

Company No. 823437K



**Standard Chartered Saadiq Berhad**

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

**Financial statements for the financial period  
ended 30 June 2019**

**STANDARD CHARTERED SAADIQ BERHAD**  
(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	30 June 2019 RM'000	31 December 2018 RM'000
<b>Assets</b>			
Cash and short term funds		1,395,056	1,852,990
Investment securities	11	661,313	100,375
Financing and advances - investment account placements	12	1,999,519	2,431,916
Financing and advances - others	12	2,963,941	2,876,828
Derivative financial assets		77,717	184,650
Other assets	14	211,709	351,621
Current tax assets		8,491	7,337
Statutory deposits with Bank Negara Malaysia	15	62,312	47,980
Property, plant and equipment		2,025	108
Deferred tax assets		5,653	6,050
<b>Total assets</b>		<b><u>7,387,736</u></b>	<b><u>7,859,855</u></b>
<b>Liabilities</b>			
Deposits from customers	16	3,102,392	2,603,930
Structured deposits		3,642	3,642
Investment accounts of customers	17	608,978	726,594
Deposits and placements of banks and other financial institutions	18	52,768	428,586
Restricted investment accounts due to designated financial institutions	19	2,628,379	3,004,937
Derivative financial liabilities		78,922	189,413
Other liabilities	20	117,668	129,828
Provision for credit commitments and contingencies	21	617	5,059
Subordinated sukuk		100,000	100,000
<b>Total liabilities</b>		<b><u>6,693,366</u></b>	<b><u>7,191,989</u></b>
<b>Equity</b>			
Share capital		411,000	411,000
Reserves		283,370	256,866
<b>Total equity attributable to equity holder of the Bank</b>		<b><u>694,370</u></b>	<b><u>667,866</u></b>
<b>Total liabilities and equity</b>		<b><u>7,387,736</u></b>	<b><u>7,859,855</u></b>
<b>Commitments and contingencies</b>	29	<b><u>8,846,184</u></b>	<b><u>9,081,138</u></b>

*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 2018.*

**STANDARD CHARTERED SAADIQ BERHAD**  
(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE 2ND QUARTER AND SIX MONTHS ENDED 30 JUNE 2019**

	Note	2nd quarter ended		Six months ended	
		30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Income derived from investment of depositors' funds	22	46,801	32,001	85,275	68,239
Income derived from investment of investment account funds	23	36,610	48,719	79,915	87,707
Income derived from investment of shareholder's funds	24	9,426	8,801	17,888	18,676
Net (charge)/release of credit loss allowance	25	(298)	2,972	2,771	10,085
<b>Total distributable income</b>		<b>92,539</b>	<b>92,493</b>	<b>185,849</b>	<b>184,707</b>
Profit/hibah distributed to depositors	26	(25,149)	(14,979)	(42,382)	(32,228)
Profit/hibah distributed to investment account holders	27	(29,796)	(40,012)	(64,748)	(71,749)
<b>Total net income</b>		<b>37,594</b>	<b>37,502</b>	<b>78,719</b>	<b>80,730</b>
Other operating expenses	28	(22,529)	(24,630)	(47,854)	(47,578)
<b>Profit before taxation</b>		<b>15,065</b>	<b>12,872</b>	<b>30,865</b>	<b>33,152</b>
Tax expense		(3,759)	(3,276)	(7,608)	(8,549)
<b>Profit for the period</b>		<b>11,306</b>	<b>9,596</b>	<b>23,257</b>	<b>24,603</b>
<b>Other comprehensive income/(expense) for the period, net of income tax</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Fair value reserve:					
Net change in fair value					
- debt securities		-	(131)	-	(215)
- investment securities measured at fair value through other comprehensive income ("FVOCI")		1,846	-	3,138	-
Net changes in expected credit losses transferred to profit or loss		78	-	109	-
<b>Other comprehensive income/(expense) for the period, net of income tax</b>		<b>1,924</b>	<b>(131)</b>	<b>3,247</b>	<b>(215)</b>
<b>Total comprehensive income for the period</b>		<b>13,230</b>	<b>9,465</b>	<b>26,504</b>	<b>24,388</b>

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 2018.

**STANDARD CHARTERED SAADIQ BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	← Non-Distributable Reserves →			Fair value reserves RM'000	<i>Distributable Reserves Retained profits</i> RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Regulatory reserves RM'000			
<b>At 1 January 2019</b>	411,000	-	13,622	75	243,169	667,866
Fair value reserve (FVOCI)						
- Net changes in fair value	-	-	-	3,138	-	3,138
- Net changes in credit losses	-	-	-	109	-	109
Total other comprehensive income for the period	-	-	-	3,247	-	3,247
Profit for the period					23,257	23,257
Total other comprehensive income for the period	-	-	-	3,247	23,257	26,504
<b>At 30 June 2019</b>	<u>411,000</u>	<u>-</u>	<u>13,622</u>	<u>3,322</u>	<u>266,426</u>	<u>694,370</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 2018.*

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	← Non-Distributable Reserves →				Distributable Reserves	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Fair value reserves RM'000	Retained profits RM'000	
<b>At 31 December 2017</b>	102,750	308,250	-	40	219,067	630,107
Impact of adopting MFRS 9 as at 1 January 2018						
- Adjustment related to impairment, net of income taxes	-	-	-	18	(5,880)	(5,862)
- Transfer between reserves	-	-	13,622	-	(13,622)	-
<b>Restated balance as at 1 January 2018</b>	102,750	308,250	13,622	58	199,565	624,245
Fair value reserve (FVOCI)						
Net changes in fair value	-	-	-	(84)	-	(84)
Total other comprehensive expense for the period	-	-	-	(84)	-	(84)
Profit for the period	-	-	-	-	15,007	15,007
Total comprehensive (expense)/income for the period	-	-	-	(84)	15,007	14,923
<b>At 30 June 2018</b>	<b>102,750</b>	<b>308,250</b>	<b>13,622</b>	<b>(26)</b>	<b>214,572</b>	<b>639,168</b>

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 2018.

**STANDARD CHARTERED SAADIQ BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	<b>30 June 2019 RM'000</b>	<b>30 June 2018 RM'000</b>
Profit before taxation	30,865	33,152
Adjustment for non-cash items	(2,378)	(9,962)
Operating profit before working capital changes	<u>28,487</u>	<u>23,190</u>
Changes in working capital		
Net changes in operating assets	465,739	127,967
Net changes in operating liabilities	(385,643)	909,832
Income taxes paid	(9,350)	(5,875)
Net cash generated from operating activities	<u>99,233</u>	<u>1,055,114</u>
Net cash used in investing activities	<u>(557,167)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	<u>(457,934)</u>	<u>1,055,114</u>
Cash and cash equivalent at beginning of the year	<u>1,852,990</u>	<u>1,612,916</u>
Cash and cash equivalent at end of the period	<u><u>1,395,056</u></u>	<u><u>2,668,030</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 2018.*

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**REVIEW OF PERFORMANCE**

The Bank registered a pre-tax profit of RM 30.9 million, a 6.9 % decline against the corresponding period last year. Net income declined marginally by RM 2.0 million or 2.5% mainly attributable to lower net release in provisions for credit losses, while operating expenses decreased by 0.6% year on year.

Total financing and advances declined by 6.5 % over the period to RM 4.96 billion while customer deposits showed stronger momentum over the period, growing by 19.1 % to RM 3.1 billion.

The Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 23.148% and 27.284%, respectively.

**PROSPECTS**

Global growth has continued to soften this quarter. Growth in emerging markets and developing economies are expected to slow down, alongside subdued investment and export growth, reflecting the escalation of trade tensions between major economics.

On the domestic front, Malaysia recorded GDP growth of 4.5% for the first quarter of 2019, with projections for 2019 remaining at 4.3% to 4.8% amid softer private and government consumption growth. Trade growth, however, continues to be positive, with exports growing by 2.5 % year on year.

The overnight policy rate ("OPR") was cut from 3.25% to 3.0% in May 2019, with market consensus for one further cut in 2019. The Ringgit weakened to above 4.13 against the USD during the quarter before rebounding back slightly to 4.11 in early July following expectations of further rate cuts by the US Federal Reserve.

Amidst this challenging economic backdrop, the Bank will continue to drive its strategic agenda to deliver sustainable returns across all client segments and aspire to be the best International Islamic Bank in Malaysia by 2021. The Bank continues to be active in the key economic sectors of the economy and will keep the focus and momentum in domestic and international businesses leveraging the global network of the bank. Export oriented, import substitution manufacturing sectors, supporting the country's SMEs and Halal industry and providing relevant Islamic solutions to Malaysians to grow and protect their wealth are a few of the key focus areas of Standard Chartered Saadiq Berhad for taking the business forward in the country.

**STANDARD CHARTERED SAADIQ BERHAD**  
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**Notes to the financial statements for the financial period ended 30 June 2019**

**1. Basis of preparation of the financial statements**

The unaudited condensed interim financial statements for the financial period ended 30 June 2019 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting*.

The accounting policies and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements, except for the adoption of the following MFRSs, Interpretation and Amendments to MFRSs during the current financial period:

i) MFRS 16	<i>Leases</i>
ii) IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
iii) Amendments to MFRS 3	<i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
iv) Amendments to MFRS 9	<i>Financial Instruments – Prepayment Features with Negative Compensation</i>
v) Amendments to MFRS 11	<i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
vi) Amendments to MFRS 112	<i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
vii) Amendments to MFRS 119	<i>Employee Benefits - Plan Amendment, Curtailment or Settlement</i>
viii) Amendments to MFRS 123	<i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
ix) Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures</i>

The adoption of the above MFRSs, Interpretation and Amendments to MFRSs do not have any material impacts to the financial statements of the Bank except as mentioned below:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The impact of MFRS 16 on the Bank is primarily where the Bank is a lessee in property lease contracts. The Bank has elected to adopt the simplified approach of transition and will not restate comparative information.

The following MFRSs, Interpretations and Amendments to MFRSs have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

i) Amendments to MFRS 3	<i>Business Combinations - Definition of Business</i>
ii) Amendments to MFRS 101 and MFRS 108	<i>Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material</i>

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

i) MFRS 17	<i>Insurance Contracts</i>
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MFRSs and Amendments to MFRSs effective for a date yet to be confirmed

i) Amendments to MFRS 10 and MFRS 128	<i>Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
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**STANDARD CHARTERED SAADIQ BERHAD**  
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**1. Basis of preparation of the financial statements (continued)**

The Bank plans to apply the abovementioned accounting standards, amendments and interpretations from the annual period beginning on 1 January 2020 for the amendments that are effective for annual periods beginning on or after 1 January 2020.

The Bank does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021, as it is not applicable to the Bank.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018. 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 2018.

**2. Accounting policy changes**

The below-described accounting policies have been applied since 1 January 2019 following the adoption of MFRS 16.

*Lease Accounting:*

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Summary of accounting policy changes

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

The Bank presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

*Short-term leases and leases of low-value assets*

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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**3. Auditor's report on preceding annual financial statements**

The auditor's report on the financial statements for the financial year ended 31 December 2018 was not qualified.

**4. Seasonal or cyclical factors**

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

**5. 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 second quarter and six months ended 30 June 2019 .

**6. 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 second quarter and six months ended 30 June 2019 .

**7. 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 second quarter and six months ended 30 June 2019 .

**8. Proposed Dividend**

No dividend has been proposed for the second quarter and the six months ended 30 June 2019 .

**9. Subsequent events**

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

**10. Changes in the composition of the Bank**

There were no changes in the composition of the Bank during the six months ended 30 June 2019 .

**11. Investment securities**

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Investment securities measured at FVOCI - debt instruments	<u>661,313</u>	<u>100,375</u>

**i) By type**

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>Investment securities measured at FVOCI - debt instruments</b>		
Malaysian Government Investment Issues	<u>661,313</u>	<u>100,375</u>
	<u>661,313</u>	<u>100,375</u>

The carrying amount of a debt securities measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but it reflected as a debit to profit or loss or retained profits and credit to other comprehensive income.

**ii) Movement of allowance for credit losses**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Balance as at 1 January	25	18
Net remeasurement of loss allowance	<u>103</u>	<u>7</u>
At end of reporting period/year	<u>128</u>	<u>25</u>

**STANDARD CHARTERED SAADIQ BERHAD**  
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**12. Financing and advances****(i) By type and by contract**

As at 30 June 2019	Bai <sup>^</sup>	Ijarah <sup>#</sup>	Ijarah Thumma Al- Bai <sup>#</sup>	Murabahah	Commodity Murabahah	Musyarakah Mutanaqisah	Others	Total financing and advances
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At amortised cost</b>								
Term financing								
- House financing	343,386	-	-	-	-	2,135,522	-	2,478,908
- Hire purchase receivables	-	-	11,868	-	-	-	-	11,868
- Lease receivables	-	14,925	-	-	-	-	-	14,925
- Other term financing	21,877	-	-	-	1,337,479	680,784	54,709	2,094,849
Bills receivable	11,910	-	-	48,013	352,784	361	-	413,068
Trust receipts	-	-	-	6,590	-	-	-	6,590
Staff financing	-	-	-	-	8,449	-	163	8,612
Revolving credit	-	-	-	-	432,666	-	-	432,666
	377,173	14,925	11,868	54,603	2,131,378	2,816,667	54,872	5,461,486
Less: Unearned income								(434,369)
Gross financing and advances								5,027,117
Less: Allowances for credit losses financing and advances:-								
- 12-month ECL (Stage 1)								(3,376)
- Lifetime ECL not credit-impaired (Stage 2)								(11,207)
- Lifetime ECL credit-impaired (Stage 3)								(49,074)
Total net financing and advances								4,963,460
Less: Financing and advances funded by investment account placements *								(1,999,519)
Total net financing and advances - others								2,963,941

<sup>^</sup> Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn.

<sup>#</sup> Under this mode of financing, the Bank acquires the assets against customers' purchase undertaking to purchase the assets on maturity of the financing. The assets will be leased to the customer during financing tenure prior to the acquisition of asset by the customer.

\* Financing and advances funded by investment account placements are exposures under Restricted Profit Sharing Investment Account ('RPSIA'), as part of an arrangement between the Bank and Standard Chartered Bank Malaysia Berhad. Standard Chartered Bank Malaysia Berhad is exposed to the risk of RPSIA financing and will account for all the expected credit losses arising thereon.

**STANDARD CHARTERED SAADIQ BERHAD**  
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**12. Financing and advances (continued)**

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

As at 31 December 2018	Bai <sup>^</sup>	Ijarah <sup>#</sup>	Ijarah Thumma Al- Bai <sup>#</sup>	Murabahah	Commodity Murabahah	Musyarakah Mutanaqisah	Others	Total financing and advances
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing								
- House financing	363,101	-	-	-	-	2,260,117	-	2,623,218
- Hire purchase receivables	-	-	20,204	-	-	-	-	20,204
- Lease receivables	-	28,983	-	-	-	-	-	28,983
- Other term financing	23,627	-	-	-	1,324,065	712,516	80,300	2,140,508
Bills receivable	202,015	-	-	16,528	244,413	-	-	462,956
Trust receipts	-	-	-	197,962	-	-	-	197,962
Staff financing	344	-	-	-	10,608	-	191	11,143
Revolving credit	-	-	-	-	342,900	-	-	342,900
	589,087	28,983	20,204	214,490	1,921,986	2,972,633	80,491	5,827,874
Less: Unearned income								(449,179)
Gross financing and advances								5,378,695
Less: Allowances for credit losses on financing and advances:-								
- 12-month ECL (Stage 1)								(3,364)
- Lifetime ECL not credit-impaired (Stage 2)								(12,375)
- Lifetime ECL credit-impaired (Stage 3)								(54,212)
Total net financing and advances								5,308,744
Less: Financing and advances funded by investment account placements *								(2,431,916)
Total net financing and advances - others								2,876,828

<sup>^</sup> Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn.

<sup>#</sup> Under this mode of financing, the Bank acquires the assets against customers' purchase undertaking to purchase the assets on maturity of the financing. The assets will be leased to the customer during financing tenure prior to the acquisition of asset by the customer.

\* Financing and advances funded by investment account placements are exposures under Restricted Profit Sharing Investment Account ('RPSIA'), as part of an arrangement between the Bank and Standard Chartered Bank Malaysia Berhad. Standard Chartered Bank Malaysia Berhad is exposed to the risk of RPSIA financing and will account for all the expected credit losses arising thereon.

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

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Domestic non-bank financial institutions	100,268	80,304
Domestic business enterprises	1,757,285	2,023,623
<i>Small medium enterprises</i>	834,893	795,122
<i>Others</i>	922,392	1,228,501
Individuals	2,184,441	2,330,546
Foreign entities	985,123	944,222
	5,027,117	5,378,695

**(iii) By profit rate sensitivity**

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Fixed rate		
- House financing	272	956
- Hire purchase receivables	11,868	20,204
- Other financing	510,240	534,647
Variable rate		
- House financing	2,299,320	2,755,164
- Revolving credit	431,408	342,900
- Other financing	1,774,009	1,724,824
	5,027,117	5,378,695

**(iv) By sector**

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Agriculture	182,087	193,365
Mining and quarrying	8,438	8,681
Manufacturing	270,804	565,140
Electricity, gas and water	816	838
Construction	141,858	125,051
Real estate	291,998	263,674
Wholesale & retail trade and restaurants & hotels	465,922	503,447
Transportation, storage and communication	38,768	39,244
Finance, insurance and business services	353,165	304,029
Household	2,577,227	2,746,340
Others	696,034	628,886
	5,027,117	5,378,695

**STANDARD CHARTERED SAADIQ BERHAD**  
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**12. Financing and advances (continued)****(v) By purpose**

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Purchase of landed property		
- Residential	2,299,585	2,431,467
- Non-residential	702,424	734,867
Fixed assets excluding land and building	9,183	16,980
Personal Use	95,300	125,277
Working Capital	1,920,625	2,070,104
	<u>5,027,117</u>	<u>5,378,695</u>

**(vi) By maturity structure**

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Maturing within one year	904,287	1,092,971
One year to three years	234,908	319,932
Three years to five years	738,018	693,947
Over five years	3,149,904	3,271,845
	<u>5,027,117</u>	<u>5,378,695</u>

**(vii) By geographical distribution**

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Within Malaysia	4,486,012	4,871,815
Outside Malaysia	541,105	506,880
	<u>5,027,117</u>	<u>5,378,695</u>

**(viii) Analysis of foreign currency exposure**

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
USD	337,099	577,595
JPY	4,495	-
	<u>4,495</u>	<u>-</u>

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

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
At 1 January	63,010	43,181
Classified as non-performing during the financial period/year	39,269	101,974
Reclassified as performing during the financial period/year	(32,918)	(63,041)
Amount recovered during the financial period/year	(2,355)	(2,380)
Amount written off during the financial period/year	(13,020)	(16,724)
At end of reporting period/year	53,986	63,010
Impairment provision	(33,617)	(37,666)
Net impaired financing and advances	<u>20,369</u>	<u>25,344</u>

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## 13. Impaired financing and advances

## (ii) Movements in allowances for credit losses for financing and advances

	← 2019 →				← 2018 →			
	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000
Balance at 1 January	3,364	12,375	54,212	69,951	12,936	32,797	57,228	102,961
Transfer to 12-month ECL	5,692	(5,692)	-	-	27,453	(26,969)	(484)	-
Transfer to lifetime ECL not credit-impaired	(1,297)	2,565	(1,268)	-	(4,977)	6,529	(1,552)	-
Transfer to lifetime ECL credit-impaired	(4)	(2,839)	2,843	-	(31)	(10,316)	10,347	-
Net remeasurement of loss allowance	(4,379)	4,798	7,137	7,556	(32,047)	10,334	16,736	(4,977)
Unwind of discount	-	-	(1,672)	(1,672)	-	-	(3,656)	(3,656)
Write-offs	-	-	(12,178)	(12,178)	-	-	(24,407)	(24,407)
Foreign exchange and other movements	-	-	-	-	30	-	-	30
At end of reporting period/year *	<u>3,376</u>	<u>11,207</u>	<u>49,074</u>	<u>63,657</u>	<u>3,364</u>	<u>12,375</u>	<u>54,212</u>	<u>69,951</u>

The Bank is required to maintain, in aggregate, loss allowances for non-credit-impaired exposures and regulatory reserves of no less than 1.00% of total credit exposures, net of loss allowance for credit-impaired exposures. As of 30 June 2019, the loss allowance for non-credit-impaired exposures and regulatory reserves, as a percentage of total credit exposures less loss allowance for credit-impaired exposures is above 1.00% after excluding the exposures funded by Profit Sharing Investment Account ("PSIA") placements from Standard Chartered Bank Malaysia Berhad ("SCBMB"), where loss allowance for financing assets funded by PSIA are held at the fund provider, SCBMB.

\* Excluded in the total allowances for credit losses is ECL allowance for exposures funded by PSIA placement from SCBMB amounting to RM7.45 million (2018:RM10.95 million).

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

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Agriculture	-	664
Mining and quarrying	-	45
Manufacturing	1,772	1,497
Construction	1,301	1,643
Real estate	4,277	4,731
Wholesale & retail trade and restaurants & hotels	10,468	6,207
Transportation, storage and communication	1,243	2,176
Finance, insurance and business services	1,095	3,781
Household	32,505	42,019
Others	1,325	247
	<u>53,986</u>	<u>63,010</u>

**(iv) Impaired financing and advances by purpose**

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Purchase of landed property	37,185	42,471
- Residential	20,689	29,263
- Non-residential	16,496	13,208
Fixed assets excluding land and building	377	2,541
Personal use	4,710	6,916
Working capital	11,714	11,082
	<u>53,986</u>	<u>63,010</u>

**(v) Impaired financing and advances by geographical distribution**

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Within Malaysia	<u>53,986</u>	<u>63,010</u>

**14. Other assets**

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Income receivable	6,781	1,472
Other receivables, deposits and prepayments	204,928	350,149
	<u>211,709</u>	<u>351,621</u>

**15. Statutory deposits with Bank Negara Malaysia**

The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009 to satisfy the Statutory Reserve Requirement ("SRR"); which is determined at a set percentages of total eligible liabilities.



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

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Demand deposits	1,713,851	828,431
- Qard	1,389,215	816,203
- Commodity Murabahah *	324,636	12,228
Saving deposits	215,353	243,775
- Qard	71,331	59,207
- Commodity Murabahah *	144,022	184,568
Term deposits	1,173,188	1,531,724
- Commodity Murabahah *	1,159,484	1,518,206
- Mudharabah	13,704	13,518
	<u>3,102,392</u>	<u>2,603,930</u>

\* Balances under Commodity Murabahah arrangement may contain incidental Qard elements due to timing differences between the deposit placement renewal and the execution of Commodity Murabahah.

The maturity structure of the term deposits is as follows:-

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Due within six months	1,027,672	1,100,779
Six months to one year	6,058	427,408
One year to three years	139,458	3,537
	<u>1,173,188</u>	<u>1,531,724</u>

**(ii) By type of customers**

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Government and statutory bodies	225,637	651,918
Business enterprises	944,653	814,458
Individuals	1,087,091	918,949
Others	845,011	218,605
	<u>3,102,392</u>	<u>2,603,930</u>

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**17. Investment accounts of customers**

	30 June 2019 RM'000	31 December 2018 RM'000
<b>Unrestricted investment accounts</b>		
Without maturity		
Mudharabah	608,978	726,594

**18. Deposits and placements of banks and other financial institutions**

	30 June 2019 RM'000	31 December 2018 RM'000
<b>Qard</b>		
Licensed banks	4,366	198,034
<b>Commodity Murabahah</b>		
Other financial institutions	48,402	230,552
	<u>52,768</u>	<u>428,586</u>

**19. Restricted investment accounts due to designated financial institutions**

<b>Restricted investment accounts</b>		
Mudharabah	<u>2,628,379</u>	<u>3,004,937</u>
<b>By type of counterparties</b>		
Licensed banks	<u>2,628,379</u>	<u>3,004,937</u>

Mudharabah deposit placement of licensed bank is a placement under the PSIA arrangement by the Bank's immediate holding company.

**20. Other liabilities**

	30 June 2019 RM'000	31 December 2018 RM'000
Lease liabilities	1,985	-
Income payable	13,500	22,909
Other payables and accruals	102,183	106,919
	<u>117,668</u>	<u>129,828</u>

**21. Provision for credit commitments and contingencies**

	30 June 2019 ECL RM'000	31 December 2018 Impairment provisions RM'000
<b>Financing commitments and financial guarantee contracts</b>		
Balance as at 1 January	5,059	1,009
Net remeasurement of loss allowance	(4,441)	4,047
Foreign exchange and other movements	(1)	3
At end of reporting period/year	<u>617</u>	<u>5,059</u>

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**22. Income derived from investment of depositors' funds**

	2nd quarter ended		Six months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Income derived from investment of:-				
(i) Term deposits	21,953	18,634	46,840	42,575
(ii) Other deposits	24,848	13,367	38,435	25,664
	<u>46,801</u>	<u>32,001</u>	<u>85,275</u>	<u>68,239</u>

**(i) Income derived from investment of term deposits**

	2nd Quarter ended		Six months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
<b>Finance income and hibah</b>				
Financing and advances	14,383	12,733	28,202	29,622
Investment securities	1,961	441	2,881	926
Money at call and deposits with financial institutions	3,581	4,170	9,701	8,708
Total finance income and hibah	19,925	17,344	40,784	39,256
<b>Other operating income</b>				
Fees and commission income	2,050	1,891	6,338	4,780
Fees and commission expense	(22)	(601)	(282)	(1,461)
	2,028	1,290	6,056	3,319
	<u>21,953</u>	<u>18,634</u>	<u>46,840</u>	<u>42,575</u>

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

	2nd quarter ended		Six months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
<b>Finance income and hibah</b>				
Financing and advances	15,597	9,180	23,141	17,856
Investment securities	1,861	309	2,364	558
Money at call and deposits with financial institutions	4,619	2,918	7,960	5,249
Total finance income and hibah	22,077	12,407	33,465	23,663
<b>Other operating income</b>				
Fees and commission income	2,860	1,399	5,201	2,882
Fees and commission expense	(89)	(439)	(231)	(881)
	2,771	960	4,970	2,001
	<u>24,848</u>	<u>13,367</u>	<u>38,435</u>	<u>25,664</u>

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**23. Income derived from investment of investment account funds**

	2nd quarter ended		Six months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
<b>Finance income and hibah</b>				
Financing and advances	32,008	40,640	69,962	72,924
Money at call and deposits with financial institutions	4,602	8,079	9,953	14,783
	<u>36,610</u>	<u>48,719</u>	<u>79,915</u>	<u>87,707</u>

**24. Income derived from investment of shareholder's funds**

	2nd quarter ended		Six months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
<b>Finance income and hibah</b>				
Financing and advances	6,071	6,027	10,770	12,994
Investment securities	788	206	1,100	406
Money at call and deposits with financial institutions	1,625	1,948	3,706	3,820
Total finance income and hibah	8,484	8,181	15,576	17,220
<b>Other operating income</b>				
Fees and commission income	962	906	2,420	2,097
Fees and commission expense	(20)	(286)	(108)	(641)
	942	620	2,312	1,456
	<u>9,426</u>	<u>8,801</u>	<u>17,888</u>	<u>18,676</u>

**25. Net (release)/charge of credit loss allowance**

	2nd quarter ended		Six months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Charge/(release) for credit loss allowance	3,572	239	3,218	(3,916)
- Financing and advances	3,459	648	7,556	(3,275)
- Credit commitments and contingencies	35	(409)	(4,441)	(641)
- Financial assets held at FVOCI - investment securities	78	-	103	-
Amount recovered from impaired financing and advances	(3,274)	(3,211)	(5,989)	(6,169)
	<u>298</u>	<u>(2,972)</u>	<u>(2,771)</u>	<u>(10,085)</u>

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**26. Profit/hibah distributed to depositors**

	2nd quarter ended		Six months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Deposits from customers				
- Non-Mudharabah fund	23,751	13,653	39,663	29,568
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	1,398	1,326	2,719	2,660
	<u>25,149</u>	<u>14,979</u>	<u>42,382</u>	<u>32,228</u>

**27. Profit/hibah distributed to investment account holders**

	2nd quarter ended		Six months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Investment accounts of customers	5,430	6,281	11,324	12,418
Investment accounts due to designated financial institutions	24,366	33,731	53,424	59,331
	<u>29,796</u>	<u>40,012</u>	<u>64,748</u>	<u>71,749</u>

**28. Other operating expenses**

	2nd quarter ended		Six months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
<b>Personnel costs</b>				
- Salaries, bonus, wages and allowances	2,661	2,760	4,448	4,704
- Pension fund contributions	363	406	723	754
- Other staff related cost	400	277	590	767
	<u>3,424</u>	<u>3,443</u>	<u>5,761</u>	<u>6,225</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	18	15	36	32
- Depreciation of right-of-use assets	221	-	456	-
- Rental	34	229	65	504
- Information technology expenses	25	130	214	232
- Utilities and maintenance	297	316	591	645
	<u>595</u>	<u>690</u>	<u>1,362</u>	<u>1,413</u>
<b>Marketing expenses</b>				
- Advertisement and publicity	86	35	98	35
- Others	24	59	79	130
	<u>110</u>	<u>94</u>	<u>177</u>	<u>165</u>
<b>Administration and general expenses</b>				
- Communication expenses	38	79	71	132
- Group administration fees and business support expenses	685	3,216	2,656	4,847
- Management fee	15,958	15,499	35,638	31,749
- Others	1,719	1,609	2,189	3,047
	<u>18,400</u>	<u>20,403</u>	<u>40,554</u>	<u>39,775</u>
<b>Total other operating expenses</b>	<u>22,529</u>	<u>24,630</u>	<u>47,854</u>	<u>47,578</u>

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**29. Commitments and contingencies**

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

The commitments and contingencies are as follows:-

	As at 30 June 2019			As at 31 December 2018		
	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	31,691	31,691	43,729	24,122	24,122	10,057
Transaction-related contingent items	129,961	112,761	29,051	119,615	113,905	16,410
Short-term self liquidating trade-related contingencies	91,480	56,448	18,036	22,492	22,492	8,363
Obligations under underwriting agreement						
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	4,258,082	212,847	158,930	3,966,252	194,900	159,287
- maturity exceeding one year	370,205	13,276	15,499	523,718	25,403	43,448
Foreign exchange related contracts:-						
- less than one year	1,910,670	27,771	8,533	1,847,247	39,092	18,076
- one year to less than five years	670,824	59,700	5,397	1,188,073	120,406	54,853
Profit rate related contracts:-						
- one year to less than five years	1,383,271	22,205	4,850	1,389,619	21,807	5,539
	<u>8,846,184</u>	<u>536,699</u>	<u>284,025</u>	<u>9,081,138</u>	<u>562,127</u>	<u>316,033</u>

Included in direct credit substitutes and transaction-related contingent items are the deals or contracts entered under Kafalah concept amounting to RM 161.7 million (2018: RM143.7 million). All deals and contracts in short-term self liquidating trade-related contingencies are entered under Wakalah concept amounting to RM 91.5 million (2018: RM22.5 million).

\*\* Excluded from the credit equivalent and risk weighted amounts of the Bank are RM145.1 million (2018: RM189.6 million) and RM96.7 million (2018: RM152.7 million) respectively relating to exposures funded by PSIA placements from SCBMB as provided by BNM's policy document on Investment Account. The related credit risk and exposure of facilities funded by the Specific Investment Account are 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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**30. Fair values of financial assets and liabilities****Methods and assumptions****Fair value hierarchy**

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

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>30 June 2019</b>				
<b>Assets</b>				
Investment securities at FVOCI				
- Malaysian Government Investment Issues	-	661,313	-	661,313
Derivative financial instruments	-	77,717	-	77,717
	-	739,030	-	739,030
<b>Liabilities</b>				
Structured deposits	-	3,642	-	3,642
Derivative financial instruments	-	78,922	-	78,922
	-	82,564	-	82,564
<b>31 December 2018</b>				
<b>Assets</b>				
Investment securities at FVOCI				
- Malaysian Government Investment Issues	-	100,375	-	100,375
Derivative financial instruments	-	184,650	-	184,650
	-	285,025	-	285,025
<b>Liabilities</b>				
Structured deposits	-	3,642	-	3,642
Derivative financial instruments	-	189,413	-	189,413
	-	193,055	-	193,055

There were no transfers between Level 1 and Level 2 during the period ended 30 June 2019.

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**31. 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:-

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Aggregate value of outstanding credit exposures to connected parties	<u>97,677</u>	<u>270,910</u>
As a percentage of total credit exposures	<u>1.7%</u>	<u>4.4%</u>

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

**32. Capital adequacy**

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

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>Tier 1 Capital</b>		
Paid-up ordinary share capital	411,000	411,000
Other reserves	243,169	243,169
Less: Deferred tax assets	(6,230)	(6,063)
Excess of Expected Loss over Expected Provisions under AIRB approach	-	-
Unrealised gains on investment securities	1,495	34
Common Equity Tier ("CET") 1 and Eligible Tier 1 capital	<u>649,434</u>	<u>648,140</u>
<b>Tier 2 Capital</b>		
Subordinated sukuk	100,000	100,000
General provisions*	1,210	1,472
Surplus of total Eligible Provisions over total Expected Loss under AIRB approach	14,834	14,259
Eligible Tier 2 capital	<u>116,044</u>	<u>115,731</u>
Total Capital Base	<u>765,478</u>	<u>763,871</u>

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

	<b>30 June 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Total risk-weighted assets:-		
- credit risk	2,509,639	2,449,970
- operational risk	295,970	309,136
	<u>2,805,609</u>	<u>2,759,106</u>
CET 1 capital ratio	23.148%	23.491%
Tier 1 capital ratio	23.148%	23.491%
Risk-weighted capital ratio	27.284%	27.685%

\* General provision refers to stage 1 and stage 2 ECL allowance as defined under MFRS 9, *Financial Instruments*, to the extent they are ascribed to non-credit-impaired exposures as determined under the standardised approach for credit risk.