

Company No. 823437K



Standard Chartered Saadiq Berhad

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

**Financial statements for the financial year
ended 31 December 2012**

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Directors' report for the financial year ended 31 December 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Bank for the year ended 31 December 2012.

Principal activities

The Bank is principally engaged in the Islamic banking business and related financial services. There have been no significant changes in the principal activities during the financial year.

Results

	RM'000
Profit before taxation	70,395
Tax expense	<u>(18,208)</u>
Profit for the year	<u><u>52,187</u></u>

Dividends

The Directors do not recommend the payment of any dividend in respect of the current financial year under review.

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

Bad and doubtful financing

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad financing and the making of provisions for impaired financing, and satisfied themselves that all known bad financing had been written off and adequate provisions made for impaired financing.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad financing, or the amount of the provision for impaired financing in the financial statements of the Bank inadequate to any substantial extent.

Current assets

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that the value of any current assets, other than financing, which were unlikely to be realised in the ordinary course of business, as shown in the accounting records of the Bank, have been written down to their estimated realisable value.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Bank misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities in the Bank's financial statements misleading or inappropriate.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

Contingent and other liabilities

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (b) any contingent liabilities in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Bank, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

The results of the operations of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

Business plan and strategy

Results

The Bank registered a pre-tax profit of RM 70.40 million, representing a strong 24.9% growth against 2011. The strong result was achieved from gross financing assets of RM 3.94 billion (2011: RM 2.86 billion) and customer deposits of RM 3.90 billion (2011: RM 2.95 billion). Provision for financing also recorded an increase of 15% year-on-year in line with strong growth (+37%) in gross financing. The Bank's core capital ratio and risk weighted capital ratio remained healthy at 11.48%.

Strategy and Economic Environment

The world economic environment remained challenging as major advanced economies continued to experience weak growth, constrained by fiscal adjustments and sluggish.

The Malaysian economy remains resilient. In third quarter 2012, its GDP growth moderated to a still commendable 5.2% year-on-year from a revised 5.6% in the second quarter. The growth was driven by strong domestic demand, with impressive albeit slightly slower year-on-year growth in private consumption and private and public investment outlays. Net exports had meanwhile contracted further due to the deterioration in external demand for manufactured goods and commodities. The GDP growth for 2012 is expected to be around 5.0%.

The Malaysian banking system has remained stable with high asset quality, strong capital buffers, sustained profitability and ample liquidity. The OPR was maintained at 3% throughout the year which remains supportive of economic activity and consistent with growth and inflation prospects. BNM acknowledged the uncertain global environment but noted that the current stance of monetary policy is accommodative and supportive of the economy. It also extended its inflation outlook into 2013, noting that inflation is expected to remain moderate moving into 2013.

As part of the new Financial Sector Blueprint objectives for a more inclusive financial sector, BNM introduced Agent Banking which will allow financial institutions to reach out to the underserved segments of the population particularly in rural areas through the use of non-bank retail outlets. The authorised Banking Agents will provide basic banking services of accepting deposits, facilitating withdrawals, fund transfers, bill payments and financing repayments.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

Business plan and strategy (continued)

Strategy and Economic Environment (continued)

Malaysia is now Standard Chartered PLC Group's global business hub for Islamic Consumer Banking. This is part of the Group's strategy to grow Islamic Banking business. A team of experts are relocated to Malaysia to further drive Saadiq's business momentum. Saadiq continues to expand its network with the opening of two more new generation Saadiq branches.

RAM Rating Services Berhad has maintained the Bank's credit rating at AAA/P1, reflecting the Bank's robust asset quality, stable funding and liquidity and the strong financial standing.

Statement of Corporate Governance

The Bank is committed to high standards of corporate governance and strives to continually improve the governance processes and structures as articulated in the Principles and Best Practices promulgated in the Malaysian Code on Corporate Governance 2012 as well as in conformity with BNM Revised Guidelines on Corporate Governance for Licensed Islamic Institutions issued by BNM in December 2010. The Board is pleased to set out below how the Bank has adhered to the aforesaid principles of the Code and the extent to which the Bank has complied in all material aspects with the best practices of the Code and BNM Guidelines during the financial year ended 31 December 2012.

Board of Directors

Composition of the Board of Directors

The Board of Directors (the "Board") bring a wealth of knowledge, experience and skills in a wide range of business management, audit and accountancy, economics, finance and Islamic banking to the Board. The Board presently has eight (8) members, of which one is the Executive Director, three (3) are Non-Independent Non-Executive Directors and the remaining four (4) are Independent Non-Executive Directors, hence fulfilling the prescribed requirements for one-third of the membership of the Board to be Independent Board members by BNM.

Members

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman
Neeraj Swaroop - Deputy Chairman
Datuk Abu Hassan bin Kendut
Datuk Ishak bin Imam Abas
Datuk Seri Michael Yam Kong Choy
Osman Tarique Morad
Muhammad Afaq Khan
Wasim Akhtar Saifi (appointed on 2 July 2012)

Status of Directorship

Independent Non-Executive Director
Non-Independent Non-Executive Director
Independent Non-Executive Director
Independent Non-Executive Director
Independent Non-Executive Director
Non-Independent Non-Executive Director
Non-Independent Non-Executive Director
Non-Independent Executive Director

The current composition and size of the Board is appropriate and commensurate with the complexity, scope and operations of the Bank. The Independent Non-Executive Directors of the Bank fulfill the criteria of independence as defined in the BNM Guidelines.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

Board of Directors (continued)

Composition of the Board of Directors (continued)

All the members of the Board fulfill the standards for 'fit and proper' criteria for appointment as Directors required under the Bank's Framework for Board's Composition and Criteria For Selection of Candidates for Directorship as established in accordance with the BNM Guidelines.

Roles and responsibilities of the Board

Besides carrying out its statutory responsibilities, the Board approves the Bank's long-term objectives and commercial strategy and the annual operating budget. It oversees the management of the business and the Bank's affairs and regularly monitors the Bank's performance against budget and plans. Matters reserved for the Board's decision include major investments, strategic plans, business plans, key financial and operating policies, financial results and corporate governance matters. The Board carries out various functions and responsibilities laid down in guidelines and directives that are issued by BNM from time to time. The Board also operates under approved terms of reference which set out their roles and responsibilities towards the Bank.

In compliance with the BNM Guidelines, there is a clear separation between the roles of Independent Non-Executive Chairman and Chief Executive Officer ("CEO") of the Bank. The distinction allows an appropriate balance of role, responsibility, authority and accountability at the Board level.

Appointments to the Board

The appointment and re-appointment of Directors to the Bank's Board had been approved by BNM pursuant to the Banking and Financial Institutions Act, 1989 ("BAFIA") and in compliance with the guidelines issued by BNM.

In accordance with the Bank's Articles of Association, all newly appointed Directors during the financial year are subjected to re-election by shareholders at the next Annual General Meeting. The Articles further provides for one-third of the remaining directors to retire from office by rotation and be subjected to re-election at the Annual General Meeting of the Bank. As guided by BNM's Guidelines, re-appointment or re-election of Directors are made with the prior approval from BNM.

Board's conduct of its affairs and Board meetings

The Board meetings of the Bank are conducted in accordance to a structured agenda to facilitate meaningful and productive deliberations. The structured agenda for every Board meeting together with comprehensive management reports, proposal papers and supporting documents are distributed to the Directors in advance of all Board meetings to allow time for their appropriate review. The Board meeting papers are prepared and presented in a concise and comprehensive manner and all proceedings from the Board meetings are minuted. The minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation of the minutes at the following Board meeting. Upon receiving confirmation from all the members at the Board, the minutes would be signed by the Chairman of the meeting as a correct record to the proceeding of the meeting.

A Syariah Adviser nominated by the Chairperson of the Syariah Advisory Committee together with the Secretary of the Syariah Advisory Committee are permanent invitees to the Board Meetings to advise the Board Members on Syariah related matters. Their views are sought on matters related to Syariah.

Frequency and attendance of each Director at Board meetings

The Board meets regularly and has a formal schedule of matters specifically reserved for its decision. Meetings for the year are scheduled early in the year with due notice given for all scheduled meetings. During the financial year 2012, the Board met six (6) times to deliberate on and consider a variety of significant matters that required its guidance and approval. Relevant management personnel are invited to Board meetings to report and appraise the Board on financials, operations and other developments within their respective purview. Where appropriate, decisions are taken by way of circular resolutions in between scheduled meetings.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

Board of Directors (continued)

Frequency and attendance of each director at Board meetings (continued)

All Directors have complied with the requirement that Directors must attend at least 75% of Board meetings held in the financial year in accordance with the BNM Guidelines. The record of the attendance at the Board Meetings is as follows:-

<u>Members</u>	<u>Attendance and Number of Board Meetings</u>
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	6/6
Neeraj Swaroop - Deputy Chairman	5/6
Datuk Abu Hassan bin Kendut	6/6
Datuk Ishak bin Imam Abas	6/6
Datuk Seri Michael Yam Kong Choy	6/6
Osman Tarique Morad	6/6
Muhammad Afaq Khan	5/6
Wasim Akhtar Saifi (appointed on 2 July 2012)	3/3

Key information and background of Directors

The Bank is led by an experienced Board comprising members from diverse backgrounds and collectively has a wide range of business and management experience, knowledge and capabilities in areas that include banking, financial services, accounting and economics.

(a) Tan Sri Dato' Mohd Sheriff bin Mohd Kassim

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim was appointed to the Board as an Independent Non-Executive Director on 12 October 2008. He held various positions in Civil Service since 1963 and was appointed as the Secretary General to the Treasury in the Malaysian Ministry of Finance in 1991. He later took up the position of Managing Director in Khazanah Nasional Berhad in 1994 till 2003. He holds a Bachelor of Arts (Honours) in Economics from the University of Malaya, a Diploma in Economic Development from Oxford University in the UK and a Master of Arts (Economics) from Vanderbilt University in USA.

(b) Datuk Abu Hassan bin Kendut

Datuk Abu Hassan bin Kendut was appointed to the Board as an Independent Non-Executive Director on 12 October 2008. He is a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and the Malaysian Institute of Accountants ("MIA"). He was a past President of MICPA, and was formerly the Senior Partner of Coopers & Lybrand (now known as PricewaterhouseCoopers).

(c) Datuk Ishak bin Imam Abas

Datuk Ishak bin Imam Abas was appointed as an Independent Non-Executive Director on 3 March 2010. He held various senior positions during his 26 years career with Petronas including Deputy General Manager, Commercial of Petronas Dagangan Berhad, Senior General Manager, Finance of Petronas, Vice-President, Finance Petronas, Chief Executive Officer of KLCC (Holdings) Sdn Bhd and KLCC Property Holdings Berhad. He retired from Petronas as the Senior Vice-President in 2006 but continued to be the Chief Executive Officer of KLCC (Holdings) Sdn Bhd and KLCC Property Holdings Berhad and retired from the aforesaid executive positions in 2007. He is a fellow member of Chartered Institute of Management Accountants ("CIMA") and a member of MIA.

(d) Datuk Seri Michael Yam Kong Choy

Datuk Seri Michael Yam Kong Choy was appointed as an Independent Non-Executive Director on 23 June 2011. He is a fellow of the Royal Institution of Chartered Surveyors and also qualified as a professional corporate member of the Chartered Institute of Building after his graduation in building and management studies from the University of Westminster, London in 1979. He had worked in the United Kingdom for five years in various executive and managerial positions. Datuk Seri Michael Yam worked for six years with a British-managed firm of project management consultants specialising in major construction projects initially as a Project Manager before being appointed a Director. From the period 1989 till early 1996, he served at top management level and on the Board of various properties and subsidiaries of Landmarks Bhd and investment conglomerate, Peremba Group. He joined Country Heights Holdings Berhad as its Chief Executive Officer and Director in 1996 and served in the Board of Directors of Sunrise Berhad in 1997 as the Managing Director and Chief Executive Officer, until March 2008.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

Board of Directors (continued)

Key information and background of Directors (continued)

(e) Osman Tarique Morad

Osman Tarique Morad was appointed to the Board on 20 October 2009 as the Managing Director and Chief Executive Officer of Standard Chartered Bank Malaysia Berhad. Prior to this, he was the Chief Executive Officer of Standard Chartered Bank in Bangladesh and Bahrain. Osman joined Standard Chartered Bank in 1993 as the Regional Head of Institutional Banking Middle East and South Asia in Dubai and was responsible for the Standard Chartered Bank Financial Institutions business teams in India, Bangladesh, Pakistan, Sri Lanka and the Middle East. He started his banking career at Bank of America as a Management Trainee in 1977 and worked in the bank's Operations, Credit and Corporate & Institutional Banking departments in the Gulf. In 1987, he joined the First Interstate Bank of California and was appointed Vice-President and Middle East Representative based in the UAE and Singapore. He graduated from the Punjab University and the Marlboro College of Vermont, U.S.A.

(f) Muhammad Afaq Khan

Muhammad Afaq Khan was appointed as a member of the Board on 12 October 2008 as a Non-Independent and Non-Executive Director. He is currently the Chief Executive Officer for Islamic Banking of Standard Chartered Bank and is responsible for the Islamic Banking initiative of Standard Chartered Group. He joined Standard Chartered in June 2003 and has been involved in the Islamic banking industry for 11 years. He was involved in a number of landmark transactions including sukuk, aircraft finance and project finance. He holds an MBA from the University of Western Illinois.

(g) Neeraj Swaroop

Neeraj Swaroop was appointed to the Board as a Non-Independent Non-Executive Director and Deputy Chairman on 15 February 2012. He is currently the Regional Chief Executive Officer of Standard Chartered Bank for South East Asia (excludes Singapore). Prior to that, he was the Regional Chief Executive South Asia (which includes India, Bangladesh, Sri Lanka, Nepal and Afghanistan) for Standard Chartered Bank from 2007. Neeraj's career spans over 30 years, with the last 21 years spent in the Indian Banking Industry. Prior to joining Standard Chartered Bank in 2005, Neeraj headed the Consumer Banking business of HDFC Bank, one of India's leading private sector banks. He has also worked with Bank of America and Unilever. Neeraj holds a MBA degree from Indian Institute of Management, Ahmedabad and is an engineering graduate from Indian Institute of Technology, New Delhi.

(h) Wasim Akhtar Saifi

Wasim Akhtar Saifi was appointed to the Board and as the Chief Executive Officer of SCSB on 2 July 2012. Wasim has been appointed as the Group Head of Islamic Banking for Consumer Banking Business since January 2011. He will continue to be responsible for the strategic build up of the Islamic Banking, Consumer Banking business of SCB which currently encompasses 6 countries across the SCB Group in addition to his role of CEO of the Company. Wasim has a strong background in Islamic banking. His experience includes being CEO for a UAE-based Islamic mortgage finance firm from 2008 to 2010 and head of Consumer Banking for Dubai Islamic bank from 2003 to 2008. He was previously with Standard Chartered for 17 years since 1986 and holding various roles, including CEO for Sri Lanka, before he left the Bank in 2003. He graduated with an MBA from Rutgers University, U.S.A and a degree in Bachelor of Commerce from Mumbai University, India.

Committees

The Board has established specialised Board Committees to assist to carry out its responsibilities more effectively and provide oversight over the Bank's operations. The Board Committees of the Bank are as follows:-

- a) Nomination Committee
- b) Audit Committee
- c) Board Risk Committee
- d) Syariah Advisory Committee

These committees operate under clearly defined terms of reference approved by the Board and the Board receives reports of their proceedings and deliberations. These committees have the authority to examine certain issues and report back to the Board with their recommendations. Ultimately, the Board is responsible for making the final decisions on all matters.

Syariah Advisory Committee was set up as an Advisory Committee to the Board on Syariah matters.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Committees (continued)

a) Syariah Advisory Committee

Membership and composition

The members of the Syariah Advisory Committee ("SAC") are:-

Dr. Hikmatullah Babu Sahib - Chairperson
Prof. Madya Dr. Shamsiah binti Mohamad
Prof. Madya Dr. Nurdianawati Irwani Abdullah
Ustaz Abdul Latif Ahmad Subki
Dr. Wan Azhar Wan Ahmad

Functions, responsibilities and terms of reference

Main Responsibilities of the Syariah Advisory Committee

An Advisory Committee to advise the Board of Standard Chartered Saadiq Berhad on Syariah matters.

Responsibilities of the Syariah Advisers

1. To endorse, approve and review all Islamic Banking products and services offered by the Bank. The Consultants' approval is thus required on all Product Programme documents, Product Development documents, Country Addenda, Transaction Programme and the subsequent reviews of these documents.
2. To advise and review the operations of the Bank to ensure that it is in compliance with the Syariah principles.
3. To guide and review the Bank's Islamic Banking practice. The Consultants must therefore approve all legal contracts, agreements and documentation. Similarly, all marketing materials, sales illustrations, advertisements and brochures must carry the Consultants' approval.
4. To satisfy itself that the formulated endorsement, approval, advice and guidelines are being properly undertaken by the Bank.
5. To provide guidance and advice upon request from the Bank's legal council, auditors and consultants. In addition, to provide written opinions on Syariah matters to the Bank as required from time to time.
6. To advise the Chairperson on matters that require consultation from the Bank Negara Malaysia's Syariah Advisory Council and to prepare a written opinion when such matter is referred to the Council.
7. To review the terms of reference of the Syariah Advisory Committee from time to time and propose to the Board of Standard Chartered Saadiq Berhad any change that it considers appropriate.

Syariah Compliance Review

1. Suitable Syariah Compliance Manuals will be prepared and reviewed by the Committee from time to time covering gradually all products and services introduced by the Bank to the market. The Syariah Compliance Manuals shall guide the Bank's officers and personnel in ensuring its standard operating procedures and practices are in compliance with Syariah principles.
2. Group Internal Audit established at the immediate holding company will be using the Syariah Compliance Manuals to undertake Syariah Compliance Reviews as may be required from time to time.
3. The Group Internal Audit established at the immediate holding company shall report and discuss its findings directly with the committee.

Syariah Risk Management

Syariah risk arises from the Bank's failure to comply with the Syariah rules and principles as determined by the SCSB SAC and by BNM Syariah Advisory Council. Syariah non-compliance risk is managed as part of the Bank's operational risk framework and the Bank adopts the Group's operational risk management framework to monitor and manage this risk.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Committees (continued)

a) Syariah Advisory Committee (continued)

Non-Syariah Income

Non-Syariah Income is income generated or received from events that are non-compliant to Syariah principles, for example, profit charges and income derived from non-Syariah compliant business.

Any non-Syariah income identified must be escalated to the SAC for their decision on the appropriate course of action. Compliance to the SAC decision must be tracked in Business Operational Risk Committee ("BORC") by the responsible unit.

Number of meetings held

<u>Members</u>	<u>Attendance and Number of Meetings</u>
Dr. Hikmatullah Babu Sahib - Lead Adviser	12/12
Prof. Madya Dr. Shamsiah binti Mohamad	11/12
Prof. Madya Dr. Nurdianawati Irwani Abdullah	12/12
Ustaz Abdul Latif Ahmad Subki	12/12
Dr. Wan Azhar Wan Ahmad	10/12

b) Nomination Committee

The Nomination Committee ("NC") was established on 27 November 2008.

Membership and composition

The members of the Nomination Committee are:-

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman

Neeraj Swaroop - Deputy Chairman

Osman Tarique Morad

Muhammad Afaq Khan

Wasim Akhtar Saifi (appointed as Nomination Committee member on 2 July 2012)

All of the Nomination Committee members are Non-Executive Directors except Mr. Wasim Akhtar Saifi.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

Committees (continued)

b) Nomination Committee (continued)

Functions and responsibilities and terms of reference

The terms of reference of the NC was subsequently revised and approved by the Board on 20 September 2010 and 10 May 2011.

The primary functions of the NC are to assist the Board to:-

- To bring to the Board recommendations as to the minimum requirements (including skills, experience, qualifications and competencies) for appointees to the Board and for the Chief Executive Officer.
- To regularly review the overall structure, size and composition (including the skills, knowledge, experience and compliance with corporate governance best practice) of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary.
- To identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise as well as the re-appointment of Directors, subject to such application for approval to BNM as may be required from time to time.
- To determine and implement a process for the evaluation of the performance and effectiveness of the Board, its committees and each individual Director.
- To determine the fit and proper criteria of the Directors prior to their appointment and on an annual basis.

During the year, the Board has approved three frameworks on the (i) Succession Planning in relation to the Directors, Chief Executive Officer and senior executives; (ii) Directors' Education and Continuous Education and Directors' Engagement; and (iii) Board Effectiveness Review.

In 2012, the NC has also made assessment of re-appointment of one (1) Director who is also a member of the Board of the holding company and was convinced that his re-appointment would assist in achieving a mix of Board Members that represents a diversity of background and experience that would best complement the current Board effectiveness.

For 2012, the Board has adopted a self-evaluation to evaluate the performance of the Board and its committees. The purpose of the evaluation is to determine whether the Board and its committees are functioning effectively and to increase the effectiveness of the Board. By including individual Directors, the evaluation is intended to capitalise on the strengths that each director brings to the Board and enhance each Director's contribution.

Number of meetings held

The Nomination Committee meets at least once a year and during the financial year 2012, the committee met four (4) times and the attendance of the members are as follows:-

<u>Members</u>	<u>Attendance and Number of Meetings</u>
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim - Chairman	4/4
Neeraj Swaroop	2/3
Osman Tarique Morad	4/4
Muhammad Afaq Khan	4/4
Wasim Akhtar Saifi (appointed as Nomination Committee member on 2 July 2012)	2/2

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Committees (continued)

c) Audit Committee

The Audit Committee ("AC") was established on 27 November 2008.

Membership and composition

The members of the AC are:-

Datuk Abu Hassan bin Kendut - Chairman

Datuk Ishak bin Imam Abas

Datuk Seri Michael Yam Kong Choy

All of the AC members are Independent Non-Executive Directors.

Terms of Reference

The terms of reference of the AC was subsequently revised and approved by the Board on 22 September 2010 and 31 July 2012. The revision was to incorporate the AC's approval on the instructions to the Company Auditors with the value above USD100,000 pursuant to the adoption of Non-Audit Services Policy.

The primary functions of the AC are to assist the Board to:-

- examine the manner in which management ensures and monitors the accuracy, quality and objectivity of the Bank's financial reporting to external bodies, including shareholders and regulators in accordance with the Law and appropriate accounting standards;
- examine the manner in which management ensures and monitors the effectiveness and appropriateness of management accounting practices and other internal control systems; and
- ensure compliance with all banking regulations which relate to the responsibilities and obligations of a locally incorporated bank, as defined by the BAFIA, BNM and the Financial Services Authority, UK from time to time, and any other appropriate regulators and bodies which are or will become relevant to the conduct of the Bank's business.

Number of meetings held

The AC meets on a quarterly basis and during the financial year 2012, the committee met four (4) times and the attendance of the members are as follows:-

<u>Members</u>	<u>Attendance and Number of Meetings</u>
Datuk Abu Hassan bin Kendut - Chairman	4/4
Datuk Ishak bin Imam Abas	4/4
Datuk Seri Michael Yam Kong Choy	3/4

d) Board Risk Committee

The Board Risk Committee ("BRC") was established on 27 November 2008.

Membership and composition

The members of the BRC are:-

Datuk Ishak bin Imam Abas - Chairman

Datuk Abu Hassan bin Kendut

Osman Tarique Morad

Datuk Seri Michael Yam Kong Choy (appointed as Board Risk Committee Member on 15 February 2012)

Tan Sri Dato' Mohd Sheriff bin Mohd Kassim (ceased as Board Risk Committee Member on 15 February 2012)

All of the BRC members are Independent Non-Executive Directors, with the exception of Mr Osman Tarique Morad who is a Non-Independent Non-Executive Director.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

Committees (continued)

d) Board Risk Committee (continued)

Terms of Reference

The terms of reference of BRC was subsequently revised and approved by the Board on 13 October 2009, 31 March 2010 and 22 September 2010.

The primary functions of the BRC are to assist the Board to:-

- review and recommend risk management strategies, policies and risk tolerance for the Board's approval;
- review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively; and
- ensure infrastructure, resources and systems are in place for risk management, i.e. to ensure that the staff responsible for implementing risk management system perform those duties independently of the financial institutions' risk-taking activities.

Number of meetings held

The BRC meets on a quarterly basis and during the financial year 2012, the committee met four (4) times and the attendance of the members are as follows:-

<u>Members</u>	<u>Attendance and Number of Meetings</u>
Datuk Ishak bin Imam Abas - Chairman	4/4
Datuk Abu Hassan bin Kendut	4/4
Osman Tarique Morad	4/4
Datuk Seri Michael Yam Kong Choy	2/3

Risk Management

Risk management is the set of end-to-end activities through which we make risk-taking decisions and we control and optimize the risk-return profile of the Bank. It is a bank-wide activity and starts right at the front-line. The management of risk lies at the heart of the Bank's business. Effective risk management is a central part of the financial and operational management of the Bank and fundamental to our ability to generate profits consistently and maximize the interests of shareholders and other stakeholders.

Through the Risk Management Framework ("RMF"), the Bank manages enterprise-wide risks. One of the main risks incurred arises from extending credit to customers through financing and trading operations. Beyond credit risk, the Bank is also exposed to a range of other risk types such as market, operational, Syariah, liquidity, reputational and other risks which are inherent in the Bank's strategy and business the Bank has chosen to participate in.

As part of this framework, the Bank uses a set of principles that describes the risk management culture it wishes to sustain:

- **Balancing risk and return:** risk is taken in support of the requirements of stakeholders, in line with the Bank's strategy and within the Bank's risk appetite;
- **Responsibility:** it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. The Bank takes account of its social responsibilities and its commitments to customers in taking risk to produce a return;
- **Accountability:** risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported;
- **Anticipation:** seek to anticipate future risks and ensure awareness of all known risks; and
- **Competitive advantage:** seek to achieve competitive advantage through efficient and effective risk management and control.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Risk Management (continued)

Risk Governance

Risk governance refers to those parts of the Bank's overall governance mechanisms that relate to risk management and control. Risk governance is exercised through the decision making authority vested in individual managers and committees.

Ultimate responsibility for the effective management of risk rests with the Board. The Board delegates authority for the management of risk to several committees.

Acting with an authority delegated by the Board, the Board Risk Committee ("BRC") has oversight over risk management framework and senior management activities in managing and controlling all risks. BRC is chaired by and consists only of Non-Executive Directors.

Executive Committee ("EXCO"), through its authority delegated by the Board, is responsible for executing strategy as approved by the Board and to ensure robust control environment. EXCO is also responsible for the management of pension and strategic risks.

The Asset and Liability Committee ("ALCO"), through its authority delegated by EXCO, is responsible for the management of capital ratios and the establishment of, and compliance with, policies relating to balance sheet management, including management of the Bank's liquidity and capital adequacy.

The Risk Management Committee ("RMC") with its authority delegated by EXCO, shall hold executive responsibility for risk management and control of all risks, except those for which EXCO and ALCO have direct responsibilities. The RMC is also responsible for defining the Bank's overall risk management framework.

The Syariah Advisory Committee ("SAC"), through the authority delegated by the Board, is responsible for assuring that all Islamic Banking products and services comply with the Syariah requirement.

Flow of Authority

Authority flows from the RMC and ALCO to their sub-committees and may be cascaded further from there. Reporting of material risk exposures, risk issues and assurance with policies and standards is communicated from the relevant risk type committees up to the RMC, in accordance with their degree of materiality to the Bank. Line managers are also required to ensure that all risk exposures, risk issues and evidence of assurance with policy are classified in terms of the applicable risk control area, risk type and organizational levels.

Three Lines of Defence

- The first line of defence is that all employees are required to ensure the effective management of risks within the scope of their direct organizational responsibilities.
- The second line of defence comprises the Risk Control Owners, supported by their respective control functions. Risk Control Owners are responsible for ensuring that the residual risks within their scope of their responsibilities remain within appetite. The second line is independent of the origination, trading and sales functions to ensure that the necessary balance and perspective is brought to risk/return decisions.
- The third line of defence comprises the assurance provided by the Group Internal Audit ("GIA") established at the immediate holding company which has no responsibilities for any of the activities it examines. GIA provides independent assurance of the effectiveness of the management's control of its own business activities (first line) and of the processes maintained by the Risk Control Functions (the second line). As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the RMF.

Risk Function

The role of the risk function is led by the Country Chief Risk Officer. The risk function is independent of the origination and sales functions to ensure that the necessary balance in risk/return decisions is not compromised by short term pressures to generate revenues.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Risk Management (continued)

Risk appetite

Risk appetite is the statement of the amount of risk that the Bank is willing to take in the pursuit of its strategic goals. When setting the risk appetite, the Bank considers overall risk management strategy/approach and appropriate margin between actual risk exposure and its risk capacity. At country level, a detailed annual risk appetite assessment is performed, where its portfolio is assessed for how it contributes towards upholding the Bank's risk appetite statement and to assess key issues and potential concerns around the country's business strategy and portfolio composition.

Stress testing

Stress testing and scenario analysis are used to assess the capability of the Bank to continue operating effectively under extreme but plausible trading conditions. Stress testing activities are performed as necessary, to evaluate the impact on the portfolio or on certain customer segments, as a result of developments in the market.

Internal Audit and Control activities

The Board is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximise profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations, and enhance resilience to external events. This is supported by the RMF described earlier, which is underpinned by policy statements, written procedures and control manuals.

The Bank has also established a management structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated. Various risk committees are established to regularly review the Bank's risk profile. The performance of the Bank's business is reported regularly to senior management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are closely monitored. Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include appropriate segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions.

The effectiveness of the Bank's internal control system is reviewed regularly by the ultimate holding company's Internal Audit, which previously used to cover the Islamic banking operations of the immediate holding company as well. The Group Internal Audit, who is independent from the business operations, monitors compliance with policies and standards and the effectiveness of internal controls structures of the Group and highlights significant findings in respect of any non-compliance. The work of GIA is focused on areas of greatest risk as determined by a risk assessment approach and reports regularly to the AC. The AC reviewed the annual confirmation from the Senior Management that throughout 2012, significant risks had been regularly assessed and monitored and all major systems of internal control had been operating effectively. All material risks and losses received adequate management attention and were reported on a regular basis to the relevant committees and the Board.

The AC also reviewed and approved the annual audit plan, internal audit reports, audit recommendations made as well as the management's response to these recommendations. All medium and high risk issues are tracked and reported to AC and immediate corrective action is required.

Related Party Transactions

There were no other significant related party transactions other than as reported in Note 23.

Management Report

The Board, as a whole, receives and reviews regular reports from the management on the key operating statistics, legal and regulatory matters and minutes of the Executive Committee Meetings. In addition, the CEO holds a monthly briefing to the independent directors on the performance and operations of the Bank and any strategic, financial, operational, compliance or governance issues.

From time to time between meetings, the management (ordinarily by way of the Chief Executive Officer), advise the Board of any significant developments through a suitable method of communication.

Ratings Statement

RAM Rating Services Berhad had rated the long and short-term general bank ratings of Standard Chartered Saadiq Berhad to be AAA and P1, respectively, in September 2012.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

Compliance with Bank Negara Malaysia's expectation on Financial Reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines in Financial Reporting for Licensed Islamic Banks and Guidelines on Classification and Impairment Provisions for Financing.

Board of Directors and their interests in shares

According to the Register of Directors' Shareholdings, the interest of directors in office at the end of the financial year in the shares of the Bank and its related corporations are as follows:-

	As at 1.1.2012	Number of shares		As at 31.12.2012
		Acquired	Disposed	
<u>In Standard Chartered PLC</u>				
<u>Ordinary shares of US\$0.50 each</u>				
Osman Tarique Morad	10,423	7,526 (A)	(6,992)	10,957
Neeraj Swaroop	65,425	2,064	-	67,489
Muhammad Afaq Khan	-	18,716 (B)	(18,716)	-
	As at 1.1.2012	Number of options		As at 31.12.2012
		Awarded/ Granted	Lapsed/ Exercised	
<u>International Sharesave Scheme</u>				
Osman Tarique Morad	806	-	-	806
<u>Restricted Share Scheme</u>				
Muhammad Afaq Khan	224	-	(224)	-
Osman Tarique Morad	1,937	-	-	1,937
Neeraj Swaroop	6,979	-	-	6,979
<u>Options Over Performance Share Plan</u>				
Osman Tarique Morad	6,406	-	(6,406)	-
Neeraj Swaroop	46,584	20,614	-	67,198
<u>Deferred Restricted Share Scheme</u>				
Muhammad Afaq Khan	34,777	-	(18,492)	16,285
Wasim Akhtar Saifi	-	4,225	-	4,225
Neeraj Swaroop	15,444	9,730	-	25,174
Osman Tarique Morad	4,719	115	(2,988)	1,846
<u>Deferred Restricted Share Award</u>				
Muhammad Afaq Khan	-	6,442	-	6,442
Osman Tarique Morad	-	1,546	-	1,546
<u>Performance Share Award</u>				
Osman Morad	3,065	3,339	-	6,404
Wasim Akhtar Saifi	-	4,122	-	4,122

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

Board of Directors and their interests in shares (continued)

- (A) Acquired by way of the exercise of Performance Share Plan and Deferred Restricted Share Scheme.
- (B) Acquired by way of the exercise of Restricted Share Scheme and Deferred Restricted Share Scheme.

The other Directors did not hold or deal in the shares of the Bank or its related corporations during the financial year.

Issue of shares and debentures

During the financial year, the Bank increased its issued and paid-up share capital from RM96,500,000 to RM102,750,000 by the issuance of 6,250,000 new ordinary shares of RM1 each for cash at an issue price of RM4 per share for working capital purpose. The shares rank pari passu with the existing shares.

There were no changes in the authorised share capital of the Bank during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Bank during the financial year.

Directors' benefits

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangements to which the Bank is a party whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate except for shares and options awarded under the Standard Chartered Restricted Share Scheme, International Sharesave Scheme, Options Over Performance Share Plan, Deferred Restricted Share Scheme, Deferred Restricted Share Award and Performance Share Award.

Since the end of the previous financial period, no Director of the Bank has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 20 to the financial statements or the fixed salary of a full time employee of the Bank or of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Holding companies

The Directors regard Standard Chartered Bank Malaysia Berhad ("SCBMB"), a company incorporated in Malaysia, as the immediate holding company of the Bank and Standard Chartered PLC, a company incorporated in Great Britain, as the ultimate holding company of the Bank.

Zakat Obligation

The Bank does not pay zakat on behalf of the shareholders or depositors.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Company No. 823437K

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim

.....
Wasim Akhtar Saifi

Kuala Lumpur
Date: 24 April 2013

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

**Statement by Directors pursuant to
Section 169(15) of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 22 to 99 are drawn up in accordance with the Companies Act, 1965 in Malaysia and Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and Guidelines on Financial Reporting for Licensed Islamic Banks issued by Bank Negara Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 December 2012 and of the financial performance and cash flows for the year then ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Tan Sri Dato' Mohd Sheriff bin Mohd Kassim

.....
Wasim Akhtar Saifi

Kuala Lumpur
Date: 24 April 2013

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

**Statutory Declaration pursuant to
Section 169(16) of the Companies Act, 1965**

I, Wong Lai Loong, the officer primarily responsible for the financial management of Standard Chartered Saadiq Berhad, do solemnly and sincerely declare that the financial statements set out on pages 22 to 99 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 24 April 2013.

.....
Wong Lai Loong

Before me:

Independent Auditors' Report to the member of Standard Chartered Saadiq Berhad
Standard Chartered Saadiq Berhad
(Company No. 823437 K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Standard Chartered Saadiq Berhad, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 99.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of these financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose.

We do not assume responsibility to any other person for the content of this report.

KPMG

Firm Number: AF 0758
Chartered Accountants

Adrian Lee Lye Wang

Chartered Accountant
Approval Number: 2679/11/13(J)

Petaling Jaya
Date: 24 April 2013



“In the name of Allah, the Compassionate, the Merciful”

SYARIAH ADVISORY COMMITTEE'S REPORT

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Standard Chartered Saadiq Berhad during the year ended 31 December 2012. We have also conducted our review to form an opinion as to whether the Standard Chartered Saadiq Berhad has complied with the Syariah principles and with the Syariah rulings issued by the Syariah Advisory Council of Bank Negara Malaysia, as well as Syariah decisions made by us.

The management of Standard Chartered Saadiq Berhad is responsible for ensuring that the financial institution conducts its business in accordance with Syariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Standard Chartered Saadiq Berhad, and to report to the Board.

We have assessed the work carried out by Syariah review and Syariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by Standard Chartered Saadiq Berhad.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that Standard Chartered Saadiq Berhad has not violated the Syariah principles.

In our opinion:

1. the contracts, transactions and dealings entered into by Standard Chartered Saadiq Berhad during the year ended 31 December 2012 that we have reviewed are in compliance with the Syariah principles;
2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Syariah principles;
3. all earnings that have been realised from sources or by means prohibited by the Syariah principles have been considered for disposal to charitable causes.
4. Standard Chartered Saadiq Berhad during the year ended 31 December 2012 is not required to pay *zakat* because its shareholder is non-Muslim.

We, the members of the Syariah Advisory Committee of Standard Chartered Saadiq Berhad, do hereby confirm that the operations of Standard Chartered Saadiq Berhad for the year ended 31 December 2012 have been conducted in conformity with the Syariah principles.

On behalf of the Syariah Advisory Committee

Chairman of the Syariah Advisory Committee
Dr. Hikmatullah Babu Sahib

Syariah Advisory Committee Member
**Associate Professor
Dr Nurdianawati Irwani Abdullah**

Kuala Lumpur
Date: 24 April 2013

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Assets				
Cash and short term funds	3	1,577,146	2,783,398	940,388
Deposits and placements with banks and other financial institutions	4	-	-	-
Investment securities available-for-sale	5	1,141,634	174,521	623,326
Financing and advances	6	3,936,712	2,856,154	2,325,510
Derivative financial assets	29	10,031	20,574	59,781
Other assets	8	513,939	13,679	74,421
Tax recoverable		-	289	1,398
Statutory deposits with Bank Negara Malaysia	9	138,685	92,552	24,760
Property, plant and equipment	10	6,357	5,662	-
Deferred tax assets	25	5,384	3,542	3,486
Total assets		7,329,888	5,950,371	4,053,070
Liabilities				
Deposits from customers	11	3,900,803	2,945,059	1,321,460
Deposits and placements of banks and other financial institutions	12	2,377,526	2,282,853	2,092,486
Derivative financial liabilities	29	9,857	19,893	58,863
Other liabilities	13	485,878	235,985	156,569
Tax payable		12,186	-	-
Total liabilities		6,786,250	5,483,790	3,629,378
Equity				
Share capital	14	102,750	96,500	96,500
Reserves	15	440,888	370,081	327,192
Total equity attributable to equity holder of the Bank		543,638	466,581	423,692
Total liabilities and equity		7,329,888	5,950,371	4,053,070
Commitments and contingencies	27	2,474,525	2,671,860	12,645,894

The notes set out on pages 27 to 99 are an integral part of these financial statements.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	Note	2012 RM'000	2011 RM'000
Income derived from investment of depositors' funds and others	16	156,392	99,049
Income derived from investment of shareholder's funds	18	247,777	189,155
Provisions for financing	21	(60,232)	(52,212)
Transfer from profit equalisation reserves	13	-	7,478
Total distributable income		<u>343,937</u>	<u>243,470</u>
Income attributable to depositors	17	(170,440)	(98,363)
Total net income		<u>173,497</u>	<u>145,107</u>
Other operating expenses	19	(103,102)	(88,752)
Profit before taxation		<u>70,395</u>	<u>56,355</u>
Tax expense	24	(18,208)	(13,470)
Profit for the year		<u><u>52,187</u></u>	<u><u>42,885</u></u>
Other comprehensive (expense)/income, net of income tax			
Items that may be reclassified to subsequently to profit or loss			
Fair value reserve (investment securities available-for-sale):			
Net change in fair value		(130)	4
Net amount transferred to profit or loss		-	-
Other comprehensive (expense)/income for the year, net of income tax		<u>(130)</u>	<u>4</u>
Total comprehensive income for the year		<u><u>52,057</u></u>	<u><u>42,889</u></u>
Basic earnings per ordinary share (sen)	26	<u><u>52.4</u></u>	<u><u>44.4</u></u>

The notes set out on pages 27 to 99 are an integral part of these financial statements.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	← <i>Non-Distributable Reserves</i> →				<i>Distributable Reserves Retained profits</i>	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	RM'000	
At 1 January 2012	96,500	289,500	59,924	57	20,600	466,581
Issuance of shares	6,250	18,750	-	-	-	25,000
Fair value reserve (investment securities available-for-sale):- Net changes in fair value	-	-	-	(130)	-	(130)
Total other comprehensive (expense) for the year	-	-	-	(130)	-	(130)
Profit for the year	-	-	-	-	52,187	52,187
Total comprehensive (expense)/income for the year	-	-	-	(130)	52,187	52,057
Transfer to statutory reserves	-	-	26,093	-	(26,093)	-
At 31 December 2012	102,750	308,250	86,017	(73)	46,694	543,638
	Note 14	Note 15	Note 15	Note 15	Note 15	

The notes set out on pages 27 to 99 are an integral part of these financial statements.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	← <i>Non-Distributable Reserves</i> →			<i>Distributable Reserves</i> Retained profits RM'000	Total RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000			AFS reserves RM'000
At 1 January 2011	96,500	289,500	31,706	53	5,933	423,692
Fair value reserve (investment securities available-for-sale):- Net changes in fair value	-	-	-	4	-	4
Total other comprehensive income for the year	-	-	-	4	-	4
Profit for the year	-	-	-	-	42,885	42,885
Total comprehensive income for the year	-	-	-	4	42,885	42,889
Transfer to statutory reserves	-	-	28,218	-	(28,218)	-
At 31 December 2011	96,500	289,500	59,924	57	20,600	466,581
	Note 14	Note 15	Note 15	Note 15	Note 15	

The notes set out on pages 27 to 99 are an integral part of these financial statements.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	2012 RM'000	2011 RM'000
Cash flows from operating activities		
Profit before taxation	70,395	56,355
Adjustments for:-		
Depreciation	2,966	2,101
Profit equalisation reserves	-	(7,478)
Amortisation of premium less accretion of discount on investment securities available-for-sale	(17,531)	17,820
Operating profit before working capital changes	55,830	68,798
Changes in working capital:-		
Financing and advances	(1,080,558)	(530,644)
Derivative financial instruments	507	237
Other assets	(500,260)	60,742
Statutory deposits with Bank Negara Malaysia	(46,133)	(67,792)
Deposits from customers	955,744	1,623,599
Deposits and placements of banks and other financial institutions	94,673	190,367
Other liabilities	249,893	86,894
Cash (used in) / generated from operations	(270,304)	1,432,201
Income taxes paid	(7,533)	(12,417)
Net cash (used in) / generated from operating activities	(277,837)	1,419,784
Cash flows from investing activities		
Purchase of investment securities available-for-sale	(4,448,080)	(580,000)
Purchase of property, plant and equipment	(3,661)	(7,763)
Proceeds from disposal of investment securities available-for-sale	3,498,326	1,010,989
Net cash (used in) / generated from investing activities	(953,415)	423,226
Cash flows from financing activity		
Proceeds from issuance of shares	25,000	-
Net cash generated from financing activity	25,000	-
Net (decrease) / increase in cash and cash equivalents	(1,206,252)	1,843,010
Cash and cash equivalents brought forward	2,783,398	940,388
Cash and cash equivalents carried forward	1,577,146	2,783,398
Cash and cash equivalents comprise:		
Cash and short term funds (Note 3)	1,577,146	2,783,398

The notes set out on pages 27 to 99 are an integral part of these financial statements.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

Notes to the financial statements

Standard Chartered Saadiq Berhad is a limited company incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is as follows:-

Level 16, Menara Standard Chartered
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

The principal activities of the Bank are Islamic banking and related financial services.

The immediate and ultimate holding company of the Bank during the financial year were Standard Chartered Bank Malaysia Berhad ("SCBMB"), a company incorporated in Malaysia and Standard Chartered PLC, a company incorporated in Great Britain.

1. Basis of preparation of the financial statements

(a) Statement of Compliance

The financial statements of the Bank has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRS"), Companies Act, 1965 in Malaysia, and Syariah requirements.

These are the Bank's first financial statement prepared in accordance with MFRSs and MFRS 1, *First-Time Adoption of Malaysian Financial Reporting Standards* has been applied. In the previous financial years, the financial statements of the Bank were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia. An explanation of how the transition to MFRSs has affected the reported financial position, financial performance and cashflows of the Bank is provided in Note 35.

The Bank has early adopted the amendments to MFRS 101, Presentation of Financial Statements which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of comprehensive income.

Accounting standards not yet effective

The following MFRSs and IC Interpretations have been issued by the MASB and are not yet effective:

Effective for annual periods commencing on or after 1 January 2013

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

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

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

(a) Statement of Compliance (continued)

Effective for annual periods commencing on or after 1 January 2013 (continued)

- xv) *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)* (Amendments to MFRS 134)
- xvi) *Consolidated Financial Statements: Transition Guidance* (Amendments to MFRS 10)
- xvii) *Joint Arrangements: Transition Guidance* (Amendments to MFRS 11)
- xviii) *Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to MFRS 12)

Effective for annual periods commencing on or after 1 January 2014

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

Effective for annual periods commencing on or after 1 January 2015

- i) MFRS 9 *Financial Instruments (IFRS 9 issued in November 2009)*
- ii) MFRS 9 *Financial Instruments (IFRS 9 issued in October 2010)*
- iii) *Financial Instruments: Disclosure- Mandatory Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 7)*

The Bank plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2013 for those standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2013, except for IC Interpretation 20 which is not applicable to the Bank.
- from the annual period beginning on 1 January 2014 for those 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 or 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 and 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 financial statements were approved by the Board of Directors on 24 April 2013.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

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

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except as mentioned in the respective accounting policy notes.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with the MFRS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ from these estimates.

In determining the carrying amounts of some assets and liabilities, the Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the statement of financial position date. The Bank's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are described in the following notes:-

- i) Estimation of recoverable amounts based on the discounted cash flow methodology for impaired financing (Note 2(a)(viii)(B))
- ii) Estimation of actuarial life for recognition of financing income, financing expense and effective profit method (Note 2(g)(i) and Note 2(i) and Note 2(l))
- iii) Fair value estimation of financial assets and financial liabilities (Note 30)

2. Significant accounting policies

The accounting policies set out below have been applied consistently in these financial statements and in preparing the opening MFRS statement of financial position of the Bank at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

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

(a) Financial instruments

i) *Initial recognition and measurement*

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

ii) *Financial instrument categories and subsequent measurement*

Financial assets

The Bank categorise financial instruments as follows:-

A) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises two sub-categories: financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition.

A financial asset is classified as trading if acquired principally for the purpose of selling in short term. Financial assets may be designated at fair value through profit or loss when:-

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets on a different basis;
- a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis; or
- the assets included embedded derivatives and such derivatives are required to be recognised separately.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised as net trading income in the statement of comprehensive income. Profit income from the financial assets held for trading, calculated using the effective profit method, is recognised in the statement of comprehensive income.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

B) Investment securities held-to-maturity

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturities that the Bank have the positive intent and ability to hold to maturity and which are not designated as held for trading nor available-for-sale. These securities are measured at amortised cost using the effective profit method. A gain or loss is recognised in the statement of comprehensive income when the securities are derecognised. Amortisation of premium or accretion of discount for securities are also recognised in the statement of comprehensive income.

Any sale or reclassification of a significant amount of investment securities held-to-maturity not close to their maturity would result in the reclassification of all investment securities held-to-maturity to investment securities available-for-sale, and prevent the Bank from classifying similar class of securities as investment securities held-to-maturity for the current and following two financial years.

C) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than those due to credit deterioration. Financial assets classified under this category are Cash and short term funds and Financing and advances.

Financial assets categorised as financing and receivables are subsequently measured at amortised cost using the effective profit method. The amortised cost of the financial asset is the amount at which the financial asset is measured at initial recognition, less principal repayment, plus or less the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment. Profit income is recognised as income in the statement of comprehensive income using effective profit method.

D) Available-for-sale financial assets

Available-for-sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in market conditions.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in statement of comprehensive income. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from other comprehensive income into the statement of comprehensive income. Interest calculated for a debt instrument using the effective profit method is recognised in the statement of comprehensive income.

Income from investment securities available-for-sale (including zero coupon debt instruments), calculated using the effective profit method, is recognised in the statement of comprehensive income.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

D) Available-for-sale financial assets (continued)

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment stated in Note 2(a)(viii) to the financial statements.

Financial liabilities

The financial liabilities of the Bank include Deposits from customers, Deposits and placements of banks and other financial institutions, Financial derivatives and Other liabilities.

Prior to the adoption of MFRSs, the Bank measured financial liabilities, subsequent to initial recognition, at amortised cost using the effective profit method in accordance with BNM guidelines on Financial Reporting for Banking Institutions.

With the adoption of MFRS 139, the Bank have applied fair value option for certain financial liability instruments.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in the statement of comprehensive income.

iii) Financial guarantee contracts

In the ordinary course of business, the Bank gives financial guarantees, consisting letters of credit, guarantees and acceptances. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to statement of comprehensive income using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in the statement of comprehensive income upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the trade date, and
- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

v) Derivative financial instruments and hedge accounting

The derivative financial instruments are recognised at inception on the statement of financial position (including the transaction costs), which are usually zero or negligible at inception, and subsequent changes in fair value as a result of fluctuation in market profit rates or foreign exchange rates are recorded as derivative financial assets (favourable) and derivative financial liabilities (unfavourable).

In addition, the Bank enters into derivative transactions for hedging purposes, largely to manage exposures to profit rate and foreign currency, arising from its core banking activities of lending and accepting deposits.

The objective of applying hedge accounting is to reduce volatility in the statement of comprehensive income arising from fair valuation of derivatives. Derivative instruments are recognised at inception on the statement of financial position (including the transaction costs), which are usually zero or negligible at inception, and subsequent changes in fair value as a result of fluctuation in market profit rates or foreign exchange rates are recorded as derivative financial assets (favourable) and derivative financial liabilities (unfavourable).

The Bank formally assess, both at the inception of the hedge and on an on-going basis, whether the hedging derivatives have been 'highly effective' in offsetting changes in the fair value or cash flows of the hedged items. 'Hedge effectiveness' represents the amount by which the changes in the fair value of the hedging derivatives differ from changes in the fair value of the hedged item relating to the hedged risk. Such gains or losses are recorded in current period earnings.

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the statement of comprehensive income.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in statement of comprehensive income. The gain or loss on the hedged item, except for hedged items categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in statement of comprehensive income. For a hedged item categorised as available-for-sale, the fair value gain or loss attributable to the hedged risk is recognised in statement of comprehensive income.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

v) *Derivative financial instruments and hedge accounting (continued)*

Fair value hedge (continued)

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the statement of comprehensive income. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in statement of comprehensive income.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into statement of comprehensive income in the same period or periods during which the hedged forecast cash flows affect statement of comprehensive income. If the hedged item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from other comprehensive income and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from other comprehensive income into statement of comprehensive income.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from other comprehensive income into statement of comprehensive income.

vi) *Derecognition*

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the statement of comprehensive income.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

vii) Offsetting

Financial assets and liabilities are offset and the net amount presented on the statement of financial position when there is a legally enforceable right to offset the amounts and the intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expense are presented on a net basis only when permitted by the accounting standards.

viii) Impairment of financial assets

The Bank assess at each end of reporting period whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the present value of estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that an issuer of securities or a borrower or a group of borrowers is experiencing significant financial difficulties, default or delinquency in interest or principal repayments, that it is possible that they will enter bankruptcy or other financial recognition and that there are observable data indicating a reasonable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlates with default.

A) Securities

The carrying amount of the Bank's securities are reviewed at each reporting date to determine whether there is any objective evidence of impairment on the securities or group of securities. If any such evidence exists, the Bank will apply the following:-

- *Securities carried at amortised cost*
The impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at its original effective profit rate. The carrying amount of the securities is reduced through the use of an allowance account. The amount of the loss is recognised in the statement of comprehensive income.

If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.
- *Securities carried at cost*
The amount of impairment loss is measured as the difference between the carrying amount of unquoted equity securities and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment loss shall not be reversed.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

viii) Impairment of financial assets (continued)

A) *Securities (continued)*

▪ *Investment securities available-for-sale*

The cumulative loss that had been recognised directly in other comprehensive income shall be removed from other comprehensive income and recognised in the statement of comprehensive income even though the securities have not been derecognised. The amount of cumulative loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that securities previously recognised in the statement of comprehensive income.

Impairment losses recognised in the statement of comprehensive income for an investment in an equity investment classified as available-for-sale, is not reversed through the statement of comprehensive income.

If, in subsequent periods, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment was recognised in the statement of comprehensive income, that portion of impairment loss is reversed through the statement of comprehensive income.

B) *Financing and advances*

The carrying amount of the Bank's financing and advances are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment subject to BNM's minimum requirement of classifying financing and advances as impaired where customers accounts are classified as 'impaired', where repayments are in arrears for more than 90 days for financing, and 30 days after maturity date for trade bills, bankers' acceptance and trust receipts. If such evidence exists, the recoverable amount of the financing and advances is estimated. Individual impairment provisions is provided in the statement of comprehensive income whenever the carrying amount of the impaired financing and advances exceeds its recoverable amount (being the present value of estimated future cash flows discounted at customer effective rate). The estimated future cash flows are based on projection of liquidation proceeds from realisation of collateral assets or estimates of future operating cash flows.

Prior to the adoption of MFRSs, the Bank applied the transitional provision as stated in the BNM guidelines on Classification and Impairment Provisions for Loans/Financing and maintained collective impairment provisions at 1.5% of total outstanding financing and advances, net of individual impairment provision.

With the adoption of MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139"), the Bank first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in group of financial assets with similar credit characteristics and collectively assess them for impairment.

Uncollectible financing and advances or portion of financing and advances which are classified as bad is written off after taking into consideration the discounted realisable value of the collateral, if any, when in the judgement of the management, there is no prospect of recovery.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

viii) Impairment of financial assets (continued)

B) Financing and advances (continued)

For financing converted into debt or equity instruments, these financial instruments are measured at their fair value. The difference between the net book value of the restructured financing (outstanding amounts of financing and advances net of individual impairment provisions) and the fair value of the debt or equity instruments will be the gain or loss from the conversion exercise.

(b) Property, plant and equipment

i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to its location and working condition for its intended use, and the costs of dismantling and removing the assets and restoring the site on which the assets are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

ii) Subsequent costs

Subsequent costs incurred in replacing part of an item of property, plant and equipment are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

iii) Depreciation

Depreciation on other property, plant and equipment is calculated to write off the cost of the property, plant and equipment on a straight line basis over the estimated useful lives of the assets concerned.

The estimated useful lives for the current and comparative periods are as follows:-

Premises, plant and equipment	3 to 10 years
Office equipment	3 to 8 years
Furniture and fittings	3 to 8 years

Depreciation methods, residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(c) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(d) Impairment of other assets

The carrying amount of the Bank's assets, other than deferred tax asset and financial assets (excluding securities, where policies are as stated in Note 2 (a)(viii)(A)), are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of the asset's fair value less costs to sell and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus of the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus of the same asset.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (groups of units) on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is credited to the statement of comprehensive income in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus.

(e) Staff retirement and service benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Bank contributes to the Employees Provident Fund ("EPF") for eligible employees on a monthly basis. Obligations for contributions to EPF are recognised as an expense in the statement of comprehensive income in the year to which they relate. Once the contributions have been paid, the Bank has no further payment obligations.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(e) Staff retirement and service benefits (continued)

(ii) Share-based compensation

The Bank participates in equity-settled and cash-settled share-based compensation plan for its employees that is offered by its ultimate holding company, Standard Chartered PLC. The fair value of the services received in exchange for the grant of the options is recognised as an expense in the statement of comprehensive income over the vesting periods of the grant.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the Bank revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income.

(f) Operating leases

Rentals payable under operating leases are accounted for on the straight line basis over the period of the lease and are included in the statement of comprehensive income as "establishment costs".

(g) Income recognition

(i) Financing income

Financing income is recognised in the statement of comprehensive income using the effective profit method for financial assets measured at amortised cost. The effective profit rate is the rate that exactly discounts estimated future receipts through the expected life of the financial assets.

Where an account is classified as impaired, impairment provisions is made on principal outstanding and profit/fee accrued prior to an account being impaired. Upon impairment, subsequent contractual profit due will not be recognised as income.

(ii) Hibah

Dividend income from securities portfolio and placements which includes coupons earned, accrued discount and amortisation of premium of these securities is recognised on an accrual basis applying the effective profit method in accordance to the principles of Syariah and Guidelines on Financial Reporting for Licensed Islamic Banks ("BNM/GP8-i").

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(g) Income recognition (continued)

(iii) Other operating income

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

Service charges and processing fees are recognised when earned.

(h) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(i) Recognition of financing expense

Attributable profits on deposits and financing of the Bank are recognised on an effective profit method as described in Note 2(l). The effective profit rate is the rate that exactly discounts estimated future payments through the expected life of the financial liabilities.

(j) Profit equalisation reserves

Profit equalisation reserves ("PER") is a mechanism to reduce the fluctuations in the profit rate payable to the depositors. It is provided based on the framework of the Rate of Return issued by Bank Negara Malaysia. The amount of PER is appropriated from or written back to the total gross income. PER is reflected under 'other liabilities' of the Bank.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

2. Significant accounting policies (continued)

(k) Currency translations

Individual foreign currency assets and liabilities are stated in the statement of financial position at spot rates of exchange, which closely approximate those ruling at the statement of financial position date. Items in the statement of comprehensive income are translated at rates prevailing on transaction dates. Exchange gains and losses are recognised in the statement of comprehensive income in the period in which they arise.

(l) Effective profit rate

The effective profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the profit income or profit expense over the relevant period. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective profit rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective profit rate, transaction costs and all other premiums or discounts.

(m) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the financial year.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

3. Cash and short term funds

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Cash and balances with banks and other financial institutions	16,146	12,371	6,797
Money at call and deposit placements maturing within one month	1,561,000	2,771,027	933,591
	<u>1,577,146</u>	<u>2,783,398</u>	<u>940,388</u>

4. 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.

5. Investment securities available-for-sale

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<u>At fair value</u>			
Bank Negara Malaysia bills	1,096,633	99,434	548,105
Cagamas bonds	-	25,029	25,077
Islamic negotiable instruments of deposits	39,992	40,000	35,000
Islamic private debt securities	5,009	10,058	15,144
	<u>1,141,634</u>	<u>174,521</u>	<u>623,326</u>

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

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

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Term financing			
- House financing	1,099,405	938,834	834,699
- Hire purchase receivables	234,809	188,025	101,845
- Lease receivables	559,044	445,735	365,030
- Other term financing	2,491,825	1,995,375	1,389,013
Bill receivables	47,352	40,071	1,700
Trust receipts	160,608	170,535	184,694
Staff financing	1,843	3,042	3,318
Revolving credit	667,035	343,264	397,767
	<u>5,261,921</u>	<u>4,124,881</u>	<u>3,278,066</u>
Less: Unearned income	(1,243,438)	(1,191,103)	(892,266)
Gross financing and advances	4,018,483	2,933,778	2,385,800
Less: Impairment provision on financing and advances:-			
- Individual impairment provisions	(3,374)	(2,509)	(1,705)
- Collective impairment provisions	(78,397)	(75,115)	(58,585)
Total net financing and advances	<u>3,936,712</u>	<u>2,856,154</u>	<u>2,325,510</u>

(ii) By contract

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Bai Bithaman Ajil (<i>deferred payment sale</i>)	416,846	459,943	395,010
Ijarah (<i>lease</i>)	436,749	373,636	283,605
Ijarah Thumma Al-Bai (<i>finance lease</i>)	217,923	177,682	154,253
Murabahah (<i>cost plus</i>)	61,092	-	-
Bai'Al Inah (<i>sale and buy back</i>)	2,790,226	1,753,823	1,309,606
Other term loans	95,647	168,694	243,326
	<u>4,018,483</u>	<u>2,933,778</u>	<u>2,385,800</u>

(iii) By type of customer

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	249,761	45,802	60,133
Domestic business enterprises	1,734,919	1,136,409	1,103,336
<i>Small medium enterprises</i>	492,635	143,051	126,366
<i>Others</i>	1,242,284	993,358	976,970
Individuals	1,968,313	1,722,613	1,192,503
Foreign entities	65,490	28,954	29,828
	<u>4,018,483</u>	<u>2,933,778</u>	<u>2,385,800</u>

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

6. Financing and advances (continued)**(iv) By profit rate sensitivity**

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Fixed rate			
- House financing	3,045	4,035	4,694
- Hire purchase receivables	234,809	188,025	101,845
- Other financing	1,628,673	1,446,487	1,178,866
Variable rate			
- House financing	607,510	382,745	305,619
- Revolving credit	612,233	339,470	395,045
- Other financing	932,213	573,016	399,731
	<u>4,018,483</u>	<u>2,933,778</u>	<u>2,385,800</u>

(v) By sector

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Agriculture	152,690	-	8,666
Mining and quarrying	57,505	79,829	8,855
Manufacturing	512,174	351,922	254,196
Electricity, gas and water	2,225	2,273	192
Construction	78,203	33,725	17,396
Real estate	111,705	186,891	175,320
Wholesale & retail trade and restaurants & hotels	367,749	237,702	216,714
Transport, storage and communication	230,755	165,435	232,598
Finance, insurance and business services	390,520	100,572	212,444
Household	2,033,803	1,751,567	1,222,331
Others	81,154	23,862	37,088
	<u>4,018,483</u>	<u>2,933,778</u>	<u>2,385,800</u>

(vi) By purpose

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Purchase of landed property			
- Residential	636,949	388,033	311,625
- Non-residential	181,408	75,178	83,401
Fixed assets excluding land and building	148,826	97,797	53,237
Personal use	1,364,134	1,335,429	874,854
Working capital	1,687,166	1,022,623	1,044,255
Others	-	14,718	18,428
	<u>4,018,483</u>	<u>2,933,778</u>	<u>2,385,800</u>

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

6. Financing and advances (continued)**(vii) By maturity structure**

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Maturing within one year	728,327	393,700	961,806
One year to three years	851,449	582,000	386,189
Three years to five years	1,279,406	1,175,380	607,758
Over five years	1,159,301	782,698	430,047
	<u>4,018,483</u>	<u>2,933,778</u>	<u>2,385,800</u>

(viii) By geographical distribution

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Within Malaysia	<u>4,018,483</u>	<u>2,933,778</u>	<u>2,385,800</u>

(ix) Analysis of foreign currency exposure

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
USD	122,373	155,702	132,014
GBP	-	606	-
Other foreign currencies	-	-	272
	<u>122,373</u>	<u>156,308</u>	<u>132,286</u>

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

7. Impaired financing and advances**(i) Movements in impaired financing and advances**

	2012	2011
	RM'000	RM'000
At 1 January	18,510	22,430
Classified as impaired during the financial year	95,470	57,281
Reclassified as performing during the financial year	(1,687)	(1,402)
Amount recovered during the financial year	(11,616)	(8,667)
Amount written off	<u>(66,788)</u>	<u>(51,132)</u>
At 31 December	33,889	18,510
Individual impairment provisions	<u>(3,374)</u>	<u>(2,509)</u>
Net impaired financing and advances	<u>30,515</u>	<u>16,001</u>
Ratio of net impaired financing and advances to net financing and advances	<u>0.78%</u>	<u>0.56%</u>

(ii) Movements in impairment provisions for financing and advances

	2012	2011
	RM'000	RM'000
Collective Impairment Provisions		
At 1 January	75,115	58,585
Impairment provisions made during the financial year	15,241	20,273
Amount written back	<u>(11,959)</u>	<u>(3,743)</u>
At 31 December	<u>78,397</u>	<u>75,115</u>
As a percentage of gross financing and advances less individual impairment provisions	<u>1.95%</u>	<u>2.56%</u>

	2012	2011
	RM'000	RM'000
Individual Impairment Provisions		
At 1 January	2,509	1,705
Impairment made during the financial year	70,102	52,356
Amount written back in respect of recoveries	(1,519)	(752)
Amount written off	<u>(67,718)</u>	<u>(50,800)</u>
At 31 December	<u>3,374</u>	<u>2,509</u>

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

7. Impaired financing and advances (continued)**(iii) Impaired financing and advances by sector**

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Manufacturing	880	-	2,013
Wholesale & retail trade and restaurants & hotels	144	-	-
Household	32,719	18,510	20,417
Others	146	-	-
	<u>33,889</u>	<u>18,510</u>	<u>22,430</u>

(iv) Impaired financing and advances by purpose

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Purchase of landed property (<i>Residential</i>)	4,026	8,028	9,499
Personal use	29,573	10,482	12,896
Working capital	290	-	35
	<u>33,889</u>	<u>18,510</u>	<u>22,430</u>

(v) Impaired financing and advances by geographical distribution

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Within Malaysia	<u>33,889</u>	<u>18,510</u>	<u>22,430</u>

8. Other assets

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Income receivable	1,653	3,216	1,451
Other receivables, deposits and prepayments	<u>512,286</u>	<u>10,463</u>	<u>72,970</u>
	<u>513,939</u>	<u>13,679</u>	<u>74,421</u>

9. Statutory deposits with Bank Negara Malaysia

The statutory deposits are maintained with BNM in accordance with Section 37(1)(d) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as set percentages of total eligible liabilities.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

10. Property, plant and equipment

Cost	Buildings and refurbishment RM'000	Premises, plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Total RM'000
At 1 January 2012	-	1,808	2,430	3,525	7,763
Additions	1,222	1,327	890	222	3,661
At 31 December 2012	<u>1,222</u>	<u>3,135</u>	<u>3,320</u>	<u>3,747</u>	<u>11,424</u>
Accumulated Depreciation					
At 1 January 2012	-	345	810	946	2,101
Charge for the year	-	1,044	948	974	2,966
At 31 December 2012	<u>-</u>	<u>1,389</u>	<u>1,758</u>	<u>1,920</u>	<u>5,067</u>
Net book value					
At 31 December 2012	<u>1,222</u>	<u>1,746</u>	<u>1,562</u>	<u>1,827</u>	<u>6,357</u>
Cost	Buildings and refurbishment RM'000	Premises, plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Total RM'000
At 1 January 2011	-	-	-	-	-
Transfers from immediate holding company	-	88	2,146	2,429	4,663
Additions	-	1,720	284	1,096	3,100
Disposal	-	-	-	-	-
At 31 December 2011	<u>-</u>	<u>1,808</u>	<u>2,430</u>	<u>3,525</u>	<u>7,763</u>
Accumulated Depreciation					
At 1 January 2011	-	-	-	-	-
Charge for the year	-	345	810	946	2,101
Disposal	-	-	-	-	-
At 31 December 2011	<u>-</u>	<u>345</u>	<u>810</u>	<u>946</u>	<u>2,101</u>
Net book value					
At 31 December 2011	<u>-</u>	<u>1,463</u>	<u>1,620</u>	<u>2,579</u>	<u>5,662</u>

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

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

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Non-Mudharabah			
Demand deposits	250,883	213,909	211,909
Savings deposits	51,283	115,157	52,832
Investment deposit	13,599	-	-
Negotiable instruments of deposits	122,281	116,358	185,851
	<u>438,046</u>	<u>445,424</u>	<u>450,592</u>
Mudharabah			
Demand deposits	1,040,364	1,065,929	254,314
Savings deposits	34,987	9,661	10,936
General investment deposits	2,387,406	1,424,045	605,618
	<u>3,900,803</u>	<u>2,945,059</u>	<u>1,321,460</u>

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

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Due within six months	2,166,871	1,191,816	591,958
Six months to one year	239,158	231,131	87,267
One year to three years	9,231	23,916	26,398
Three years to five years	13,599	-	-
Over five years	94,427	93,540	85,846
	<u>2,523,286</u>	<u>1,540,403</u>	<u>791,469</u>

(ii) By type of customers

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Government and statutory bodies	1,154,653	185,847	100,000
Business enterprises	703,653	805,764	545,682
Individuals	1,570,905	1,724,263	445,076
Others	471,592	229,185	230,702
	<u>3,900,803</u>	<u>2,945,059</u>	<u>1,321,460</u>

12. Deposits and placements of banks and other financial institutions

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Non-Mudharabah			
Licensed banks	98,796	22,749	25,574
Other financial institutions	37,137	108,382	75,799
	<u>135,933</u>	<u>131,131</u>	<u>101,373</u>
Mudharabah			
Licensed banks	2,241,593	2,151,722	1,991,113
	<u>2,377,526</u>	<u>2,282,853</u>	<u>2,092,486</u>

Included in Mudharabah deposits placements of licensed banks is an amount of RM2,241,593,000 (2011:RM2,151,722,000) related to placement made by immediate holding company under Profit Sharing Investment Account ("PSIA").

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

13. Other liabilities

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Income payable	24,228	16,854	6,797
Profit equalisation reserves	-	-	7,478
Other payables and accruals	461,650	219,131	142,294
	<u>485,878</u>	<u>235,985</u>	<u>156,569</u>
		31.12.2012 RM'000	31.12.2011 RM'000
Profit equalisation reserves:-			
At 1 January		-	7,478
Amount written back during the financial year		-	(7,478)
At 31 December		<u>-</u>	<u>-</u>

14. Share capital

	31.12.2012		31.12.2011		1.1.2011	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares of RM1 each						
Authorised						
At 1 January	1,000,000	1,000,000	1,000,000	1,000,000	100,000	100,000
Increased during the year	-	-	-	-	900,000	900,000
At 31 December	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid						
At 1 January	96,500	96,500	96,500	96,500	75,000	75,000
Issued during the year	6,250	6,250	-	-	21,500	21,500
At 31 December	<u>102,750</u>	<u>102,750</u>	<u>96,500</u>	<u>96,500</u>	<u>96,500</u>	<u>96,500</u>

15. Reserves

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<i>Non-distributable:</i>			
Share premium	308,250	289,500	289,500
Statutory reserves	86,017	59,924	31,706
AFS reserves	(73)	57	53
	<u>394,194</u>	<u>349,481</u>	<u>321,259</u>
<i>Distributable:</i>			
Retained profits	46,694	20,600	5,933
	<u>440,888</u>	<u>370,081</u>	<u>327,192</u>

The statutory reserves are maintained in compliance with Section 15 of the Islamic Banking Act, 1983 and are not distributable as cash dividends.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

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

	2012 RM'000	2011 RM'000
Income derived from investment of:-		
(i) General investment deposits	95,723	47,894
(ii) Other deposits	60,669	51,155
	<u>156,392</u>	<u>99,049</u>

(i) Income derived from investment of general investment deposits

	2012 RM'000	2011 RM'000
Finance income and hibah		
Financing and advances	60,686	38,023
Investment securities available-for-sale	232	447
Money at call and deposits with financial institutions	25,033	17,700
	85,951	56,170
Amortisation of premium less accretion of discount	10,731	(8,616)
Total finance income and hibah	<u>96,682</u>	<u>47,554</u>
Other operating income		
Fees and commission income:-		
- Arising from financial instruments not fair valued through profit or loss	21,653	10,655
Fees and commission expense:-		
- Arising from financial instruments not fair valued through profit or loss	(22,612)	(10,315)
	(959)	340
	<u>95,723</u>	<u>47,894</u>

(ii) Income derived from investment of other deposits

	2012 RM'000	2011 RM'000
Finance income and hibah		
Financing and advances	38,460	40,612
Investment securities available-for-sale	147	477
Money at call and deposits with financial institutions	15,869	18,906
	54,476	59,995
Amortisation of premium less accretion of discount	6,802	(9,204)
Total finance income and hibah	<u>61,278</u>	<u>50,791</u>
Other operating income		
Fees and commission income:-		
- Arising from financial instruments not fair valued through profit or loss	13,725	11,382
Fees and commission expense:-		
- Arising from financial instruments not fair valued through profit or loss	(14,334)	(11,018)
	(609)	364
	<u>60,669</u>	<u>51,155</u>

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

17. Income attributable to depositors

	2012 RM'000	2011 RM'000
Deposits from customers		
- Mudharabah fund	77,043	37,074
- Non-Mudharabah fund	5,300	3,551
Deposits and placements of banks and other financial institutions		
- Mudharabah fund	87,639	56,426
- Non-Mudharabah fund	458	1,312
	<u>170,440</u>	<u>98,363</u>

18. Income derived from investment of shareholder's funds

	2012 RM'000	2011 RM'000
Finance income and hibah		
Financing and advances	240,955	167,533
Investment securities available-for-sale	1,582	1,612
	<u>242,537</u>	<u>169,145</u>
Other operating income		
Others	5,240	20,010
	<u>247,777</u>	<u>189,155</u>

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

19. Other operating expenses

	2012 RM'000	2011 RM'000
Personnel costs		
- Salaries, bonuses, wages and allowances	8,175	6,097
- Other staff related costs	<u>2,527</u>	<u>1,317</u>
	<u>10,702</u>	<u>7,414</u>
Establishment costs		
- Depreciation of property, plant and equipment	2,966	2,101
- Rental	1,746	1,273
- Information technology and project expenses	144	47
- Utilities and maintenance	<u>2,774</u>	<u>1,632</u>
	<u>7,630</u>	<u>5,053</u>
Marketing expenses		
- Advertisement and publicity	782	429
- Others	<u>475</u>	<u>412</u>
	<u>1,257</u>	<u>841</u>
Administration and general expenses		
- Communication expenses	544	445
- Group administration fees and business support expenses	7,006	5,717
- Management and other fee	65,159	59,082
- Others	<u>10,804</u>	<u>10,200</u>
	<u>83,513</u>	<u>75,444</u>
Total other operating expenses	<u>103,102</u>	<u>88,752</u>

The above expenditure includes the following items:-

	2012 RM'000	2011 RM'000
Directors' remuneration, excluding benefits-in-kind (Note 20)	367	35
Auditor's remuneration:-		
- Statutory audit	85	60
- Other services	<u>166</u>	<u>88</u>

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

20. CEO, Directors' and Syariah Advisory Committee members' remuneration

	2012 RM'000	2011 RM'000
Directors		
- Fees	51	35
- Remuneration	316	-
- Other short-term employee benefits (including estimated monetary value of benefit-in-kind)	262	37
Total short-term employee benefits*	<u>629</u>	<u>72</u>
Syariah Advisory Committee members	<u>330</u>	<u>217</u>
	<u>959</u>	<u>289</u>

All other Directors' remuneration are paid by its immediate holding company, SCBMB, which in turn recharges the Bank in the form of management fees.

All other key management personnel of the Bank is similar with the key management personnel of SCBMB. Hence, the key management personnel compensation of the Bank are disclosed in the financial statements of SCBMB.

* Included in the total short term employee benefits are Executive Director's ("ED") / Chief Executive Officer's ("CEO") remuneration and benefit-in-kind amounted to RM 315,768 and RM 229,979 respectively.

All ED and CEO remuneration were paid by its immediate holding company in 2011.

21. Provisions for financing

	2012 RM'000	2011 RM'000
Impairment provisions for financing:-		
Individual impairment provisions	68,583	51,604
- Made in the financial year	70,102	52,858
- Written back	(1,519)	(1,254)
Collective impairment provisions		
- Made in the financial year	15,241	20,273
- Written back	(11,959)	(3,743)
Bad and doubtful debts on financing and advances:-		
Recovered	(11,633)	(15,922)
	<u>60,232</u>	<u>52,212</u>

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

22. Credit exposure to connected parties

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

	2012 RM'000	2011 RM'000
Aggregate value of outstanding credit exposures to connected parties	<u>8,649</u>	<u>33,723</u>
As a percentage of total credit exposures	<u>0.2%</u>	<u>0.8%</u>

There are currently no exposures to connected parties which are classified as impaired.

23. Significant related party transactions and balances**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties of the Bank are:-

(i) Immediate holding company

The immediate holding company is Standard Chartered Bank Malaysia Berhad ("SCBMB"), a company incorporated in Malaysia.

(ii) Fellow subsidiaries of Standard Chartered PLC

Entities including the immediate holding company, which are related by virtue of having Standard Chartered PLC as the ultimate holding company.

(iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank includes all the Directors and certain members of senior management of the Bank.

(iv) Companies under control or significant influence of key management personnel

These are entities in which certain key management personnel have significant voting power.

Transactions and balances relating to (i) are disclosed in Note (a) below, (ii) are disclosed in Note (b) while Note (c) discloses those relating to (iii) and (iv).

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

23. Significant related party transactions and balances (continued)**(a) Transactions and balances with immediate holding company**

	2012 RM'000	2011 RM'000
Transactions		
Expenditure		
Profit paid on inter-company financing	84,278	55,684
Management fee paid	65,159	59,082
	<u>149,437</u>	<u>114,766</u>
	31.12.2012	31.12.2011
	RM'000	RM'000
		1.1.2011
		RM'000
Balances		
Amount due from immediate holding company		
Derivative financial instruments	2,431	11,467
Other balances	490,634	75,859
	<u>493,065</u>	<u>91,207</u>
Amount due to immediate holding company		
Inter-company financing	(2,241,593)	(2,151,722)
Derivative financial instruments	(7,601)	(9,198)
Current account	(33,520)	(5,562)
Other balances	(407,576)	(120,313)
	<u>(2,690,290)</u>	<u>(2,109,757)</u>

(b) Transactions and balances with fellow subsidiaries of Standard Chartered PLC (excluding immediate holding company)

	2012 RM'000	2011 RM'000
Transactions		
Expenditure		
Other operating expenses	15,133	12,892
	<u>15,133</u>	<u>12,892</u>

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

23. Significant related party transactions and balances (continued)**(b) Transactions and balances with fellow subsidiaries of Standard Chartered PLC (excluding immediate holding company)(continued)**

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Balances			
Amount due from fellow subsidiaries of Standard Chartered PLC			
Current accounts	-	106,817	202,530
Derivatives	-	-	1,987
	<u>-</u>	<u>106,817</u>	<u>204,517</u>
Amount due to fellow subsidiaries of Standard Chartered PLC			
Current accounts	(33,520)	(89,715)	(57,147)
Amount due in respect of support charges	(6,948)	(11,838)	(8,980)
Other balances	(411,172)	(60,650)	(3,809)
	<u>(451,640)</u>	<u>(162,203)</u>	<u>(69,936)</u>

(c) Transactions and balances with key management personnel and companies under control or significant influence of key management personnel**Key management personnel compensation**

Key management personnel compensation is disclosed in Note 20.

Transactions and balances other than compensation

	2012 RM'000	2011 RM'000
Transactions		
Income from depositors' funds		
Profit on financing and advances		
- Directors	-	8
- Other key management personnel	-	-
	<u>-</u>	<u>8</u>
Income attributable to depositors		
- Directors	9	8
- Other key management personnel	1	-
	<u>10</u>	<u>8</u>
	31.12.2012 RM'000	31.12.2011 RM'000
	1.1.2011 RM'000	
Balances		
Financing and advances		
- Directors	-	927
- Other key management personnel	-	42
Deposits		
- Directors	(1,015)	(198)
- Other key management personnel	(24)	(15)
	<u>(1,039)</u>	<u>(271)</u>

Advances made to key management personnel (including Directors) of the Bank are on similar terms and conditions generally available to other employees of the Bank.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

24. Tax expense

	2012 RM'000	2011 RM'000
Income tax expense:-		
- Current period	19,990	19,050
- Under/ (Over) provision in prior years	19	(5,523)
	<u>20,009</u>	<u>13,527</u>
Deferred tax expense (Note 25):-		
- Origination of temporary differences	(1,801)	(1,788)
- Under-provision in prior years	-	1,731
	<u>(1,801)</u>	<u>(57)</u>
Total tax expense	<u>18,208</u>	<u>13,470</u>
Reconciliation of effective tax expense:-		
Profit before taxation	<u>70,395</u>	<u>56,355</u>
Income tax using Malaysian tax rates @ 25%	17,599	14,089
Non-deductible expenses	590	3,786
Other items	-	(613)
	<u>18,189</u>	<u>17,262</u>
Under/ (Over) provision in prior years		
- Income tax	19	(5,523)
- Deferred tax	-	1,731
Total tax expense	<u>18,208</u>	<u>13,470</u>
Tax recognised directly in equity:-		
AFS reserves	<u>(41)</u>	<u>1</u>

25. Deferred tax

The recognised net deferred tax asset after offsetting are as follows:-

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Property, plant and equipment	(105)	(364)	-
Collective impairment provisions	3,164	2,344	2,816
Profit equalisation reserves	-	-	686
Other temporary differences	2,301	1,579	-
Available-for-sale reserves	24	(17)	(16)
	<u>5,384</u>	<u>3,542</u>	<u>3,486</u>

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

25. Deferred tax (continued)

Movement in temporary differences during the year are as follows:-

	At 1 January 2011 RM'000	Recognised in statement of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2011 RM'000	Recognised in statement of comprehensive income RM'000	Recognised in equity RM'000	At 31 December 2012 RM'000
Property, plant and equipment	-	(364)	-	(364)	259	-	(105)
Collective impairment provision/ general allowance for bad and doubtful financing	2,816	(472)	-	2,344	820	-	3,164
Profit equalisation reserves	686	(686)	-	-	-	-	-
Other temporary differences	-	1,579	-	1,579	722	-	2,301
Reserves							
- Investment securities available -for-sale	(16)	-	(1)	(17)	-	41	24
	<u>3,486</u>	<u>57</u>	<u>(1)</u>	<u>3,542</u>	<u>1,801</u>	<u>41</u>	<u>5,384</u>
	Note 24	Note 24	Note 24	Note 24	Note 24	Note 24	

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

26. Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholder and the weighted average number of ordinary shares outstanding during the financial year:-

	2012 RM'000	2011 RM'000
Profit attributable to ordinary shareholder	<u>52,187</u>	<u>42,885</u>
Weighted average number of ordinary shares ('000)		
As at 1 January	96,500	96,500
Effect of ordinary shares issued during the year	3,185	-
Weighted average number of ordinary shares as at 31 December	<u>99,685</u>	<u>96,500</u>
Basic earnings per ordinary share (sen)	<u>52.4</u>	<u>44.4</u>

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

27. 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 December 2012			As at 31 December 2011			As at 1 January 2011		
	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	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	3,565	2,221	611	6,398	6,245	3,751	33,827	33,827	14,105
Transaction-related contingent items	57,501	48,579	17,722	50,090	47,102	12,267	24,687	24,687	7,273
Short-term self liquidating trade-related contingencies	159,685	158,253	44,916	250,873	41,850	8,207	10,596	10,596	3,312
Obligations under underwriting agreement	-	-	-	-	-	-	30,825	30,825	1,442
Irrevocable commitments to extend credit:-									
- maturity not exceeding one year	827,365	299,652 **	101,260 **	876,835	42,721 **	29,874 **	966,546	51,351 **	38,176 **
- maturity exceeding one year	752,751	116,913	93,411	297,783	27,087 **	27,280 **	371,082	20,780	16,961
Foreign exchange related contracts:-									
- less than one year	221,209	2,955	1,450	328,431	18,764	3,817	2,155	32	20
- one year to less than five years	-	-	-	-	-	-	282,837	29,556	6,042
Profit rate related contracts									
- less than one year	300,000	532	141	-	-	-	-	-	-
- one year to less than five years	27,221	10,288	18,112	577,111	22,952	34,405	10,300,000	139,031	21,105
- five years and above	125,228	7,826	9,700	284,339	20,467	2,437	623,339	51,939	57,820
	<u>2,474,525</u>	<u>647,219</u>	<u>287,323</u>	<u>2,671,860</u>	<u>227,188</u>	<u>122,038</u>	<u>12,645,894</u>	<u>392,624</u>	<u>166,256</u>

** Excluded in the credit equivalent and risk weighted amount of the Bank are RM39.4 million (31 December 2011: RM241.9 million; 1 January 2011: RM39.8 million) and RM19.8 million (31 December 2011: RM79.5 million; 1 January 2011: RM23.7 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.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

28. Risk management policies

The guidelines and policies adopted by the Bank to manage the risks that arise in the conduct of the business activities are as follows:-

(a) Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action resulting from inadequate or failed internal processes, people and systems, or from external events.

Objective

Operational risk exposures arise as a result of business activities. It is the Bank's objective to minimise such exposures, subject to cost tradeoffs. This objective is met through a framework of policies and procedures originating from Standard Chartered PLC Group that drive our risk management approach through six inter-dependent risk management process categories of plan, inform, control, originate, optimize and communicate.

Governance Structure

Governance over operational risk management is achieved through a defined structure of committees at the group, business and function. At each level, operational risk governance committees integrate into Standard Chartered PLC Group's and the Bank's overall risk governance structure. Standard Chartered PLC Group Operational Risk Committee ("GORC"), a subcommittee of Standard Chartered PLC Group's Risk Management Committee ("RMC"), supervises the management of operational risks across all businesses and functions, while at a Country level, this role is performed by the Country Operational Risk Committee ("CORC"), a subcommittee of local RMC. Escalation rules, linked to risk tolerance limits, are in place to ensure that operational risk decisions are taken at the right level within the governance structure.

Roles and Responsibilities

Responsibility for the management of operational risk rests with business and function management as an integral component of the management task. An independent Operational Risk function within the Risk function works alongside them to ensure that exposure to operational risk remains within acceptable levels.

Risk Management Approach

Standard Chartered PLC Group's operational risk management procedures and processes are integral components of the broader Risk Management Framework and is approved and adopted by the Board for local adoption. Operational risks are managed through an end-to-end process of plan, inform, control, originate, optimise and communicate. This risk management process is performed at all levels across the Group and Country level, and is the foundation of the risk management approach. Once identified, risks are assessed against standard criteria to determine their significance and the degree of risk mitigation effort required to reduce the exposure to acceptable levels. Risk mitigation plans are overseen by the appropriate local and Standard Chartered PLC Group's governance committee.

Assurance

The Group Internal Audit ("GIA") function provides independent assurance of the effectiveness of management's control of its own business activities and of the processes maintained by the Risk Control Functions. As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

(b) Credit risk

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Bank in accordance with agreed terms. Credit exposures may arise from both the banking and trading book. Credit risk is managed through a framework which sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and the approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

28. Risk management policies (continued)

(b) Credit risk (continued)

Credit policies

The Bank adopts credit policies and standards issued by Standard Chartered PLC Group. Standard Chartered PLC Group-wide credit policies and standards are considered and approved by its Group Risk Committee ("GRC"), which also oversees the delegation of credit approval and financing impairment provisioning authorities. Policies and procedures that are specific to each business are established by authorised risk committees within Wholesale and Consumer Banking. These are consistent with the Standard Chartered PLC Group-wide credit policies, but are more detailed and adapted to reflect the different risk environments and portfolio characteristics.

Credit approval

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by Standard Chartered PLC Group's Credit Committee ("GCC"). The GCC derives its authority from the GRC.

All other credit approval authorities are delegated by GRC and Country RMC to individuals at Country level based on their judgment and experience, and a risk adjusted scale which takes account of the estimated maximum potential loss from a given customer or portfolio. Credit origination and approval roles are segregated in all except for a few authorised cases. In those very few exceptions where they are not, originators can only approve limited exposures within defined risk parameters.

Concentration risk

Credit concentration risk is managed within concentration caps set by counterparty or groups of connected counterparties, by industry sector in Wholesale Banking; and by product in Consumer Banking. Additional targets are set and monitored for concentrations by credit rating. Credit concentrations are monitored by the RMC and concentration limits that are material to Standard Chartered PLC Group are reviewed and approved at least annually by the GCC at Group level.

Credit monitoring

The Bank regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are presented to risk committees, containing information on key environmental, political and economic trends, portfolio delinquency and loan impairment performance, as well as IRB portfolio metrics including credit grade migration.

Clients or portfolios are placed on Early Alert when they display signs of weakness or financial deterioration. For example, a decline in the customer's position within the industry, a breach of covenants, non-performance of an obligation, or issues relating to ownership or management. Such accounts and portfolios are subjected to a dedicated process overseen by the Early Alert Committee ("EAC"). Account plans are re-evaluated and remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of Group Special Assets Management ("GSAM"), the specialist recovery unit.

In Consumer Banking, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and is considered for financing decisions. Accounts which are past due are subject to a collection process, managed independently by the Risk function. Charged-off accounts are managed by a specialist recovery team.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

28. Risk management policies (continued)

(b) Credit risk (continued)

Credit monitoring (continued)

The Small and Medium Enterprise ("SME") business is managed within Consumer Banking in two distinct segments: Discretionary Lending, and Programmed Lending, differentiated by the annual turnover of the counterparty. Accounts under Discretionary Lending are monitored in line with Wholesale Banking procedures, while accounts under Programmed Lending are monitored in line with other Consumer Banking accounts. Past due accounts under Discretionary Lending that meet the agreed criteria for management by GSAM are managed by GSAM.

(i) Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, credit insurance, credit derivatives and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include cash, residential, commercial and industrial properties, marketable securities, commodities and bank guarantees and letters of credit.

Where guarantees or credit derivatives are used as Credit Risk Mitigation ("CRM"), the creditworthiness of the guarantor is assessed and established using the credit approval process in addition to that of the obligor or main counterparty. The main types of guarantors include bank guarantees, insurance/takaful companies, parent companies, shareholders and Credit Guarantee Corporation ("CGC"). Credit derivatives, due to their potential impact on income volatility are used in a controlled manner with reference to their expected volatility.

Collateral is valued in accordance with the risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Collateral held against impaired financing is maintained at fair value.

For further information regarding credit risk mitigation in the trading book see Note 28(b)(iii).

The credit risk mitigation policy also takes into consideration of the following:-

- exposure to any particular counterparties;
- correlation of risk mitigant with the underlying assets;
- currency mismatch; and
- enforceability of legal documents.

In addition, stress tests are performed on changes in collateral values for key portfolios to assist senior management in managing the risks.

(ii) Problem credit management

Consumer Banking

In Consumer Banking, where there are large numbers of small value financing, a primary indicator of potential impairment is delinquency. However, not all delinquent financing (particularly those in the early stage of delinquency) will eventually become impaired. Within Consumer Banking, an account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes the Bank measures delinquency as of 1, 30, 60, 90, 120 and 150+ days past due. Accounts that are overdue by more than 30 days are more closely monitored and subject to specific collection processes.

The procedures for managing problem credits for medium enterprises in the SME segment of Consumer Banking are similar to those adopted in Wholesale Banking.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

28. Risk management policies (continued)

(b) Credit risk (continued)

(ii) Problem credit management (continued)

Wholesale Banking

Financing are classified as impaired and considered impaired where analysis and review indicates that full payment of either profit or principal is questionable, or as soon as payment of profit or principal is 90 days overdue. Impaired accounts are managed by Group Special Asset Management ("GSAM"), which is separate from the main businesses. When any amount is considered irrecoverable, an individual impairment provision ("IIP") is raised. This provision is the difference between the financing carrying amount and the present value of estimated future cash flows.

The individual circumstances of each customer are taken into account when GSAM estimates future cash flow. In any decision relating to the raising of provisions, the Bank attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

Where it is considered that there is no realistic prospect of recovering a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

(iii) Counterparty credit risk in the trading book

Counterparty credit risk ("CCR") is the risk that the Bank's counterparty in a foreign exchange, profit rate, commodity, equity or credit derivative contract defaults prior to maturity date of the contract and that the Bank at the time has a claim on the counterparty. CCR arises predominantly in the trading book, but also arises in the non-trading book due to hedging of external funding.

The credit risk arising from all financial derivatives is managed as part of the overall lending limits to banks and customers.

The Bank will seek to negotiate Credit Support Annexes ("CSA") with counterparties on a case by case basis, where collateral is deemed a necessary or desirable mitigant to the exposure. The credit terms of the CSA are specific to each legal document and determined by the credit risk approval unit responsible for the counterparty. The nature of the collateral will be specified in the legal document and will typically be cash or highly liquid securities.

A daily operational process takes place to calculate the mark-to-market ("MTM") on all trades captured under the CSA. Additional collaterals will be called from the counterparty if total uncollateralised MTM exposure exceeds the threshold and minimum transfer amount specified in the CSA to provide an extra buffer to the daily variation margin process.

Note 29 provides further analysis on the Bank's exposure to credit risk.

(c) Market risk

The Bank recognises market risk as the risk of loss resulting from changes in market prices and rates. The Bank is exposed to market risk arising principally from customer-driven transactions. The objective of the Bank's market risk policies and processes is to obtain the best balance of risk and return while meeting customers' requirements.

The primary categories of market risk for the Bank are:-

- Interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options which influence profit rate options; and
- Currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

28. Risk management policies (continued)

(c) Market risk (continued)

Market risk governance

The Board approves the Bank's market risk appetite taking account of market volatility, the range of traded products and asset classes, the business volumes and transaction sizes. Market risk appetite has remained broadly stable in 2012.

The Board is responsible for setting Value at Risk ("VaR") limits at a business level. The Board is also responsible for policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both trading and non-trading books of the Bank. Limits by portfolios are proposed by the businesses within the terms of agreed policy.

All permanent limits are approved by the Board prior to implementation. Exceptions are escalated to the Board or to the Board's delegated committees. Additional limits are placed on specific instruments and position concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools. For example, profit rate sensitivity which influence profit rate is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange is measured in terms of the underlying values or amounts involved. Option risks are controlled through revaluation limits on underlying price and volatility shifts, limits on volatility risk and other variables that determine the options' value.

Value at Risk

The Bank measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk which applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome.

The two VaR methodologies used by the Bank in measuring its market risk are historical simulation and Monte Carlo simulation. VaR models are backtested against actual results.

VaR is calculated as the Bank's exposure as at the close of business. Intra-day risk levels may vary from those reported at the end of the day.

Stress testing

GMR complements the VaR measurement by quarterly stress testing market risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward looking scenarios. A consistent stress testing methodology is applied to trading and non-trading books.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The RMC has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. The RMC considers stress testing results as part of its supervision of risk appetite. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in liquidity that often occurs.

Regular stress test scenarios are applied to interest rates which influence profit rates, credit spreads and exchange rates. This covers all major asset classes in the non-trading and trading books.

Ad-hoc scenarios are also prepared for stress testing reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

28. Risk management policies (continued)**(c) Market risk (continued)****Valuation framework**

Products may only be traded subject to a formally approved Product Programme which identifies the risks, controls and regulatory treatment. The control framework is assessed by the relevant Bank functions as well as Standard Chartered PLC Group's Internal Audit on an ongoing basis. It is the Bank's policy that all assets and liabilities held are to be recorded in the financial accounts on a fair-value basis that is consistent with MFRS.

The Product Control function is responsible for valuation controls in accordance with policy. Where possible, positions held are marked to market on a consistent and daily basis using quoted prices within active markets. Where this is not possible, positions are marked to model using models which have been independently and periodically validated by GMR. Product Control ensure adherence to Standard Chartered PLC Group's policy for valuation adjustments to incorporate counterparty risk, bid/ask spreads, market liquidity and where appropriate model risk reserves to mark all positions on a prudent basis. The BRC provides oversight and governance of all policy.

Market risk VaR coverage

Profit rate risk (comparable to interest rate risk in conventional) from across the non-trading book portfolios is transferred to Financial Markets where it is managed by the Bank's Asset and Liability Management ("ALM") desks under the supervision of ALCO. The ALM desks deal in the market in approved financial instruments in order to manage the net profit rate risk (comparable to net interest rate risk in conventional), subject to approved VaR and risk limits.

VaR and stress tests are therefore applied to non-trading book exposures in the same way as for the trading book, including listed Available-for-sale securities. Securities classed as Financing and receivables or Held to maturity are not reflected in VaR or stress tests since they are accounted on an amortised cost basis, so market price movements have no effect on either profit and loss or reserves.

Foreign exchange risk on the non-trading book portfolios is minimised by match funding assets and liabilities in the same currency. Structural foreign exchange currency risks are not included within the Bank's VaR.

The table below analyses daily VaR by primary categories of market risk:-

Value at Risk (VaR at 97.5%, 1 day)

	← 31.12.2012 →			Actual
	Average	High	Low	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Non-trading	196	289	171	201
	← 31.12.2011 →			Actual
	Average	High	Low	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Non-trading	281	330	236	278

Note 29 provides further analysis on the Bank's exposure to market risk.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

28. Risk management policies (continued)

(d) Liquidity risk

The Bank defines liquidity risk as the risk that the Bank either does not have sufficient financial resources available to meet all its obligations and commitments as and when they fall due, or can access them only at excessive cost.

Liquidity risk is managed through SCBMB's ALCO. This committee, chaired by SCBMB's Chief Executive Officer ("CEO"), is responsible for both statutory and prudential liquidity.

Liquidity risk is monitored through BNM's New Liquidity Framework and the internal liquidity risk management policy. A range of tools are used for the management of liquidity. These comprise commitment and wholesale borrowing guidelines, key balance sheet ratios, medium term funding requirements and day to day monitoring of future cash flows.

In addition, liquidity contingency funding plans are reviewed periodically to ensure that alternative funding strategies are in place and can be implemented on a timely basis to minimise the liquidity risk that may arise due to unforeseen adverse changes in the market place.

Note 29 provides further analysis on the Bank's exposure to liquidity risk.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments**Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:-

- (a) Financing and receivables ("F&R")
- (b) Fair value through profit or loss ("FVTPL")
 - Held for trading ("HFT")
- (c) Available-for-sale financial assets ("AFS")
- (d) Other liabilities ("OL")

31.12.2012	Carrying amount RM'000	F&R / (OL) RM'000	FVTPL HFT RM'000	AFS RM'000
<u>Financial assets</u>				
Cash and short term funds	1,577,146	1,577,146	-	-
Investment securities available-for-sale	1,141,634	-	-	1,141,634
Financing and advances	3,936,712	3,936,712	-	-
Derivative financial assets	10,031	-	10,031	-
Other balances	652,624	652,624	-	-
Total financial assets	7,318,147	6,166,482	10,031	1,141,634

Financial liabilities

Deposits from customers	3,900,803	3,900,803	-	-
Deposits and placements of banks and other financial instruments	2,377,526	2,377,526	-	-
Derivative financial liabilities	9,857	-	9,857	-
Other balances	485,878	485,878	-	-
Total financial liabilities	6,774,064	6,764,207	9,857	-

Net gains and losses arising from financial instruments:-

	RM'000
Investment securities available-for-sale	19,364
- recognised in other comprehensive income	(130)
- reclassified from equity to profit or loss	19,494
Financing and receivables	384,675
Financial liabilities measured at amortised cost	(170,440)
	233,599

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)

31.12.2011	Carrying amount RM'000	F&R / (OL) RM'000	FVTPL HFT RM'000	AFS RM'000
<u>Financial assets</u>				
Cash and short term funds	2,783,398	2,783,398	-	-
Investment securities available-for-sale	174,521	-	-	174,521
Financing and advances	2,856,154	2,856,154	-	-
Derivative financial assets	20,574	-	20,574	-
Other balances	106,231	106,231	-	-
Total financial assets	<u>5,940,878</u>	<u>5,745,783</u>	<u>20,574</u>	<u>174,521</u>
<u>Financial liabilities</u>				
Deposits from customers	2,945,059	2,945,059	-	-
Deposits and placements of banks and other financial instruments	2,282,853	2,282,853	-	-
Derivative financial liabilities	19,893	-	19,893	-
Other balances	235,985	235,985	-	-
Total financial liabilities	<u>5,483,790</u>	<u>5,463,897</u>	<u>19,893</u>	<u>-</u>
Net gains and losses arising from financial instruments				RM'000
Investment securities available-for-sale				(15,280)
- recognised in other comprehensive income				4
- reclassified from equity to profit or loss				(15,284)
Financing and receivables				303,488
Financial liabilities measured at amortised cost				(98,363)
				<u>189,845</u>

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)

1.1.2011	Carrying amount RM'000	F&R / (OL) RM'000	FVTPL HFT RM'000	AFS RM'000
<u>Financial assets</u>				
Cash and short term funds	940,388	940,388	-	-
Investment securities available-for-sale	623,326	-	-	623,326
Financing and advances	2,325,510	2,325,510	-	-
Derivative financial assets	59,781	-	59,781	-
Other balances	99,181	99,181	-	-
Total financial assets	<u>4,048,186</u>	<u>3,365,079</u>	<u>59,781</u>	<u>623,326</u>
<u>Financial liabilities</u>				
Deposits from customers	1,321,460	1,321,460	-	-
Deposits and placements of banks and other financial instruments	2,092,486	2,092,486	-	-
Derivative financial liabilities	58,863	-	58,863	-
Other balances	156,569	156,569	-	-
Total financial liabilities	<u>3,629,378</u>	<u>3,570,515</u>	<u>58,863</u>	<u>-</u>
Net gains and losses arising from financial instruments				RM'000
Investment securities available-for-sale				(7,820)
- recognised in other comprehensive income				(518)
- reclassified from equity to profit or loss				(7,302)
Financing and receivables				268,910
Financial liabilities measured at amortised cost				(71,792)
				<u>189,298</u>

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Credit risk****(i) Maximum exposure to credit risk**

The following tables present the Bank's maximum exposure to credit risk of their on-balance sheet and off-balance sheet financial instruments at 31 December 2012, 31 December 2011 and 1 January 2011, and credit exposures covered by collaterals and other credit enhancements. For on-balance sheet and other financial instruments, the maximum exposure to credit risk is the carrying amount reported on the statement of financial position. For off-balance sheet financial instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

	Maximum exposures covered by credit exposures	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures covered by credit exposures	Credit exposures covered by collaterals and other credit enhancements	Maximum exposures covered by credit exposures	Credit exposures covered by collaterals and other credit enhancements
	31.12.2012		31.12.2011		1.1.2011	
	RM'000		RM'000		RM'000	
On-balance sheet assets						
Money at call and deposits placements maturing within one month	1,561,000	-	2,771,027	-	933,591	-
Investment securities available-for-sale	1,141,634	-	174,521	-	623,326	-
Financing and advances	3,936,712	849,138	2,856,154	731,116	2,325,510	452,857
Derivative financial assets	10,031	-	20,574	-	59,781	-
Income receivable	1,653	-	3,216	-	1,451	-
Statutory deposits with Bank Negara Malaysia	138,685	-	92,552	-	24,760	-
	<u>6,789,715</u>	<u>849,138</u>	<u>5,918,044</u>	<u>731,116</u>	<u>3,968,419</u>	<u>452,857</u>
Off-balance sheet items						
Contingent commitments	220,751	1,559	307,361	1,859	99,935	18,104
Undrawn irrevocable standby facilities, credit lines and other commitments to lend	1,580,116	161,781	1,174,618	12,064	10,923,339	15,094
	<u>1,800,867</u>	<u>163,340</u>	<u>1,481,979</u>	<u>13,923</u>	<u>11,023,274</u>	<u>33,198</u>

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Credit risk (continued)****(ii) Summary analysis of the financing and advances**

31.12.2012	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
Individually impaired financing and advances	30,515	-	30,515
Past due but not impaired financing and advances	392,610	-	392,610
Neither past due nor impaired financing and advances	2,183,230	1,408,754	3,591,984
Total financing and advances	<u>2,606,355</u>	<u>1,408,754</u>	<u>4,015,109</u>
Collective impairment provisions	(77,582)	(815)	(78,397)
	<u>2,528,773</u>	<u>1,407,939</u>	<u>3,936,712</u>
	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
31.12.2011			
Individually impaired financing and advances	16,001	-	16,001
Past due but not impaired financing and advances	266,622	-	266,622
Neither past due nor impaired financing and advances	1,647,287	1,001,359	2,648,646
Total financing and advances	<u>1,929,910</u>	<u>1,001,359</u>	<u>2,931,269</u>
Collective impairment provisions	(71,760)	(3,355)	(75,115)
	<u>1,858,150</u>	<u>998,004</u>	<u>2,856,154</u>
	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
1.1.2011			
Individually impaired financing and advances	20,725	-	20,725
Past due but not impaired financing and advances	184,416	-	184,416
Neither past due nor impaired financing and advances	1,208,832	970,122	2,178,954
Total financing and advances	<u>1,413,973</u>	<u>970,122</u>	<u>2,384,095</u>
Collective impairment provisions	(54,483)	(4,102)	(58,585)
	<u>1,359,490</u>	<u>966,020</u>	<u>2,325,510</u>

* Included in the balance is RM 24,029,000 for Consumer Banking (2011: RM 12,692,000), in respect of financing and advances where no individual impairment provisions were made as the recoverable amounts are in excess of the carrying amounts for secured financing. For unsecured financing, collective impairment provisions were made for financing for which an individual impairment provision has not been raised.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Credit risk (continued)****(ii) Summary analysis of the financing and advances (continued)****Credit quality****Financing and advances neither past due nor impaired**

Analysis of financing and advances that are neither past due nor impaired analysed based on internal grading system is as follows:

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Neither past due nor individually impaired financing and advances			
- Grades 1-5	611,592	345,369	259,741
- Grades 6-7	984,038	534,028	435,611
- Grades 8-9	1,171,115	1,004,731	789,538
- Grades 10-12	825,239	764,518	694,064
	<u>3,591,984</u>	<u>2,648,646</u>	<u>2,178,954</u>

Financing and advances past due but not individually impaired

The following tables set out the ageing of financing and advances, which are past due and for which no individual impairment provisions have been raised. A financing is considered to be past due when the counterparty has failed to make a principal or interest repayment when contractually due. Past due does not necessarily mean that a financing is impaired.

	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
31.12.2012			
Up to 30 days past due	318,144	-	318,144
Between 31 - 60 days past due	48,370	-	48,370
Between 61 - 90 days past due	26,096	-	26,096
	<u>392,610</u>	<u>-</u>	<u>392,610</u>

	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
31.12.2011			
Up to 30 days past due	212,493	-	212,493
Between 31 - 60 days past due	39,058	-	39,058
Between 61 - 90 days past due	15,071	-	15,071
	<u>266,622</u>	<u>-</u>	<u>266,622</u>

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Credit risk (continued)****(ii) Summary analysis of the financing and advances (continued)****Credit quality (continued)****Financing and advances past due but not individually impaired (continued)**

	Consumer Banking RM'000	Wholesale Banking RM'000	Total RM'000
1.1.2011			
Up to 30 days past due	149,367	-	149,367
Between 31 - 60 days past due	22,106	-	22,106
Between 61 - 90 days past due	12,943	-	12,943
	<u>184,416</u>	<u>-</u>	<u>184,416</u>

The following tables show the Bank's impaired financing and advances, individual impairment provisions and collective impairment provisions by significant geographic areas.

	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
31.12.2012			
Gross impaired financing and advances	33,889	-	33,889
Individual impairment provisions	3,374	-	3,374
Collective impairment provisions	<u>78,397</u>	<u>-</u>	<u>78,397</u>

	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
31.12.2011			
Gross impaired financing and advances	18,510	-	18,510
Individual impairment provisions	2,509	-	2,509
Collective impairment provisions	<u>75,115</u>	<u>-</u>	<u>75,115</u>

	Within Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
1.1.2011			
Gross impaired financing and advances	22,430	-	22,430
Individual impairment provisions	1,705	-	1,705
Collective impairment provisions	<u>58,585</u>	<u>-</u>	<u>58,585</u>

The following table summarises the quality of investment securities available-for-sale held by the Bank. As at statement of financial position date, the Bank does not have any impaired securities, all debt securities neither past due nor impaired by external credit rating are summarised as follows:-

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Government securities	1,096,633	99,434	548,105
Debt securities	45,001	75,087	75,221
AAA	<u>39,992</u>	<u>65,029</u>	<u>60,077</u>
AA- to AA+	<u>5,009</u>	<u>10,058</u>	<u>15,144</u>
Total securities portfolio	<u>1,141,634</u>	<u>174,521</u>	<u>623,326</u>

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Liquidity risk**

The following tables summarise assets and liabilities into relevant maturity groupings based on the remaining contractual maturities as at the financial 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.

As 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

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Liquidity risk (continued)**

As at 31 December 2011	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	2,790,247	-	-	-	2,790,247
Investment securities available-for-sale	145,474	25,357	5,368	-	176,199
Financing and advances					
- Performing	545,063	399,248	1,787,753	1,387,396	4,119,460
- Impaired	-	-	-	16,001	16,001
Derivative financial assets	1,038	10,178	8,867	491	20,574
Other balances	106,231	-	-	-	106,231
	3,588,053	434,783	1,801,988	1,403,888	7,228,712
Financial liabilities					
Deposits from customers	2,107,508	740,427	25,629	110,011	2,983,575
Deposits and placements of banks and other financial institutions	1,588,827	545,488	-	194,401	2,328,716
Derivative financial liabilities	1,030	10,178	8,194	491	19,893
Other balances	228,488	7,497	-	-	235,985
	3,925,853	1,303,590	33,823	304,903	5,568,169
Net liquidity gap	(337,800)	(868,807)	1,768,165	1,098,985	1,660,543
Gross financing commitments	311,734	930,214	206,819	33,212	1,481,979

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Liquidity risk (continued)**

As at 1 January 2011	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	942,551	-	-	-	942,551
Investment securities available-for-sale	335,602	258,979	37,443	-	632,024
Financing and advances					
- Performing	529,188	428,627	1,245,317	895,108	3,098,240
- Impaired	-	-	-	20,725	20,725
Derivative financial assets	27	-	48,444	11,310	59,781
Other balances	99,181	-	-	-	99,181
	1,906,549	687,606	1,331,204	927,143	4,852,502
Financial liabilities					
Deposits from customers	906,308	309,834	27,927	100,334	1,344,403
Deposits and placements of banks and other financial institutions	971,641	950,856	7,948	223,367	2,153,812
Derivative financial liabilities	27	-	47,526	11,310	58,863
Other balances	153,060	3,512	-	-	156,572
	2,031,036	1,264,202	83,401	335,011	3,713,650
Net liquidity gap	(124,487)	(576,596)	1,247,803	592,132	1,138,852
Gross financing commitments	12,086	1,300,048	6,513	18,980	1,337,627

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Market risk**

The table below summarises the Bank's financial instruments at carrying amounts, categorised by contractual re-pricing or maturity dates, whichever is earlier.

Profit rate risk

As 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	Non-profit sensitive RM'000	Total RM'000	Effective profit rate (%)
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		

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Market risk (continued)****Profit rate risk (continued)**

As at 31 December 2011	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	2,651,680	-	-	-	131,718	2,783,398	2.95
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	
Investment securities available-for-sale	144,442	25,029	5,050	-	-	174,521	3.15
Financing and advances							
- Performing	601,938	114,413	1,386,695	734,784	2,323	2,840,153	9.48
- Impaired	-	-	-	-	16,001	16,001	
Derivative financial assets	1,038	10,178	8,867	491	-	20,574	
Other balances	-	-	-	-	106,231	106,231	
	3,399,098	149,620	1,400,612	735,275	256,273	5,940,878	
Financial liabilities							
Deposits from customers	2,100,716	726,670	24,134	93,539	-	2,945,059	2.74
Deposits and placements of banks and other financial institutions	1,584,735	534,538	-	163,580	-	2,282,853	2.92
Derivative financial liabilities	1,030	10,178	8,194	491	-	19,893	
Other balances	-	-	-	-	235,985	235,985	
	3,686,481	1,271,386	32,328	257,610	235,985	5,483,790	
On-balance sheet profit sensitivity gap	(287,383)	(1,121,766)	1,368,284	477,665	20,288		
Total profit sensitivity gap	(287,383)	(1,121,766)	1,368,284	477,665	20,288		

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Market risk (continued)****Profit rate risk (continued)**

As at 1 January 2011	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	720,000	-	-	-	220,388	940,388	2.76
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	
Investment securities available-for-sale	333,633	254,478	35,215	-	-	623,326	2.95
Financing and advances							
- Performing	782,592	103,466	914,886	502,602	1,239	2,304,785	8.34
- Impaired	-	-	-	-	20,725	20,725	
Derivative financial assets	27	-	48,444	11,310	-	59,781	
Other balances	-	-	-	-	99,181	99,181	
	1,836,252	357,944	998,545	513,912	341,533	4,048,186	
Financial liabilities							
Deposits from customers	903,748	305,454	26,414	85,844	-	1,321,460	2.11
Deposits and placements of banks and other financial institutions	967,647	936,673	7,551	180,615	-	2,092,486	2.63
Derivative financial liabilities	27	-	47,526	11,310	-	58,863	
Other balances	-	-	-	-	156,569	156,569	
	1,871,422	1,242,127	81,491	277,769	156,569	3,629,378	
On-balance sheet profit sensitivity gap	(35,170)	(884,183)	917,054	236,143	184,964		
Total profit sensitivity gap	(35,170)	(884,183)	917,054	236,143	184,964		

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Market risk**

The table below details the disclosure for rate of return risk in the Banking Book, the increase or decline in earnings and economic value for upward and downward rate shocks which are consistent with shocks applied in stress test for measuring profit rate risk, broken down by various currencies where relevant:-

Type of Currency	Impact on Positions as at Reporting Period (200 basis points) Parallel Shift		Impact on Positions as at Reporting Period (200 basis points) Parallel Shift	
	Increase/(Decline)	Increase/(Decline)	Increase/(Decline)	Increase/(Decline)
	in profit before taxation	in equity	in profit before taxation	in equity
	31.12.2012	31.12.2012	31.12.2011	31.12.2011
	RM'000	RM'000	RM'000	RM'000
MYR	(31,703)	(23,777)	(17,137)	(12,852)
USD	(1,772)	(1,329)	2,316	1,737
EUR	-	-	(398)	(299)
GBP	-	-	484	363
JPY	-	-	(127)	(96)

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Market risk (continued)****Foreign currency risk**

The table below summarises the Bank's foreign exchange position by major currencies. "Others" include mainly Australian Dollar, Euro, Japanese Yen and Hong Kong Dollar.

As at 31 December 2012	MYR RM'000	USD RM'000	GBP RM'000	SGD RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short term funds	1,577,146	-	-	-	-	1,577,146
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Investment securities available-for-sale	1,141,634	-	-	-	-	1,141,634
Financing and advances	3,814,339	122,373	-	-	-	3,936,712
Other balances	54,350	297,504	290,586	(40,556) *	50,740	652,624
Derivative financial assets	7,993	1,887	151	-	-	10,031
	6,595,462	421,764	290,737	(40,556)	50,740	7,318,147
Financial liabilities						
Deposits from customers	3,802,007	-	-	-	98,796	3,900,803
Deposits and placements of banks and other financial institutions	2,248,217	129,309	-	-	-	2,377,526
Other balances	424,595	9,493	1	51,074	715	485,878
Derivative financial liabilities	7,726	2,053	2	76	-	9,857
	6,482,545	140,855	3	51,150	99,511	6,774,064
Total foreign currency sensitivity gap	112,917	280,909	290,734	(91,706)	(48,771)	544,083

* Included in other balances is a payable to the immediate holding company amounted to SGD 40,556,000, which will be settled in net together with balances in other currencies.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Market risk (continued)****Foreign currency risk (continued)**

As at 31 December 2011	MYR RM'000	USD RM'000	GBP RM'000	SGD RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short term funds	2,664,051	83,471	23,847	-	12,029	2,783,398
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Investment securities available-for-sale	174,521	-	-	-	-	174,521
Financing and advances	2,699,846	155,702	606	-	-	2,856,154
Other balances	106,231	-	-	-	-	106,231
Derivative financial assets	15,608	4,882	-	84	-	20,574
	5,660,257	244,055	24,453	84	12,029	5,940,878
Financial liabilities						
Deposits from customers	2,945,059	-	-	-	-	2,945,059
Deposits and placements of banks and other financial institutions	2,060,321	108,319	-	37,277	76,936	2,282,853
Other balances	184,797	1,350	10	49,771	57	235,985
Derivative financial liabilities	15,940	3,953	-	-	-	19,893
	5,206,117	113,622	10	87,048	76,993	5,483,790
Total foreign currency sensitivity gap	454,140	130,433	24,443	(86,964)	(64,964)	457,088

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

29. Financial instruments (continued)**Market risk (continued)****Foreign currency risk (continued)**

As at 1 January 2011	MYR RM'000	USD RM'000	GBP RM'000	SGD RM'000	Others RM'000	Total RM'000
Financial assets						
Cash and short term funds	726,797	190,076	12,775	-	10,740	940,388
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Investment securities available-for-sale	623,326	-	-	-	-	623,326
Financing and advances	2,193,224	132,014	-	-	272	2,325,510
Other balances	98,316	565	-	220	80	99,181
Derivative financial assets	55,563	4,218	-	-	-	59,781
	3,697,226	326,873	12,775	220	11,092	4,048,186
Financial liabilities						
Deposits from customers	1,321,460	-	-	-	-	1,321,460
Deposits and placements of banks and other financial institutions	1,901,231	135,613	-	23,807	31,835	2,092,486
Other balances	103,111	4,802	-	48,656	-	156,569
Derivative financial liabilities	54,617	2,259	-	1,987	-	58,863
	3,380,419	142,674	-	74,450	31,835	3,629,378
Total foreign currency sensitivity gap	316,807	184,199	12,775	(74,230)	(20,743)	418,808

All foreign currency position in the banking book are hedged and subject to minimal foreign currency exposure.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

30. Fair values of financial assets and liabilities

The following are the estimated fair values of the financial assets and liabilities followed by a general description of the methods and assumptions used in the estimation:-

	Carrying value			Fair Value		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Financial assets						
Cash and short term funds	1,577,146	2,783,398	940,388	1,577,146	2,783,398	940,388
Investment securities						
available-for-sale	1,141,634	174,521	623,326	1,141,634	174,521	623,326
Financing and advances *	4,015,109	2,931,269	2,384,095	3,883,051	2,761,516	2,349,316
Derivative financial assets	10,031	20,574	59,781	10,031	20,574	59,781
Financial liabilities						
Deposits from customers	3,900,803	2,945,059	1,321,460	3,915,505	2,961,555	1,335,602
Deposits and placements of banks and and other financial institutions	2,377,526	2,282,853	2,092,486	2,377,104	2,275,494	2,081,847
Derivative financial liabilities	9,857	19,893	58,863	9,857	19,893	58,863

Note:

Other assets and other liabilities are considered short term in nature. The fair values are estimated to approximate their carrying values.

* The collective impairment provision of the Bank of RM78,397,000 (31 December 2011: RM75,115,000, 1 January 2011: RM 58,585,000) is not included in the carrying value.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

30. Fair values of financial assets and liabilities (continued)

Methods and Assumptions

a) Financial Assets

(i) Cash and short term funds, deposits and placements with banks and other financial institutions

The fair values of cash and short term funds, deposits and placements with banks and other financial institutions are equivalent to placement value as these are regarded as short term financial instruments, defined as those with remaining maturities of less than one year and the carrying values are considered to be a reasonable estimate of their fair values. For deposits and placements with a remaining maturity greater than one year, the fair values are arrived at by discounting contractual future cash flows at the prevailing interbank rates for the remaining maturities as at statement of financial position date.

(ii) Investment securities available-for-sale

The estimated fair value is based on quoted or observable market prices at the statement of financial position date. Where such quoted or observable market prices are not available, the fair value is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, the estimated future cash flows are discounted using the prevailing market rates for a similar instrument at the statement of financial position date.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

30. Fair values of financial assets and liabilities (continued)**Methods and assumptions (continued)****a) Financial assets (continued)****(iii) Financing and advances**

The fair values of profit rate financing with remaining maturity of less than one year and variable profit rate financing are estimated to approximate their carrying values. For fixed rate financing with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at statement of financial position date offered for similar financing to new customers with similar credit profiles, where applicable. In respect of impaired financing, the fair values are deemed to approximate the carrying values and individual impairment provision.

b) Financial liabilities**(i) Deposits and placements from customers, banks and other financial institutions**

The fair values for deposit liabilities payable on demand (demand and savings deposits) and fixed deposits with remaining maturities of less than one year, are estimated to approximate their carrying values at statement of financial position date. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The fair values of deposits are deemed to approximate their carrying values as at statement of financial position date as the profit rates are determined at the end of their holding periods based on the profit generated from the assets invested. For negotiable instruments of deposits, the estimated fair values are based on quoted or observable market prices at the statement of financial position date. Where such quoted or observable market prices are not available, the fair values of negotiable instrument of deposits are estimated using discounted cash flow techniques.

c) 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	-

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

30. Fair values of financial assets and liabilities (continued)**c) Fair value hierarchy (continued)**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2012				
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>
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2011				
Assets				
Investment securities available-for-sale				
Malaysian Government / Bank Negara Bills	99,434	-	-	99,434
Debt securities	-	75,087	-	75,087
Derivative financial instruments	-	20,574	-	20,574
At 31 December 2011	<u>99,434</u>	<u>95,661</u>	<u>-</u>	<u>195,095</u>
Liabilities				
Derivative financial instruments	-	19,893	-	19,893
At 31 December 2011	<u>-</u>	<u>19,893</u>	<u>-</u>	<u>19,893</u>
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
1.1.2011				
Assets				
Investment securities available-for-sale				
Malaysian Government / Bank Negara Bills	548,105	-	-	548,105
Debt securities	-	75,221	-	75,221
Derivative financial instruments	-	59,781	-	59,781
At 1 January 2011	<u>548,105</u>	<u>135,002</u>	<u>-</u>	<u>683,107</u>
Liabilities				
Derivative financial instruments	-	58,863	-	58,863
At 1 January 2011	<u>-</u>	<u>58,863</u>	<u>-</u>	<u>58,863</u>

There were no transfers between Level 1 and Level 2 in 2012 and 2011.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

30. Fair values of financial assets and liabilities (continued)**d) Derivative financial instruments****Derivatives held for trading**

	31 December 2012			31 December 2011			1 January 2011		
	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Foreign exchange derivative contracts:-									
- Forward foreign exchange contracts	221,209	377	377	97,758	1,087	1,079	2,155	27	27
- Currency swaps	-	-	-	230,673	10,129	10,129	282,837	15,415	15,415
Profit rate derivative contracts:-									
- Swaps	327,449	9,567	9,393	584,338	9,018	8,345	10,617,561	43,402	42,484
- Options purchased	62,500	87	-	138,556	340	-	152,889	937	-
- Options sold	62,500	-	87	138,556	-	340	152,889	-	937
Total derivatives held for trading	673,658	10,031	9,857	1,189,881	20,574	19,893	11,208,331	59,781	58,863

Total derivatives held for trading

Fair values of derivative instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market profit rates or foreign exchange rates relative to their terms. The fair values of the Bank's derivative instruments are estimated by reference to quoted market prices. Internal models are used with market observable input where no market price is available.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

30. Fair values of financial assets and liabilities (continued)**d) Derivative financial instruments (continued)****Derivative financial instruments by sector**

	31 December 2012			31 December 2011			1 January 2011		
	Notional principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Notional principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000	Notional principal amounts RM'000	Positive fair value RM'000	Negative fair value RM'000
Agriculture	59,011	178	123	-	-	-	-	-	-
Mining and quarrying	13,611	1,892	1,782	23,958	913	-	-	-	-
Real estate	50,000	58	-	50,000	263	-	50,000	51	-
Transportation, storage and communication	62,500	5,438	-	277,111	7,931	340	309,147	10,106	964
Finance, insurance and business services	488,536	2,465	7,952	838,812	11,467	19,553	10,849,184	49,624	57,899
	673,658	10,031	9,857	1,189,881	20,574	19,893	11,208,331	59,781	58,863

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

31. Lease commitments

The Bank has lease commitments in respect of rented premises, all of which are classified as operating leases.

Total future minimum lease payments under non-cancellable long term commitments is as follows:-

	2012	2011
	RM'000	RM'000
Less than one year	1,703	1,570
Between one and five years	1,311	1,699
	<u>3,014</u>	<u>3,269</u>

The leases typically run for an initial period of 1 year to 4 years, with an option to renew the leases. None of the leases include contingent rent.

32. Capital commitments

	2012	2011
	RM'000	RM'000
Capital expenditure:-		
- authorised and contracted for	<u>102</u>	<u>-</u>

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

33. Capital management

(i) Capital management approach

The Bank's capital management approach is driven by its desire to maintain a strong capital base in support of its business development, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a three year horizon and approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Bank to support its strategy.

The capital plan takes the following into account:-

- regulatory capital requirements;
- forecast demand for capital to support the credit ratings;
- increases in demand for capital due to business growth, market shocks or stresses;
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Bank's risk, performance and capital.

The Bank uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae to determine the amount of capital required to support them.

The Bank operates processes and controls to monitor and manage capital adequacy across the organisation. It is overseen by ALCO, which is responsible for managing the balance sheet, capital and liquidity. A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board.

ALCO is also responsible for the ongoing assessment of the demand for capital and the updating of the Bank's capital plan.

The Bank uses internal models and other quantitative techniques in its internal risk management. Internal credit models are in use also to compute the amount of regulatory capital required.

(ii) Basel II

The Basel Committee on Banking Supervision ("BCBS") published a framework for International Convergence of Capital Measurement and Capital Standards (commonly referred to as 'Basel II'), which replaced the original 1988 Basel I Accord. Basel II is structured around three 'pillars' which are outlined below:-

- Pillar 1 sets out minimum regulatory capital requirements – the minimum amount of regulatory capital banks must hold against the risks they assume;
- Pillar 2 sets out the key principles for supervisory review of a bank's risk management framework and its capital adequacy. It sets out specific oversight responsibilities for the Board and senior management, thus reinforcing principles of internal control and other corporate governance practices; and
- Pillar 3, covered in the supplementary financial information (unaudited), aims to bolster market discipline through enhanced disclosure by banks.

Basel II provides three credit risk approaches of increasing sophistication, namely, The Standardised Approach ("TSA"), the Foundation Internal Ratings Based Approach ("FIRB") and the Advanced Internal Ratings Based Approach ("AIRB").

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

33. Capital management (continued)

(ii) Basel II (continued)

In Malaysia, BNM issued the Risk-Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components) on 29 June 2007 and came into effect on 1 January 2008. This framework sets out the requirements on the computation of the risk-weighted assets for Islamic Banks.

BNM has formally approved the Bank's use of the AIRB approach for calculating and reporting regulatory capital in June 2010. As a result, since July 2010 regulatory capital submission, the Bank has been using AIRB approach for calculating and reporting the credit risk capital requirement.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

34. Capital adequacy

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

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Tier 1 Capital			
Paid-up ordinary share capital	102,750	96,500	96,500
Share premium	308,250	289,500	289,500
Other reserves	132,711	80,524	37,639
Less: Deferred tax asset	(5,360)	(3,561)	(3,502)
Deductions in excess of Tier 2 Capital	(99,497)	(67,348)	(39,617)
Total Tier 1 Capital	<u>438,854</u>	<u>395,615</u>	<u>380,520</u>
Tier 2 Capital			
Collective impairment provisions	12,607	2,436	2,986
	<u>12,607</u>	<u>2,436</u>	<u>2,986</u>
Less : Excess of Expected Loss over Eligible Provisions under IRB approach	(95,171)	(59,859)	(33,063)
Exclusion of collective impairment provision on impaired financing and advances	(16,933)	(9,925)	(9,540)
Eligible Tier 2 capital	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Base	<u><u>438,854</u></u>	<u><u>395,615</u></u>	<u><u>380,520</u></u>

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

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Total risk-weighted assets			
- credit risk	3,437,066	2,871,345	2,437,694
- operational risk	384,920	314,840	209,837
	<u>3,821,986</u>	<u>3,186,185</u>	<u>2,647,531</u>
	31.12.2012	31.12.2011	1.1.2011
Tier 1 capital ratio	11.48%	12.42%	14.37%
Risk-weighted capital ratio	11.48%	12.42%	14.37%

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

35. Explanation of transition to MFRSs

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Bank for the financial year ended 31 December 2012, and the comparative information presented in these financial statements.

In preparing its opening MFRS statement of financial position, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with the previous FRSS. An explanation of how the transition from the previous FRSS to the new MFRSs has affected the Bank's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany these tables.

35.1 Reconciliation of financial position

	1 January 2011		31 December 2011			
	FRSs	Effect of	MFRSs	FRSs	Effect of	MFRSs
	RM'000	transition	RM'000	RM'000	transition	RM'000
		to MFRSs			to MFRSs	
		RM'000			RM'000	RM'000
Assets						
Cash and short term funds	940,388	-	940,388	2,783,398	-	2,783,398
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Investment securities available-for- sale	623,326	-	623,326	174,521	-	174,521
Financing and advances	2,342,145	(16,635)	2,325,510	2,886,463	(30,309)	2,856,154
Derivatives financial assets	59,781	-	59,781	20,574	-	20,574
Other assets	74,421	-	74,421	13,679	-	13,679
Tax recoverable	3,271	(1,873)	1,398	3,684	(3,395)	289
Statutory deposits with Bank Negara Malaysia	24,760	-	24,760	92,552	-	92,552
Property, plant and equipment	-	-	-	5,662	-	5,662
Deferred tax assets	3,486	-	3,486	2,038	1,504	3,542
Total assets	4,071,578	(18,508)	4,053,070	5,982,571	(32,200)	5,950,371

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

35. Explanation of transition to MFRSs (continued)**35.1 Reconciliation of financial position (continued)**

	1 January 2011			31 December 2011		
	FRSs	Effect of	MFRSs	FRSs	Effect of	MFRSs
	RM'000	transition	RM'000	RM'000	transition	RM'000
		to MFRSs			to MFRSs	
		RM'000			RM'000	RM'000
Liabilities						
Deposit from customers	1,321,460	-	1,321,460	2,945,059	-	2,945,059
Deposit and placements of banks and other financial institutions	2,092,510	(24)	2,092,486	2,282,853	-	2,282,853
Derivative financial liabilities	58,863	-	58,863	19,893	-	19,893
Other liabilities	156,615	(46)	156,569	236,195	(210)	235,985
Total liabilities	3,629,448	(70)	3,629,378	5,484,000	(210)	5,483,790
Equity						
Share capital	96,500	-	96,500	96,500	-	96,500
Reserves	345,630	(18,438)	327,192	402,071	(31,990)	370,081
Total equity attributable to equity holder of the Bank	442,130	(18,438)	423,692	498,571	(31,990)	466,581
Total liabilities and equity	4,071,578	(18,508)	4,053,070	5,982,571	(32,200)	5,950,371
Commitments and contingencies	12,645,894	-	12,645,894	2,671,860	-	2,671,860

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

35. Explanation of transition to MFRSs (continued)**35.2 Reconciliation of statement of comprehensive income**

	Year ended 31 December 2011		
	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Income derived from investment of depositors' funds and others	99,067	(18)	99,049
Income derived from investment of shareholder's funds	189,155	-	189,155
Provisions for financing	(38,538)	(13,674)	(52,212)
Transfer from profit equalisation reserve	7,478		7,478
Total distributable income	257,162	(13,692)	243,470
Income attributable to depositors	(98,413)	50	(98,363)
Total net income	158,749	(13,642)	145,107
Other operating expenses	(88,752)	-	(88,752)
Profit before taxation	69,997	(13,642)	56,355
Tax expense	(13,560)	90	(13,470)
Profit for the period	56,437	(13,552)	42,885
Other comprehensive income, net of income tax			
Fair value reserve (investment securities-available-for-sale)			
Net changes in fair value	4	-	4
Net amount transferred to profit or loss	-	-	-
Other comprehensive income for the period net of income tax	4	-	4
Total comprehensive income for the period	56,441	(13,552)	42,889

35.3 Material adjustments made to the statement of cash flows

There are no material differences between the statement of cash flow presented under MFRSs and the statement of cash flow presented under FRSs.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

35. Explanation of transition to MFRSs (continued)**35.4 Reserves**

The changes that affected the reserves are as follows:

	Note	1.1.2011 RM'000	31.12.2011 RM'000
Impairment provision on financing and advances	(i)	(18,489)	(32,147)
Fair value of financial liabilities	(ii)	51	157
		<u>(18,438)</u>	<u>(31,990)</u>

(i) Accounting policy on Impairment of Financial Assets – Financing and advances

Prior to MFRSs, the Bank applied the transitional provision as stated in the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing and maintained collective impairment provisions at 1.5% of total outstanding loans, net of individual impairment provision.

With the adoption of MFRS 139 Financial instruments: Recognition and Measurement ("MFRS 139"), the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in group of financial assets with similar credit risk characteristics and collectively assess them for impairment.

(ii) Accounting policy on Financial Instrument Categories and Subsequent Measurement – Financial Liabilities

Prior to MFRSs, the Bank measured financial liabilities, subsequent to initial recognition, at amortised cost using the effective interest method in accordance with BNM Guidelines on Financial Reporting for Licensed Islamic Banks.

With the adoption of MFRS 139, the Bank has applied fair value option for certain financial liability instruments.