-Mudharabah fund	1,615	1,363	4,617	2,972
	<u>53,337</u>	<u>40,669</u>	<u>147,542</u>	<u>137,771</u>

20. Income derived from investment of shareholder's funds

	3rd Quarter ended		Nine months ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Finance income and hibah				
Financing and advances	38,491	50,086	120,934	167,569
Investment securities available-for-sale	-	-	-	41
	<u>38,491</u>	<u>50,086</u>	<u>120,934</u>	<u>167,610</u>

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21. Other operating expenses

	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	3,050	2,479	8,788	6,038
- Other staff related cost	463	575	1,423	1,474
	<u>3,513</u>	<u>3,054</u>	<u>10,211</u>	<u>7,512</u>
Establishment costs				
- Depreciation of property, plant and equipment	603	909	1,887	2,488
- Rental	492	493	1,476	1,459
- Information technology expenses	120	24	167	53
- Utilities and maintenance	414	610	1,370	1,439
	<u>1,629</u>	<u>2,036</u>	<u>4,900</u>	<u>5,439</u>
Marketing expenses				
- Advertisement and publicity	3	45	57	134
- Others	278	159	641	347
	<u>281</u>	<u>204</u>	<u>698</u>	<u>481</u>
Administration and general expenses				
- Communication expenses	82	105	242	373
- Group administration fees and business support expenses	1,334	1,389	4,873	4,810
- Management fee	19,559	12,852	60,454	51,922
- Others	(1,478)	2,411	4,197	13,264
	<u>19,497</u>	<u>16,757</u>	<u>69,766</u>	<u>70,369</u>
Total other operating expenses	<u><u>24,920</u></u>	<u><u>22,051</u></u>	<u><u>85,575</u></u>	<u><u>83,801</u></u>

22. Provisions for financing

	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	Restated RM'000	RM'000	Restated RM'000
Provisions for financing:-				
Individual impairment provisions	15,876	24,191	55,191	76,091
- Made in the financial period	17,978	25,131	60,007	78,075
- Written back in respect of recoveries	(2,102)	(940)	(4,816)	(1,984)
Collective impairment provisions				
- Made in the financial period	8,097	680	11,905	3,346
- Written back	(4,901)	(1,170)	(18,204)	(22,461)
Bad and doubtful debts on financing and advances:-				
- Recovered	(3,569)	(2,180)	(9,782)	(5,107)
	<u>15,503</u>	<u>21,521</u>	<u>39,110</u>	<u>51,869</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 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	9,314	9,314	3,797	2,812	2,812	572
Transaction-related contingent items	90,064	90,064	21,739	73,090	73,090	20,747
Short-term self liquidating trade-related contingencies	82,375	82,375	33,084	66,157	66,157	31,071
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	827,139	526,959**	169,977**	2,110,403	1,349,596**	441,212**
- maturity exceeding one year	1,362,929	237,131	86,220	1,276,469	232,681	87,349
Foreign exchange related contracts:-						
- less than one year	1,350,499	30,202	6,176	523,528	14,406	2,152
- one year to less than five years	807,665	84,824	57,169	-	-	-
Profit rate related contracts:-						
- one year to less than five years	1,297,126	50,486	10,216	27,902	3,619	3,753
- five years and above	228	518	134	6,293	1,160	292
Miscellaneous commitments and contingencies	45,999	6,812	3,869	20,356	1,750	3,674
	5,873,338	1,118,685	392,381	4,107,010	1,745,271	590,822

** Excluded in the credit equivalent and risk weighted amount of the Bank are RM33.4million (2013: RM6.3million) and RM7.6million (2013: RM2.4million) respectively related to exposures funded by PSIA 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 credit risk.

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24. Profit rate risk

As at 30 September 2014	3 months or less RM'000	> 3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000	Total RM'000	Effective profit rate (%)
Financial assets							
Cash and short term funds	1,665,560	-	-	-	12,119	1,677,679	3.16
Investment securities available-for-sale	99,355	-	-	-	-	99,355	3.29
Financing and advances							
- Performing	3,852,411	366,385	1,509,934	612,257	-	6,340,987	5.46
- Impaired	-	-	-	-	18,393	18,393	
Derivative financial assets	2,550	591	41,664	9,473	-	54,278	
Other balances	-	-	-	-	1,281,554	1,281,554	
	5,619,876	366,976	1,551,598	621,730	1,312,066	9,472,246	
Financial liabilities							
Deposits from customers	3,284,335	1,222,908	168,920	4,926	-	4,681,089	2.86
Deposits and placements of banks and other financial institutions	2,085,140	1,614,660	-	3,583	-	3,703,383	2.85
Derivative financial liabilities	1,666	591	42,068	14,673	-	58,998	
Other balances	-	-	-	-	364,185	364,185	
Subordinated sukuk	-	-	-	100,000	-	100,000	4.85
	5,371,141	2,838,159	210,988	123,182	364,185	8,907,655	
On-balance sheet profit sensitivity gap	248,735	(2,471,183)	1,340,610	498,548	947,881		
Total profit sensitivity gap	248,735	(2,471,183)	1,340,610	498,548	947,881		

As at 31 December 2013	3 months or less RM'000	> 3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000	Total RM'000	Effective profit rate (%)
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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25. 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
30 September 2014				
Assets				
Investment securities available-for-sale				
Bank Negara Malaysia Bills	-	99,355	-	99,355
Derivative financial instruments	-	54,278	-	54,278
At 30 September 2014	-	153,633	-	153,633
Liabilities				
Derivative financial instruments	-	58,998	-	58,998
At 30 September 2014	-	58,998	-	58,998
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 half year ended 30 June 2014.

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26. Capital adequacy

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

	30 September 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	166,713	138,689
Less: Deferred tax assets	(3,639)	(2,940)
Excess of Expected Loss over Expected Provisions under AIRB approach	(38,904)	(54,996)
Unrealised gains and losses on 'available-for-sale' financial instruments	(12)	(9)
CET 1 and Eligible Tier 1 capital	535,158	491,744
Tier 2 Capital		
Islamic subordinated sukuk	100,000	100,000
Collective impairment provisions	6,256	4,560
Eligible Tier 2 capital	106,256	104,560
Total capital base	641,414	596,304

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

	30 September 2014 RM'000	31 December 2013 RM'000
Total risk-weighted assets:-		
Credit risk	4,330,102	3,979,258
Operational risk	379,933	367,218
	4,710,035	4,346,476
	30 September 2014 RM'000	31 December 2013 RM'000
CET 1 capital ratio	11.362%	11.314%
Tier 1 capital ratio	11.362%	11.314%
Risk-weighted capital ratio	13.618%	13.719%

27. 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.