

Company No. 823437K



Standard Chartered Saadiq Berhad

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

**Financial statements for the three months
ended 31 March 2012**

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	Note	31 March 2012 RM'000	31 December 2011 RM'000
Assets			
Cash and short term funds		2,045,699	2,783,398
Deposits and placements with banks and other financial institutions	10	-	-
Investment securities available-for-sale	11	664,694	174,521
Financing and advances	12	4,758,654	2,887,367
Derivative financial assets		21,909	20,574
Other assets	14	10,802	13,679
Tax recoverable		-	3,684
Statutory deposits with Bank Negara Malaysia		79,510	92,552
Property, plant and equipment		7,978	5,662
Deferred tax assets		3,597	3,542
Total assets		<u>7,592,843</u>	<u>5,984,979</u>
Liabilities			
Deposits from customers	15	2,497,232	2,945,059
Deposits and placements of banks and other financial institutions	16	4,099,833	2,282,853
Derivatives financial liabilities		21,458	19,893
Other liabilities	17	457,485	235,985
Tax payable		4,779	3,395
Total liabilities		<u>7,080,787</u>	<u>5,487,185</u>
Equity			
Share capital		96,500	96,500
Reserves		415,556	401,294
Total equity attributable to equity holder of the Bank		<u>512,056</u>	<u>497,794</u>
Total liabilities and equity		<u>7,592,843</u>	<u>5,984,979</u>
Commitments and contingencies	23	<u>2,651,544</u>	<u>2,671,860</u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2011.

STANDARD CHARTERED SAADIQ BERHAD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 1ST QUARTER AND THREE MONTHS ENDED 31 MARCH 2012**

	Note	1st Quarter ended		Three months ended	
		31 March 2012 RM'000	31 March 2011 RM'000	31 March 2012 RM'000	31 March 2011 RM'000
Income derived from investment of depositors' funds and others	18	39,114	22,281	39,114	22,281
Income derived from investment of shareholder's funds	20	58,420	34,074	58,420	34,074
Provisions for financing	22	(12,463)	(2,867)	(12,463)	(2,867)
Transfer from profit equalisation reserves		-	-	-	-
Total distributable income		85,071	53,488	85,071	53,488
Income attributable to depositors	19	(39,279)	(18,555)	(39,279)	(18,555)
Total net income		45,792	34,933	45,792	34,933
Other operating expenses	21	(26,300)	(22,008)	(26,300)	(22,008)
Profit before taxation		19,492	12,925	19,492	12,925
Tax expense		(5,067)	(3,154)	(5,067)	(3,154)
Profit for the period		14,425	9,771	14,425	9,771
Other comprehensive income, net of income tax					
Fair value reserve (investment securities available for sale):					
Net change in fair value		(163)	(143)	(163)	(143)
Other comprehensive loss for the period, net of income tax		(163)	(143)	(163)	(143)
Total comprehensive income for the period		14,262	9,628	14,262	9,628

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2011.

STANDARD CHARTERED SAADIQ BERHAD

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2012

	← Non-Distributable Reserves →				→ Distributable Reserves Retained profits	Total	
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000			AFS reserves RM'000
At 1 January 2012							
As previously stated	96,500	289,500	59,924	-	57	52,590	498,571
Effect of transition to MFRSs	-	-	-	-	-	(777)	(777)
Transfer to regulatory reserves	-	-	-	544	-	(544)	-
	<u>96,500</u>	<u>289,500</u>	<u>59,924</u>	<u>544</u>	<u>57</u>	<u>51,269</u>	<u>497,794</u>
Fair value reserve (investment securities available-for-sale):-							
Net changes in fair value	-	-	-	-	(163)	-	(163)
Total other comprehensive expense for the period	-	-	-	-	(163)	-	(163)
Profit for the period	-	-	-	-	-	14,425	14,425
Total comprehensive (expense) / income for the period	-	-	-	-	(163)	14,425	14,262
At 31 March 2012	<u>96,500</u>	<u>289,500</u>	<u>59,924</u>	<u>544</u>	<u>(106)</u>	<u>65,694</u>	<u>512,056</u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2011.

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2012**

	← Non-Distributable Reserves →				→	Distributable Reserves Retained profits	Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000			
At 1 January 2011							
As previously stated	96,500	289,500	31,706	-	53	24,371	442,130
Effect of transition to MFRSs	-	-	-	-	-	5,618	5,618
Transfer to regulatory reserves	-	-	-	6,994	-	(6,994)	-
	<u>96,500</u>	<u>289,500</u>	<u>31,706</u>	<u>6,994</u>	<u>53</u>	<u>22,995</u>	<u>447,748</u>
Fair value reserve (investment securities available-for-sale):-							
Net changes in fair value	-	-	-	-	(143)	-	(143)
Total other comprehensive expense for the period	-	-	-	-	(143)	-	(143)
Profit for the period	-	-	-	-	-	9,771	9,771
Total comprehensive (expense) /income for the period	-	-	-	-	(143)	9,771	9,628
At 31 March 2011	<u>96,500</u>	<u>289,500</u>	<u>31,706</u>	<u>6,994</u>	<u>(90)</u>	<u>32,766</u>	<u>457,376</u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2011.

STANDARD CHARTERED SAADIQ BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2012

	31 March 2012 RM'000	31 March 2011 RM'000
Profit before taxation	19,492	12,925
Adjustment for non-cash items	3,191	3,081
Operating profit before working capital changes	<u>22,683</u>	<u>16,006</u>
Changes in working capital		
Net changes in operating assets	(1,853,018)	(92,722)
Net changes in operating liabilities	1,592,212	21,393
Income taxes paid	<u>(3,682)</u>	<u>(4,038)</u>
Net cash used in operating activities	(241,805)	(59,361)
Net cash (used in)/generated from investing activities	<u>(495,894)</u>	<u>443,432</u>
Net (decrease)/increase in cash and cash equivalents	(737,699)	384,071
Cash and cash equivalent at beginning of the year	<u>2,783,398</u>	<u>940,388</u>
Cash and cash equivalent at end of the period	<u><u>2,045,699</u></u>	<u><u>1,324,459</u></u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2011.

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REVIEW OF PERFORMANCE

The Bank's profit before taxation for the three months ended 31 March 2012 was RM19.49 million which is RM6.57 million higher than the corresponding period last year. Income derived from investment of depositors' funds and others was RM39.11 million while income derived from investment of shareholder's funds was RM58.42 million. Impairment provisions for financing was higher by RM9.60 million while overheads increased by RM4.29 million. Total assets registered an increase of RM1.61 billion or 26.86% to RM7.59 billion compared to the last financial year ended 31 December 2011. The Bank's core capital ratio and risk-weighted capital ratio remained strong at 12.58 %.

PROSPECTS

The Bank will focus on diversification of its Consumer Banking revenue streams and growing footprints as well as segment penetration, while offering Islamic alternatives in the capital markets and supporting the coverage of commodity clients. The Bank will also seek to grow its deposit base from both retail and corporate customers.

STANDARD CHARTERED SAADIQ BERHAD
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Notes to the financial statements for the three months ended 31 March 2012

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the first quarter and the three months ended 31 March 2012 have been prepared in accordance with MFRS 134, *Interim Financial Reporting in Malaysia*, IAS 34, *Interim Financial Reporting* and Bank Negara Malaysia ("BNM") guidelines.

These are the Bank's condensed interim financial statements for part of the period covered by the Bank's first MFRS framework annual financial statements and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")* has been applied. An explanation of how the transition to MFRSs has affected the reported financial position, financial performance and cash flows of the Bank is provided in note 26.

The following MFRS, IC Interpretation and Amendments to MFRSs have been adopted by the Bank during the current period:

IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to MFRS 1)
Disclosures - Transfer of Financial Assets (Amendments to MFRS 7)
Deferred tax: Recovery of Underlying assets (Amendments to MFRS 112)

The adoption of the IC Interpretation and Amendments to MFRSs above did not have any financial impact on the Bank as they mainly help to clarify the requirements of or provide further explanations to existing MFRSs.

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 July 2012

Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)

Effective for annual periods commencing on or after 1 January 2013

MFRS 10 *Consolidated Financial Statements*
MFRS 11 *Joint Arrangements*
MFRS 12 *Disclosure of Interests in Other Entities*
MFRS 13 *Fair Value Measurement*
MFRS 119 *Employee Benefits (as amended in June 2011)*
MFRS 127 *Separate Financial Statements (as amended by IASB in May 2011)*
MFRS 128 *Investments in Associates and Joint Ventures (as amended by IASB in May 2011)*
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)

Effective for annual periods commencing on or after 1 January 2014

Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)

STANDARD CHARTERED SAADIQ BERHAD
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Notes to the financial statements for the three months ended 31 March 2012 (continued)

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

Effective for annual periods commencing on or after 1 January 2015

MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in November 2009)*

MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in October 2010)*

IC Interpretation 20 will not have any financial impact to the Bank as it is not relevant to the Bank's operations. The financial effects of the above MFRSs and Amendments to MFRSs are still being assessed.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2011.

2. Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2011 was not qualified.

3. Seasonal or cyclical factors

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the first quarter and three months ended 31 March 2012.

5. Changes in accounting estimates

There were no material changes in estimates of amounts reported that have a material effect on the unaudited condensed interim financial statements in the first quarter and the three months ended 31 March 2012.

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

There were no issuance and repayment of debt and equity securities, share-buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the first quarter and three months ended 31 March 2012.

7. Proposed Dividend

No dividend has been proposed for the first quarter and three months ended 31 March 2012.

8. Subsequent events

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

9. Changes in the composition of the Bank

There were no significant changes in the composition of the Bank in the first quarter and the three months ended 31 March 2012.

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10. Deposits and placements with banks and other financial institutions

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

11. Investment securities available-for-sale

	31 March 2012 RM'000	31 December 2011 RM'000
<u>At fair value</u>		
Bank Negara Malaysia bills	594,650	99,434
Cagamas bonds	25,012	25,029
Islamic negotiable instruments of deposit	39,994	40,000
Islamic private debt securities	5,038	10,058
	<u>664,694</u>	<u>174,521</u>

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

	31 March 2012 RM'000	31 December 2011 RM'000
<u>At amortised cost</u>		
Term financing		
- House financing	931,427	938,834
- Hire purchase receivables	190,737	188,025
- Lease receivables	444,038	445,735
- Other term financing	3,832,306	1,995,375
Bills receivable	39,541	40,071
Trust receipts	140,356	170,535
Staff financing	1,773	3,042
Revolving credit	411,853	343,264
	<u>5,992,031</u>	<u>4,124,881</u>
Less: Unearned income	<u>(1,185,754)</u>	<u>(1,191,103)</u>
Gross financing and advances	4,806,277	2,933,778
Less: Impairment provisions on financing and advances:-		
- Individual impairment provisions	(2,356)	(2,509)
- Collective impairment provisions	<u>(45,267)</u>	<u>(43,902)</u>
Total net financing and advances	<u>4,758,654</u>	<u>2,887,367</u>

(ii) By contract

	31 March 2012 RM'000	31 December 2011 RM'000
Bai Bithaman Ajil (<i>deferred payment sale</i>)	453,792	459,943
Ijarah Thumma Al-Bai (<i>finance lease</i>)	551,491	551,318
Murabahah (<i>cost plus</i>)	102,603	145,116
Bai'Al Inah (<i>sale and buy-back</i>)	3,666,324	1,753,823
Others	32,067	23,578
	<u>4,806,277</u>	<u>2,933,778</u>

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

	31 March 2012 RM'000	31 December 2011 RM'000
Domestic non-bank financial institutions	1,920,209	45,802
Domestic business enterprises	1,154,776	1,136,409
<i>Small medium enterprises</i>	166,775	143,051
<i>Others</i>	988,001	993,358
Individuals	1,701,308	1,722,613
Foreign entities	29,984	28,954
	4,806,277	2,933,778

(iv) By profit rate sensitivity

	31 March 2012 RM'000	31 December 2011 RM'000
Fixed rate		
- House financing	3,245	4,035
- Hire purchase receivables	190,737	188,025
- Other financing	1,443,652	1,446,487
Variable rate		
- House financing	384,328	382,745
- Revolving credit	384,844	339,470
- Other financing	2,399,471	573,016
	4,806,277	2,933,778

(v) By sector

	31 March 2012 RM'000	31 December 2011 RM'000
Agriculture	81,373	97,926
Mining and quarrying	86,470	79,829
Manufacturing	350,836	351,922
Electricity, gas and water	2,269	2,273
Construction	28,318	33,725
Real estate	176,415	186,891
Wholesale & retail trade and restaurants & hotels	144,609	139,776
Transportation, storage and communication	176,207	165,435
Finance, insurance and business services	1,978,608	100,572
Household	1,731,292	1,751,567
Others	49,880	23,862
	4,806,277	2,933,778

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

	31 March 2012 RM'000	31 December 2011 RM'000
Purchase of landed property		
- Residential	419,673	388,033
- Non-residential	604,425	75,178
Fixed assets excluding land and building	101,962	97,797
Personal Use	1,317,362	1,335,429
Working Capital	1,094,669	1,022,623
Others	1,268,186	14,718
	<u>4,806,277</u>	<u>2,933,778</u>

(vii) By maturity structure

	31 March 2012 RM'000	31 December 2011 RM'000
Maturing within one year	2,476,618	393,700
One year to three years	600,100	582,000
Three years to five years	998,879	1,175,380
Over five years	730,680	782,698
	<u>4,806,277</u>	<u>2,933,778</u>

(viii) By geographical distribution

	31 March 2012 RM'000	31 December 2011 RM'000
Within Malaysia	<u>4,806,277</u>	<u>2,933,778</u>

(ix) Analysis of foreign currency exposure

	31 March 2012 RM'000	31 December 2011 RM'000
USD	135,529	155,702
GBP	1,845,307	606
	<u>1,980,836</u>	<u>156,308</u>

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

	31 March 2012 RM'000	31 December 2011 RM'000
At 1 January	18,510	22,430
Classified as impaired during the financial period/year	21,412	57,281
Reclassified as performing during the financial period/year	(303)	(1,402)
Amount recovered during the financial period/year	(3,424)	(8,667)
Amount written off	(13,896)	(51,132)
At end of reporting period/year	<u>22,299</u>	<u>18,510</u>
Individual impairment provisions	(2,356)	(2,509)
Net impaired financing and advances	<u>19,943</u>	<u>16,001</u>
Ratio of net impaired financing and advances to net financing and advances	<u>0.42%</u>	<u>0.55%</u>

(ii) Movements in impairment provisions for financing and advances

	31 March 2012 RM'000	31 December 2011 RM'000
Collective impairment provisions		
At 1 January	43,902	34,529
Impairments made during the financial period/year	2,265	13,116
Amount written back	(900)	(3,743)
At end of reporting period/year	<u>45,267</u>	<u>43,902</u>
As a percentage of gross financing and advances less individual impairment provisions	<u>0.9%</u>	<u>1.5%</u>

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13. Impaired financing and advances (continued)

	31 March 2012 RM'000	31 December 2011 RM'000
Individual impairment provisions		
At 1 January	2,509	1,705
Impairments made during the financial period/year	13,973	52,356
Amount written back in respect of recoveries	(271)	(752)
Amount written off	(13,855)	(50,800)
At end of reporting period/year	<u>2,356</u>	<u>2,509</u>

(iii) Impaired financing and advances by sector

	31 March 2012 RM'000	31 December 2011 RM'000
Manufacturing	264	-
Household	22,035	18,510
	<u>22,299</u>	<u>18,510</u>

(iv) Impaired financing and advances by purpose

	31 March 2012 RM'000	31 December 2011 RM'000
Purchase of landed property (<i>Residential</i>)	6,807	8,028
Personal use	15,492	10,482
	<u>22,299</u>	<u>18,510</u>

(v) Impaired financing and advances by geographical distribution

	31 March 2012 RM'000	31 December 2011 RM'000
Within Malaysia	<u>22,299</u>	<u>18,510</u>

14. Other assets

	31 March 2012 RM'000	31 December 2011 RM'000
Income receivable	1,199	3,216
Other receivables, deposits and prepayments	9,603	10,463
	<u>10,802</u>	<u>13,679</u>

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15. Deposits from customers**(i) By type of deposits**

	31 March 2012 RM'000	31 December 2011 RM'000
Non-Mudharabah		
Demand deposits	843,678	1,279,838
Savings deposits	90,848	124,818
Negotiable instruments of deposits	125,838	116,358
	<u>1,060,364</u>	<u>1,521,014</u>
Mudharabah		
General investment deposits	1,436,868	1,424,045
	<u>2,497,232</u>	<u>2,945,059</u>

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

	31 March 2012 RM'000	31 December 2011 RM'000
Due within six months	1,245,526	1,191,816
Six months to one year	194,699	231,131
One year to three years	27,897	23,916
Over five years	94,584	93,540

(ii) By type of customers

	31 March 2012 RM'000	31 December 2011 RM'000
Government and statutory bodies	367,762	185,847
Business enterprises	588,824	805,764
Individuals	1,313,509	1,724,263
Others	227,137	229,185
	<u>2,497,232</u>	<u>2,945,059</u>

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16. Deposits and placements of banks and other financial institutions

	31 March 2012 RM'000	31 December 2011 RM'000
Non-Mudharabah		
Licensed banks	19,962	22,749
Other financial institutions	109,756	108,382
	<u>129,718</u>	<u>131,131</u>
Mudharabah		
Licensed banks	3,970,115	2,151,722
	<u>4,099,833</u>	<u>2,282,853</u>

17. Other liabilities

	31 March 2012 RM'000	31 December 2011 RM'000
Income payable	27,701	16,854
Profit equalisation reserve	-	-
Other payables and accruals	429,784	219,131
	<u>457,485</u>	<u>235,985</u>
 Profit equalisation reserves:-		
At 1 January	-	7,478
Amount written back during the period/year	-	(7,478)
At end of reporting period/year	<u>-</u>	<u>-</u>

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

	1st Quarter ended		Three months ended	
	31 March 2012 RM'000	31 March 2011 RM'000	31 March 2012 RM'000	31 March 2011 RM'000
Income derived from investment of:-				
(i) General investment deposits	22,506	11,197	22,506	11,197
(ii) Other deposits	16,608	11,084	16,608	11,084
	<u>39,114</u>	<u>22,281</u>	<u>39,114</u>	<u>22,281</u>

(i) Income derived from investment of general investment deposits

	1st Quarter ended		Three months ended	
	31 March 2012 RM'000	31 March 2011 RM'000	31 March 2012 RM'000	31 March 2011 RM'000
Finance income and hibah				
Financing and advances	13,827	10,167	13,827	10,167
Investment securities available-for-sale	132	116	132	116
Money at call and deposits with financial institutions	9,524	2,425	9,524	2,425
	23,483	12,708	23,483	12,708
Amortisation of premium less accretion of discount	(1,478)	(1,299)	(1,478)	(1,299)
Total finance income and hibah	22,005	11,409	22,005	11,409
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	3,209	2,082	3,209	2,082
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(2,708)	(2,294)	(2,708)	(2,294)
	501	(212)	501	(212)
	<u>22,506</u>	<u>11,197</u>	<u>22,506</u>	<u>11,197</u>

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

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

	1st Quarter ended		Three months ended	
	31 March 2012 RM'000	31 March 2011 RM'000	31 March 2012 RM'000	31 March 2011 RM'000
Finance income and hibah				
Financing and advances	10,204	9,950	10,204	9,950
Investment securities available-for-sale	98	113	98	113
Money at call and deposits with financial institutions	7,028	2,373	7,028	2,373
	17,330	12,436	17,330	12,436
Amortisation of premium less accretion of discount	(1,091)	(1,271)	(1,091)	(1,271)
Total finance income and hibah	16,239	11,165	16,239	11,165
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	2,367	2,164	2,367	2,164
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(1,998)	(2,245)	(1,998)	(2,245)
	369	(81)	369	(81)
	16,608	11,084	16,608	11,084

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19. Income attributable to depositors

	1st Quarter ended		Three months ended	
	31 March 2012 RM'000	31 March 2011 RM'000	31 March 2012 RM'000	31 March 2011 RM'000
Deposits from customers				
- Mudharabah fund	12,373	3,988	12,373	3,988
- Non-Mudharabah fund	4,173	1,401	4,173	1,401
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	22,678	12,781	22,678	12,781
- Non-Mudharabah fund	55	385	55	385
	<u>39,279</u>	<u>18,555</u>	<u>39,279</u>	<u>18,555</u>

20. Income derived from investment of shareholder's funds

	1st Quarter ended		Three months ended	
	31 March 2012 RM'000	31 March 2011 RM'000	31 March 2012 RM'000	31 March 2011 RM'000
Finance income and hibah				
Financing and advances	55,580	33,676	55,580	33,676
Investment securities available-for-sale	524	398	524	398
Other operating income				
Other income	2,316	-	2,316	-
	<u>58,420</u>	<u>34,074</u>	<u>58,420</u>	<u>34,074</u>

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21. Other operating expenses

	1st Quarter ended		Three months ended	
	31 March 2012 RM'000	31 March 2011 RM'000	31 March 2012 RM'000	31 March 2011 RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	1,642	1,623	1,642	1,623
- Other staff related cost	1,053	235	1,053	235
	<u>2,695</u>	<u>1,858</u>	<u>2,695</u>	<u>1,858</u>
Establishment costs				
- Depreciation of property, plant and equipment	622	512	622	512
- Rental	414	283	414	283
- Information technology expenses	34	33	34	33
- Utilities and maintenance	809	377	809	377
	<u>1,879</u>	<u>1,205</u>	<u>1,879</u>	<u>1,205</u>
Marketing expenses				
- Advertisement and publicity	208	104	208	104
- Others	64	46	64	46
	<u>272</u>	<u>150</u>	<u>272</u>	<u>150</u>
Administration and general expenses				
- Communication expenses	133	34	133	34
- Group administration fees and business support expenses	1,765	1,224	1,765	1,224
- Management fee	16,658	15,750	16,658	15,750
- Others	2,898	1,787	2,898	1,787
	<u>21,454</u>	<u>18,795</u>	<u>21,454</u>	<u>18,795</u>
Total other operating expenses	<u>26,300</u>	<u>22,008</u>	<u>26,300</u>	<u>22,008</u>

22. Provisions for financing

	1st Quarter ended		Three months ended	
	31 March 2012 RM'000	31 March 2011 RM'000	31 March 2012 RM'000	31 March 2011 RM'000
Provisions for financing:-				
Individual impairment provisions	13,702	14,828	13,702	14,828
- Made in the financial period	13,973	14,997	13,973	14,997
- Written back in respect of recoveries	(271)	(169)	(271)	(169)
Collective impairment provisions				
- Made in the financial period	2,265	1,312	2,265	1,312
- Written back	(900)	(2,427)	(900)	(2,427)
Bad and doubtful debts on financing and advances:-				
- Recovered	(2,604)	(10,846)	(2,604)	(10,846)
	<u>12,463</u>	<u>2,867</u>	<u>12,463</u>	<u>2,867</u>

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23. Commitments and contingencies

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

The commitments and contingencies are as follows:-

	As at 31 March 2012			As at 31 December 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
Direct credit substitutes	4,142	3,426	2,336	6,398	6,245	3,751
Transaction-related contingent items	52,683	48,890	13,501	50,090	47,102	12,267
Short-term self liquidating trade-related contingencies	214,570	10,481	3,276	250,873	41,850 **	8,207 **
Obligations under underwriting agreement	-	-	-	-	-	-
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	705,146	28,862 **	19,395 **	876,835	42,721 **	29,874 **
- maturity exceeding one year	514,713	28,047	23,498	297,783	27,087 **	27,280 **
Foreign exchange related contracts:-						
- less than one year	317,950	17,422	2,006	328,431	18,764	3,817
- one year to less than five years	-	-	-	-	-	-
Profit rate related contracts:-						
- less than one year	200,000	951	66	-	-	-
- one year to less than five years	367,556	16,439	34,481	577,111	22,952	34,405
- five years and above	274,784	17,145	2,072	284,339	20,467	2,437
	<u>2,651,544</u>	<u>171,663</u>	<u>100,631</u>	<u>2,671,860</u>	<u>227,188</u>	<u>122,038</u>

** Excluded in the credit equivalent and risk weighted amount of the Bank are RM51.8million (2011: RM241.9million) and RM18.0million (2011: RM79.5million) respectively related to undrawn financing facilities funded by Specific Investment Account ("SIA") placements from SCBMB as provided by BNM's guidelines on the Booking of General and Specific Provisions for Financing Asset Funded by Specific Investment Account (SIA). The facilities funded by the SIA is allowed to be transferred to SCBMB as the fund provider.

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

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24. Rate of return risk

As at 31 March 2012	Non Trading books					Total RM'000	Effective Profit Rate (%)
	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		
Financial assets							
Cash and short term funds	1,992,529	-	-	-	53,170	2,045,699	2.94
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-
Investment securities available-for-sale	164,307	495,349	5,038	-	-	664,694	3.13
Financing and advances							
- Performing	925,050	1,624,627	1,436,324	744,351	8,359	4,738,711	10.87
- Impaired	-	-	-	-	19,943	19,943	-
Derivative financial assets	293	13,692	7,412	512	-	21,909	-
Other balances	-	-	-	-	90,312	90,312	-
	3,082,179	2,133,668	1,448,774	744,863	171,784	7,581,268	
Financial liabilities							
Deposits from customers	1,685,533	689,030	28,083	94,585	-	2,497,232	2.76
Deposits and placements of banks and other financial institutions	1,719,600	2,341,654	-	38,579	-	4,099,833	2.58
Derivative financial liabilities	293	13,241	7,412	512	-	21,458	-
Other balances	-	-	-	-	457,485	457,485	-
	3,405,426	3,043,925	35,495	133,676	457,485	7,076,008	
On-balance sheet profit sensitivity gap	(323,247)	(910,257)	1,413,279	611,187	(285,701)		
Off-balance sheet profit sensitivity gap	-	-	-	-	-		
Total profit sensitivity gap	(323,247)	(910,257)	1,413,279	611,187	(285,701)		

As at 31 December 2011	Non Trading books					Total RM'000	Effective Profit Rate (%)
	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		
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	608,403	115,642	1,401,586	753,562	2,323	2,881,516	10.20
- Impaired	-	-	-	-	5,851	5,851	-
Derivative financial assets	1,038	10,178	8,867	491	-	20,574	-
Other balances	-	-	-	-	106,231	106,231	-
	3,405,563	150,849	1,415,503	754,053	246,123	5,972,091	
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	(280,918)	(1,120,537)	1,383,175	496,443	10,138		
Off-balance sheet profit sensitivity gap	-	-	-	-	-		
Total profit sensitivity gap	(280,918)	(1,120,537)	1,383,175	496,443	10,138		

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25. Capital adequacy

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

	31 March 2012 RM'000	31 December 2011 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	96,500	96,500
Share premium	289,500	289,500
Other reserves	125,618	111,193
Less: Deferred tax assets	(3,562)	(3,560)
Deductions in excess of Tier 2 capital	(106,136)	(98,336)
Eligible Tier 1 capital	<u>401,920</u>	<u>395,297</u>
Tier 2 Capital		
Collective impairment provisions under standardised approach	2,655	1,414
Regulatory reserves	544	544
Eligible Tier 2 capital	<u>3,199</u>	<u>1,958</u>
Less : Excess of expected loss over expected provisions under IRB approach	(97,873)	(90,369)
Exclusion of collective impairment provisions on impaired loans	(11,462)	(9,925)
Transfer of deductions in excess of Tier 2 capital	106,136	98,336
Eligible Tier 2 capital	<u>-</u>	<u>-</u>
Total capital base	<u><u>401,920</u></u>	<u><u>395,297</u></u>

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

	31 March 2012 RM'000	31 December 2011 RM'000
Total risk-weighted assets:-		
Credit risk	2,859,793	2,871,345
Operational risk	335,559	314,840
	<u><u>3,195,352</u></u>	<u><u>3,186,185</u></u>
Tier 1 capital ratio	12.58%	12.41%
Risk-weighted capital ratio	12.58%	12.41%

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26. Explanation of transition to MFRSs

As stated in Note 1, these are the Bank's first interim financial statements prepared under the MFRS framework. The convergence to MFRS framework has resulted in several changes to accounting policies set out below:

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

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

With the adoption of MFRS139 Financial instruments: Recognition and Measurement ("MFRS139"), 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 determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in groups 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 MFRS, 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 Banking Institutions.

With the adoption of MFRS139, the Bank have applied fair value option for certain financial liability instruments.

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26. Explanation of transition to MFRSs (continued)

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.

26.1 Reconciliation of financial position

		1 January 2011		31 December 2011			
	Note	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs 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	7,424	2,349,569	2,886,463	904	2,887,367
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	-	3,271	3,684	-	3,684
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	7,424	4,079,002	5,982,571	2,408	5,984,979

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26. Explanation of transition to MFRSs (continued)

26.1 Reconciliation of financial position (continued)

		1 January 2011		31 December 2011			
	Note	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs 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	(43)	156,572	236,195	(210)	235,985
Tax payable		-	1,873	1,873	-	3,395	3,395
Total liabilities		3,629,448	1,806	3,631,254	5,484,000	3,185	5,487,185
Equity							
Share capital		96,500	-	96,500	96,500	-	96,500
Reserves		345,630	5,618	351,248	402,071	(777)	401,294
Total equity attributable to equity holder of the Bank		442,130	5,618	447,748	498,571	(777)	497,794
Total liabilities and equity		4,071,578	7,424	4,079,002	5,982,571	2,408	5,984,979

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26. Explanation of transition to MFRSs (continued)**26.2 Reconciliation of statement of comprehensive income**

	Three months ended 31 March 2011			Year ended 31 December 2011			
	Note	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
Income derived from investment of investment of depositors' funds and others		22,259	22	22,281	99,067	(18)	99,049
Income derived from investment of shareholder's funds and others		34,074	-	34,074	189,155	-	189,155
Provisions for financing		(4,019)	1,152	(2,867)	(38,538)	(6,517)	(45,055)
Transfer from profit equalisation reserve		-	-	-	7,478		7,478
Total distributable income income		52,314	1,174	53,488	257,162	(6,535)	250,627
Income attributable to depositors		(18,594)	39	(18,555)	(98,413)	50	(98,363)
Total net income		33,720	1,213	34,933	158,749	(6,485)	152,264
Other operating expenses		(22,008)	-	(22,008)	(88,752)	-	(88,752)
Profit before taxation		11,712	1,213	12,925	69,997	(6,485)	63,512
Tax expense		(3,045)	(109)	(3,154)	(13,560)	90	(13,470)
Profit for the period		8,667	1,104	9,771	56,437	(6,395)	50,042
Other comprehensive income, net of income tax							
Fair value reserve (investment securities-available-for-sale)							
Net changes in fair value		(143)	-	(143)	4	-	4
Net amount transferred to profit or loss		-	-	-	-	-	-
Other comprehensive income for the period net of income tax		(143)	-	(143)	4	-	4
Total comprehensive income for the period		8,524	1,104	9,628	56,441	(6,395)	50,046

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26. Explanation of transition to MFRSs (continued)**26.3 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 flows presented under FRSs.

26.4 Comparative notes

The following notes have been restated for the effects of transition to MFRSs:-

	FRSs RM'000	MFRSs RM'000
(a) Note 12 Financing and advances		
Gross financing and advances	2,933,778	2,933,778
Less: Impairment provisions on financing and advances:-		
- Individual impairment provisions	(12,658)	(2,509)
- Collective impairment provisions	(34,657)	(43,902)
Total net financing and advances	<u>2,886,463</u>	<u>2,887,367</u>
(b) Note 13 Impaired financing and advances		
Movements in impaired financing and advances		
At 1 January	22,430	22,430
Classified as impaired during the financial period/year	57,281	57,281
Reclassified as performing during the financial period/year	(1,402)	(1,402)
Amount recovered during the financial period/year	(8,667)	(8,667)
Amount written off	(51,132)	(51,132)
At end of reporting period/year	<u>18,510</u>	<u>18,510</u>
Individual impairment provisions	(12,658)	(2,509)
Net impaired financing and advances	<u>5,852</u>	<u>16,001</u>
Ratio of net impaired financing and advances to net financing and advances	<u>0.20%</u>	<u>0.55%</u>
Movements in impairment provisions for financing and advances		
Collective impairment provisions		
At 1 January	31,299	34,529
Impairments made during the financial period/year	13,116	13,116
Amount written back	(9,758)	(3,743)
At end of reporting period/year	<u>34,657</u>	<u>43,902</u>
As a percentage of gross financing and advances less individual impairment provisions	<u>1.2%</u>	<u>1.5%</u>
Individual Impairment Provisions		
At 1 January	12,356	1,705
Provisions made during the financial period/ year	52,356	52,356
Amount written back in respect of recoveries	(1,254)	(752)
Amount written off	(50,800)	(50,800)
At end of reporting period/year	<u>12,658</u>	<u>2,509</u>

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26. Explanation of transition to MFRSs (continued)**26.4 Comparative notes to the interim financial statements (continued)**

	FRSs RM'000	MFRSs RM'000
(c) Note 17 Other liabilities		
Income payable	16,854	16,854
Profit equalisation reserve	-	-
Other payables and accruals	219,341	219,131
	<u>236,195</u>	<u>235,985</u>
(d) Note 18 Income from depositors' funds and others		
- Income derived from investment of general investment deposits		
Other operating income		
Fee and commission income:-		
- Arising from financial instruments not fair valued through profit or loss	2,071	2,082
- Income derived from investment of other deposits		
Other operating income		
Fee and commission income:-		
- Arising from financial instruments not fair valued through profit or loss	2,153	2,164
(e) Note 19 Income attributable to depositors		
Deposit from customers		
- Mudharabah fund	3,988	3,988
- Non-Mudharabah fund	1,401	1,401
Deposit and placement of banks and other financial institutions		
- Mudharabah fund	12,781	12,781
- Non-Mudharabah fund	424	385
	<u>18,594</u>	<u>18,555</u>
(f) Note 22 Provisions for financing		
Provisions for financing:-		
Individual impairment provisions	14,330	14,828
- Made in the financial period	14,499	14,997
- Written back in respect of recoveries	(169)	(169)
Collective impairment provisions		
- Made in the financial period	2,962	1,312
- Written back	(2,427)	(2,427)
Bad and doubtful debts on financing and advances:-		
- Recovered	(10,846)	(10,846)
	<u>4,019</u>	<u>2,867</u>

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26.4 Comparative notes to the interim financial statements (continued)

	FRSs RM'000	MFRSs RM'000
(g) Note 25 Capital adequacy		
Tier 1 Capital		
Paid-up ordinary share capital	96,500	96,500
Share premium	289,500	289,500
Other reserves	112,514	111,193
Less: Deferred tax asset	(2,056)	(3,560)
Deductions in excess of Tier 2 Capital	<u>(87,732)</u>	<u>(98,336)</u>
Total Tier 1 Capital	<u>408,726</u>	<u>395,297</u>
Tier 2 Capital		
Collective impairment provisions	1,124	1,414
Regulatory reserves	-	544
	<u>1,124</u>	<u>1,958</u>
Less : Excess of expected loss over expected provisions under IRB approach	(1,124)	(90,369)
Exclusion of collective impairment provisions on impaired financing and advances	-	(9,925)
Transfer of deductions in excess of Tier 2 capital	<u>-</u>	<u>98,336</u>
Eligible Tier 2 capital	<u>-</u>	<u>-</u>
Total Capital Base	<u>408,726</u>	<u>395,297</u>
Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:-		
Total risk-weighted assets		
- credit risk	2,871,345	2,871,345
- operational risk	314,840	314,840
	<u>3,186,185</u>	<u>3,186,185</u>
Tier 1 capital ratio	12.83%	12.41%
Risk-weighted capital ratio	12.83%	12.41%