

Company No. 823437K



Standard Chartered Saadiq Berhad

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

**Financial statements for the financial half year
ended 30 June 2016**

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016**

	Note	30 June 2016 RM'000	31 December 2015 RM'000
Assets			
Cash and short term funds		1,805,118	1,404,220
Investment securities available-for-sale	10	100,848	606,416
Financing and advances	11	6,493,207	6,730,018
Derivative financial assets		218,353	335,251
Other assets	13	994,125	1,972,120
Current tax assets		9,657	15,982
Statutory deposits with Bank Negara Malaysia	14	163,030	261,086
Property, plant and equipment		212	398
Deferred tax assets		5,258	1,705
Total assets		9,789,808	11,327,196
Liabilities			
Deposits from customers	15	2,029,960	2,757,058
Investment account of customers	16	621,867	731,155
Deposits and placements of banks and other financial institutions	17	3,423,173	3,754,829
Investment account due to designated financial institutions		2,222,052	2,465,804
Derivative financial liabilities		242,235	337,987
Other liabilities	18	560,552	604,013
Subordinated sukuk		100,000	100,000
Total liabilities		9,199,839	10,750,846
Equity			
Share capital		102,750	102,750
Reserves		487,219	473,600
Total equity attributable to equity holder of the Bank		589,969	576,350
Total liabilities and equity		9,789,808	11,327,196
Commitments and contingencies	24	8,538,264	11,662,874

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 2015.

STANDARD CHARTERED SAADIQ BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 2ND QUARTER AND SIX MONTHS ENDED 30 JUNE 2016

	Note	2nd Quarter ended		Six months ended	
		30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Income derived from investment of depositors' funds and others	19	75,546	80,253	148,177	152,314
Income derived from investment of shareholder's funds	21	27,698	33,503	57,221	68,794
Provisions for financing	23	(7,720)	(100)	(12,576)	(1,119)
Total distributable income		95,524	113,656	192,822	219,989
Income attributable to depositors	20	(38,105)	(54,496)	(73,630)	(94,271)
Income attributable to investment account holders		(16,060)	(14,047)	(32,590)	(30,979)
Total net income		41,359	45,113	86,602	94,739
Other operating expenses	22	(30,947)	(29,697)	(65,974)	(59,897)
Profit before taxation		10,412	15,416	20,628	34,842
Tax expense		(2,730)	(6,089)	(5,253)	(10,957)
Profit for the period		7,682	9,327	15,375	23,885
Other comprehensive (expense)/income, net of income tax					
Fair value reserve (investment securities available for sale):					
Net change in fair value		(457)	5	(1,756)	50
Other comprehensive (expense)/income for the period, net of income tax		(457)	5	(1,756)	50
Total comprehensive income for the period		7,225	9,332	13,619	23,935

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 2015.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	← <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 2016	102,750	308,250	102,750	1,863	60,737	576,350
Fair value reserve (investment securities available-for-sale):-						
Net changes in fair value	-	-	-	(1,756)	-	(1,756)
Total other comprehensive expense for the period	-	-	-	(1,756)	-	(1,756)
Profit for the period	-	-	-	-	15,375	15,375
Total comprehensive income for the period	-	-	-	(1,756)	15,375	13,619
At 30 June 2016	102,750	308,250	102,750	107	76,112	589,969

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 2015.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	← <i>Non-Distributable Reserves</i> →				<i>Distributable Reserves</i>	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
At 1 January 2015	102,750	308,250	102,750	(20)	46,192	559,922
Fair value reserve (investment securities available for-sale):-						
Net changes in fair value	-	-	-	50	-	50
Total other comprehensive income for the period	-	-	-	50	-	50
Profit for the period	-	-	-	-	23,885	23,885
Total comprehensive income for the period	-	-	-	50	23,885	23,935
At 30 June 2015	102,750	308,250	102,750	30	70,077	583,857

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 2015.

STANDARD CHARTERED SAADIQ BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	30 June 2016 RM'000	30 June 2015 RM'000
Profit before taxation	20,628	34,842
Adjustment for non-cash items	(537)	(464)
Operating profit before working capital changes	<u>20,091</u>	<u>34,378</u>
Changes in working capital		
Net changes in operating assets	1,334,007	314,396
Net changes in operating liabilities	(1,455,255)	556,482
Income taxes paid	<u>(1,926)</u>	<u>(4,074)</u>
Net cash (used in)/generated from operating activities	<u>(103,083)</u>	<u>901,182</u>
Net cash generated from investing activities	<u>503,981</u>	<u>19,440</u>
Net increase in cash and cash equivalents	400,898	920,622
Cash and cash equivalent at beginning of the year	<u>1,404,220</u>	<u>1,119,521</u>
Cash and cash equivalent at end of the period	<u><u>1,805,118</u></u>	<u><u>2,040,143</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 2015.

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REVIEW OF PERFORMANCE

The Bank registered a pre-tax profit of RM 20.63 million, a 40.80% decrease against the corresponding period last year as income derived from investment of shareholder's funds declined 16.82% to RM 57.22 million, in line with the reduction in personal financing. Provision for financing increased by RM 11.46 million against the corresponding period due to lower releases in collective impairment provisions, coupled with a one-off precautionary top up in individual impairment provisions.

Financing and advances decreased marginally by 3.52% to RM 6.5 billion while there was a decline in Deposit from Customers of 26.37% to RM 2.03 billion. Nevertheless, the Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 16.62% and 19.59%, respectively.

PROSPECTS

In line with the Standard Chartered PLC Group's refreshed and sharpened strategy, the three restructured client business will continue to differentiate against local and international competition, and deliver greater efficiency. Our Corporate & Institutional Banking and Commercial Banking segments will focus on optimisation of capital, while continuing to deepen client relationships. Meanwhile, our Retail Banking's strategic initiatives will continue on the digital agenda to improve customer experience.

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Notes to the financial statements for the financial half year ended 30 June 2016

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the second quarter and the financial half year ended 30 June 2016 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting in Malaysia.

The accounting policies and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements:-

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

MFRSs and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2017

- i) Amendments to MFRS 107 *Statement of Cash Flows – Disclosure Initiative*
- ii) Amendments to MFRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2018

- i) MFRS 9 *Financial Instruments (2014)*
- ii) MFRS 15 *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- i) MFRS 16 *Leases*

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

- i) Amendments to MFRS 10 *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the abovementioned accounting standards and amendments are not expected to have any material impact to the financial statements of the Bank except as mentioned below:-

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfer of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

MFRS 9, Financial Instruments

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 Bank is currently assessing the financial impact of adopting MFRS 9 and MFRS 15.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. 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 2015.

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2. Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2015 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 second quarter and financial half year ended 30 June 2016 .

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 second quarter and financial half year ended 30 June 2016 .

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 second quarter and financial half year ended 30 June 2016 .

7. Proposed Dividend

No dividend has been proposed for the second quarter and the financial half year ended 30 June 2016 .

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 changes in the composition of the Bank during the financial half year ended 30 June 2016 .

10. Investment securities available-for-sale

	30 June 2016 RM'000	31 December 2015 RM'000
<u>At fair value</u>		
Malaysian Government treasury bills	-	74,542
Bank Negara Malaysia bills	-	49,860
Government Islamic bonds	100,848	482,014
	<u>100,848</u>	<u>606,416</u>

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

	Bai Bithaman Ajil (<i>deferred payment sale</i>)	Ijarah (<i>lease</i>)	Ijarah Thumma Al- Bai (<i>finance lease</i>)	Murabahah (<i>cost plus</i>)	Murabahah Bai Dayn	Bai'Al Inah (<i>sale and buy- back</i>)	Diminishing Musyarakah	Others	Total financing and advances
As at 30 June 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing									
- House financing	521,612	-	-	-	-	-	2,647,575	4,002	3,173,189
- Hire purchase receivables	-	-	130,702	-	-	-	-	-	130,702
- Lease receivables	-	204,303	-	-	-	-	-	50,331	254,634
- Other term financing	48,400	-	-	1,282,845	-	219,731	875,755	14,687	2,441,418
Bills receivable	-	-	-	319,935	159,984	-	-	-	479,919
Trust receipts	-	-	-	141,141	-	-	-	-	141,141
Staff financing	874	-	-	2,511	-	124	-	-	3,509
Revolving credit	-	-	-	577,905	-	-	-	-	577,905
	570,886	204,303	130,702	2,324,337	159,984	219,855	3,523,330	69,020	7,202,417
Less: Unearned income									(603,155)
Gross financing and advances									6,599,262
Less: Impairment provisions on financing and advances:-									
- Individual impairment provisions									(25,164)
- Collective impairment provisions									(80,891)
Total net financing and advances									6,493,207

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11. Financing and advances (continued)

(i) By type and by contract (continued)

As at 31 December 2015	Bai Bithaman Ajil (<i>deferred payment sale</i>)	Ijarah (<i>lease</i>)	Ijarah Thumma Al- Bai (<i>finance lease</i>)	Murabahah (<i>cost plus</i>)	Murabahah Bai Dayn	Bai'Al Inah (<i>sale and buy- back</i>)	Diminishing Musyarakah	Others	Total financing and advances
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing									
- House financing	557,285	-	-	-	-	-	2,674,755	4,259	3,236,299
- Hire purchase receivables	-	-	154,638	-	-	-	-	-	154,638
- Lease receivables	-	231,926	-	-	-	-	-	2,773	234,699
- Other term financing	51,721	-	-	1,236,083	-	340,913	898,475	2,696	2,529,888
Bills receivable	-	-	-	115,240	169,072	-	-	-	284,312
Trust receipts	-	-	-	516,078	-	-	-	-	516,078
Staff financing	992	-	-	1,180	-	-	-	100	2,272
Revolving credit	-	-	-	574,439	-	-	-	-	574,439
	609,998	231,926	154,638	2,443,020	169,072	340,913	3,573,230	9,828	7,532,625
Less: Unearned income									(680,635)
Gross financing and advances									6,851,990
Less: Impairment provisions on financing and advances:-									
- Individual impairment provisions									(28,622)
- Collective impairment provisions									(93,350)
Total net financing and advances									6,730,018

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

	30 June 2016 RM'000	31 December 2015 RM'000
Domestic non-bank financial institutions	251,106	200,895
Domestic business enterprises	2,820,167	2,835,722
<i>Small medium enterprises</i>	1,071,469	1,098,377
<i>Others</i>	1,748,698	1,737,345
Individuals	3,016,718	3,160,888
Foreign entities	511,271	654,485
	6,599,262	6,851,990

(iii) By profit rate sensitivity

	30 June 2016 RM'000	31 December 2015 RM'000
Fixed rate		
- House financing	1,441	1,754
- Hire purchase receivables	130,702	154,638
- Other financing	887,204	1,433,497
Variable rate		
- House financing	3,171,749	3,234,545
- Revolving credit	577,905	538,422
- Other financing	1,830,261	1,489,134
	6,599,262	6,851,990

(iv) By sector

	30 June 2016 RM'000	31 December 2015 RM'000
Agriculture	129,233	2,816
Mining and quarrying	187,815	181,232
Manufacturing	821,500	842,198
Electricity, gas and water	1,771	2,323
Construction	154,794	155,970
Real estate	344,251	333,684
Wholesale & retail trade and restaurants & hotels	583,146	722,879
Transportation, storage and communication	87,237	100,511
Finance, insurance and business services	622,192	557,910
Household	3,527,989	3,673,703
Others	139,334	278,764
	6,599,262	6,851,990

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

	30 June 2016 RM'000	31 December 2015 RM'000
Purchase of landed property		
- Residential	2,907,082	2,947,860
- Non-residential	903,800	921,425
Fixed assets excluding land and building	126,970	147,954
Personal Use	391,280	486,450
Working Capital	2,270,130	2,348,301
	<u>6,599,262</u>	<u>6,851,990</u>

(vi) By maturity structure

	30 June 2016 RM'000	31 December 2015 RM'000
Maturing within one year	1,258,255	1,236,056
One year to three years	480,036	563,235
Three years to five years	771,178	991,779
Over five years	4,089,793	4,060,920
	<u>6,599,262</u>	<u>6,851,990</u>

(vii) By geographical distribution

	30 June 2016 RM'000	31 December 2015 RM'000
Within Malaysia	<u>6,599,262</u>	<u>6,851,990</u>

(viii) Analysis of foreign currency exposure

Included in Financing and advances are exposures amounting to RM967,856,000 (December 2015: RM1,079,059,000) which are denominated in US dollars.

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

	30 June 2016 RM'000	31 December 2015 RM'000
At 1 January	36,817	38,121
Classified as impaired during the financial period/year	55,397	75,098
Reclassified as performing during the financial period/year	(22,922)	(12,911)
Amount recovered during the financial period/year	(1,513)	(13,065)
Amount written off during the financial period/year	(24,138)	(50,426)
At end of reporting period/year	<u>43,641</u>	<u>36,817</u>
Individual impairment provisions	(25,164)	(28,622)
Net impaired financing and advances	<u><u>18,477</u></u>	<u><u>8,195</u></u>

(ii) Movements in impairment provisions for financing and advances

	30 June 2016 RM'000	31 December 2015 RM'000
Collective impairment provisions		
At 1 January	93,350	119,038
Impairments made during the financial period/year	5,446	17,745
Amount written back	(17,905)	(43,433)
At end of reporting period/year	<u>80,891</u>	<u>93,350</u>
As a percentage of gross financing and advances less individual impairment provisions	<u>1.23%</u>	<u>1.37%</u>

	30 June 2016 RM'000	31 December 2015 RM'000
Individual impairment provisions		
At 1 January	28,622	23,790
Impairments made during the financial period/year	40,188	65,120
Amount written back	(8,916)	(10,310)
Amount written off	(34,730)	(49,978)
At end of reporting period/year	<u>25,164</u>	<u>28,622</u>

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

	30 June 2016 RM'000	31 December 2015 RM'000
Manufacturing	590	1,588
Construction	-	64
Wholesale & retail trade and restaurants & hotels	8,189	1,951
Transportation, storage and communication	867	625
Household	33,702	32,477
Others	293	112
	<u>43,641</u>	<u>36,817</u>

(iv) Impaired financing and advances by purpose

	30 June 2016 RM'000	31 December 2015 RM'000
Purchase of landed property	23,393	10,847
- Residential	18,931	9,754
- Non-residential	4,462	1,093
Fixed assets excluding land and building	547	859
Personal use	14,771	21,630
Working capital	4,930	3,481
	<u>43,641</u>	<u>36,817</u>

(v) Impaired financing and advances by geographical distribution

	30 June 2016 RM'000	31 December 2015 RM'000
Within Malaysia	<u>43,641</u>	<u>36,817</u>

13. Other assets

	30 June 2016 RM'000	31 December 2015 RM'000
Income receivable	1,485	2,343
Other receivables, deposits and prepayments	992,640	1,969,777
	<u>994,125</u>	<u>1,972,120</u>

14. 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"); the amounts of which are determined at set percentages of total eligible liabilities.

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

	30 June 2016 RM'000	31 December 2015 RM'000
Demand deposits		
- Wadiah	877,199	788,984
Saving deposits		
- Wadiah	84,948	100,000
Investment deposits		
- Murabahah	17,379	16,792
Negotiable instruments of deposits		
- Bai-Inah	114,411	111,061
General investment deposits	936,023	1,740,221
- Mudharabah	50,222	88,342
- Murabahah	885,801	1,651,879
	2,029,960	2,757,058

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

	30 June 2016 RM'000	31 December 2015 RM'000
Due within six months	758,536	1,334,093
Six months to one year	157,233	399,006
One year to three years	39,333	134,975
Three years to five years	112,711	-

(ii) By type of customers

	30 June 2016 RM'000	31 December 2015 RM'000
Government and statutory bodies	14,528	136,057
Business enterprises	538,160	1,022,611
Individuals	973,802	1,133,045
Others	503,470	465,345
	2,029,960	2,757,058

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16. Investment account of customers

Investment account of customers is a profit sharing investment account based on the principle of Mudharabah. This is an unrestricted investment account for which the Investment Account Holder (IAH) appoints the Bank to manage based on the Bank's expertise as a fund manager.

The placements from the Investment account of customers will be invested into (i) commodity murabahah contracts with the Bank's designated counterparty where certain commodities are bought and sold at an agreed profit, and (ii) Overnight Islamic Interbank Placement with Bank Negara Malaysia.

Profit on the Investment account of customers is dependent on the pre-agreed profit sharing ratio and the performance of the underlying assets; and distributed to IAH at the end of the investment period. The profit sharing investment account allows withdrawals and additional placements at any time and profit will be calculated based on the daily average balance at the end of the investment period.

The commodity murabahah placements are not recognised in the statement of financial position of the Bank due to the nature of the arrangement with the counterparty, where the funds will subsequently be placed with the Bank to fund certain syariah compliant assets.

	30 June 2016 RM'000	31 December 2015 RM'000
Unrestricted investment accounts		
Without maturity Mudharabah	<u>621,867</u>	<u>731,155</u>
Movement in Investment Account		
Mudharabah Unrestricted Investment Account		
As at 1 January	731,155	-
Conversion (to) / from deposits from customers	(90,122)	607,756
New placement during the period/year	701,455	834,225
Redemption during the period/year	(736,057)	(720,255)
Income from investment	16,737	12,755
Profit distributed to the bank	(1,301)	(3,326)
At end of reporting period/year	<u>621,867</u>	<u>731,155</u>
Investment asset:		
Commodity Murabahah Placement-i ("CMP-i")	621,867	722,951
Overnight placement with BNM	-	8,204
Total investments	<u>621,867</u>	<u>731,155</u>
	30 June 2016	
	Average	Average
	Profit sharing	rate of
	ratio	return
	(%)	(%)
Unrestricted investment accounts:		
Less than 3 months	<u>39.02%</u>	<u>4.75%</u>

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17 Deposits and placements of banks and other financial institutions

	30 June 2016 RM'000	31 December 2015 RM'000
Non-Mudharabah		
Other financial institutions	68,977	116,817
Mudharabah		
Licensed banks	<u>3,354,196</u>	<u>3,638,012</u>
	<u>3,423,173</u>	<u>3,754,829</u>

18 Other liabilities

	30 June 2016 RM'000	31 December 2015 RM'000
Income payable	20,049	14,011
Other payables and accruals	<u>540,503</u>	<u>590,002</u>
	<u>560,552</u>	<u>604,013</u>

19 Income derived from investment of depositors' funds and others

	2nd Quarter ended		Six months ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Income derived from investment of:-				
(i) General investment deposits	30,394	49,037	68,162	94,435
(ii) Other deposits	<u>45,152</u>	<u>31,216</u>	<u>80,015</u>	<u>57,879</u>
	<u>75,546</u>	<u>80,253</u>	<u>148,177</u>	<u>152,314</u>

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

(i) Income derived from investment of general investment deposits

	2nd Quarter ended		Six months ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Finance income and hibah				
Financing and advances	23,552	34,470	52,444	70,115
Investment securities available-for-sale	307	211	2,011	211
Money at call and deposits with financial institutions	6,122	11,276	10,768	16,808
	29,981	45,957	65,223	87,134
Amortisation of premium less accretion of discount	(778)	(1,921)	(2,146)	(3,781)
Total finance income and hibah	29,203	44,036	63,077	83,353
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	2,482	6,616	8,188	15,994
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(1,291)	(1,615)	(3,103)	(4,912)
	1,191	5,001	5,085	11,082
	30,394	49,037	68,162	94,435

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

(ii) Income derived from investment of other deposits

	2nd Quarter ended		Six months ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Finance income and hibah				
Financing and advances	34,897	22,040	61,565	42,974
Investment securities available-for-sale	788	129	2,361	129
Money at call and deposits with financial institutions	8,352	7,052	12,641	10,301
	44,037	29,221	76,567	53,404
Amortisation of premium less accretion of discount	(1,257)	(1,225)	(2,520)	(2,317)
Total finance income and hibah	42,780	27,996	74,047	51,087
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	4,343	4,295	9,611	9,803
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(1,971)	(1,075)	(3,643)	(3,011)
	2,372	3,220	5,968	6,792
	45,152	31,216	80,015	57,879

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20 Income attributable to depositors

	2nd Quarter ended		Six months ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Deposits from customers				
- Mudharabah fund	1,409	21,720	2,104	41,336
- Non-Mudharabah fund	12,237	10,434	27,019	16,566
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	23,001	17,572	41,480	30,105
- Non-Mudharabah fund	1,458	4,770	3,027	6,264
	<u>38,105</u>	<u>54,496</u>	<u>73,630</u>	<u>94,271</u>

21 Income derived from investment of shareholder's funds

	2nd Quarter ended		Six months ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Finance income and hibah				
Financing and advances	<u>27,698</u>	<u>33,503</u>	<u>57,221</u>	<u>68,794</u>

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22 Other operating expenses

	2nd Quarter ended		Six months ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	2,366	2,194	4,401	4,411
- Other staff related cost	510	599	777	1,033
	<u>2,876</u>	<u>2,793</u>	<u>5,178</u>	<u>5,444</u>
Establishment costs				
- Depreciation of property, plant and equipment	54	396	186	912
- Rental	376	510	778	1,019
- Information technology expenses	-	10	7	36
- Utilities and maintenance	1,283	618	1,765	1,208
	<u>1,713</u>	<u>1,534</u>	<u>2,736</u>	<u>3,175</u>
Marketing expenses				
- Advertisement and publicity	-	70	2	82
- Others	65	135	91	205
	<u>65</u>	<u>205</u>	<u>93</u>	<u>287</u>
Administration and general expenses				
- Communication expenses	51	63	93	126
- Group administration fees and business support expenses	4,258	1,678	14,839	3,388
- Management fee	21,414	22,268	41,676	46,182
- Others	569	1,156	1,359	1,295
	<u>26,292</u>	<u>25,165</u>	<u>57,967</u>	<u>50,991</u>
Total other operating expenses	<u>30,946</u>	<u>29,697</u>	<u>65,974</u>	<u>59,897</u>

23 Provisions for financing

	2nd Quarter ended		Six months ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Provisions for financing:-				
- Individual impairment provisions	16,593	13,221	31,272	27,471
- Made in the financial period	22,311	16,375	40,188	32,833
- Written back in respect of recoveries	(5,718)	(3,154)	(8,916)	(5,362)
- Collective impairment provisions				
- Made in the financial period	3,617	3,818	5,446	5,193
- Written back	(9,353)	(13,478)	(17,905)	(24,921)
Bad and doubtful debts on financing and advances:-				
- Recovered	(3,137)	(3,461)	(6,237)	(6,624)
	<u>7,720</u>	<u>100</u>	<u>12,576</u>	<u>1,119</u>

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24 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 2016			As at 31 December 2015		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,861	1,417	350	1,344	1,344	301
Transaction-related contingent items	265,477	235,858	27,916	193,481	193,481	43,703
Short-term self liquidating trade-related contingencies	93,006	31,128	9,721	125,059	125,059	38,424
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	3,314,112	378,868 **	157,325 **	3,026,733	472,298 **	189,108 *
- maturity exceeding one year	510,622	154,960 **	128,168	859,118	110,970 **	144,228 *
Foreign exchange related contracts:-						
- less than one year	804,354	21,733 **	5,086 **	1,891,965	61,173 **	7,871 **
- one year to less than five years	2,072,749	123,001	56,608 **	2,146,412	222,202 **	149,977
Profit rate related contracts:-						
- one year to less than five years	1,475,083	96,891	10,235	3,385,365	124,332	27,768
Miscellaneous commitments and contingencies	-	-	-	33,397	617	64
	<u>8,538,264</u>	<u>1,043,856</u>	<u>395,409</u>	<u>11,662,874</u>	<u>1,311,476</u>	<u>601,444</u>

** Excluded in the credit equivalent and risk weighted amount of the Bank are RM446.68million (2015: RM509.84million) and RM304.54million (2015: RM408.9million) respectively relating to exposures funded by PSIA placements from SCBMB as provided by BNM's guidelines on the Booking of General and Specific Provisions for Financing Asset Funded by Specific Investment Account. The related credit risk and exposure of facilities funded by the SIA 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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25 Fair values of financial assets and liabilities**Methods and assumptions****Fair value hierarchy**

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

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2016				
Assets				
Investment securities available-for-sale				
- Debt securities	-	100,848	-	100,848
Derivative financial instruments	-	218,353	-	218,353
	-	319,201	-	319,201
Liabilities				
Deposits from customers	-	17,379	-	17,379
Deposits and placements of banks and other financial institutions	-	3,631	-	3,631
Derivative financial instruments	-	242,235	-	242,235
	-	263,245	-	263,245
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2015				
Assets				
Investment securities available-for-sale				
- Malaysian Government / Bank Negara Bills	-	124,402	-	124,402
- Debt securities	-	482,014	-	482,014
Derivative financial instruments	-	335,251	-	335,251
	-	941,667	-	941,667
Liabilities				
Deposits from customers	-	16,792	-	16,792
Deposits and placements of banks and other financial institutions	-	3,629	-	3,629
Derivative financial instruments	-	337,987	-	337,987
	-	358,408	-	358,408

There were no transfers between Level 1 and Level 2 during the period ended 30 June 2016.

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26 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:-

	30 June 2016	31 December 2015 Restated
	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	<u>440,672</u>	<u>561,702</u>
As a percentage of total credit exposures	<u>5.4%</u>	<u>6.5%</u>

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

27 Capital adequacy

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

	30 June 2016	31 December 2015
	RM'000	RM'000
Tier 1 Capital		
Paid-up ordinary share capital	102,750	102,750
Share premium	308,250	308,250
Other reserves	178,862	163,487
Less: Deferred tax assets	(5,277)	(2,029)
Excess of Expected Loss over Expected Provisions under AIRB approach	-	(14,971)
Unrealised gains and losses on 'available-for-sale' financial instruments	48	838
CET 1 and Eligible Tier 1 capital	<u>584,633</u>	<u>558,325</u>
Tier 2 Capital		
Islamic subordinated sukuk	100,000	100,000
Collective impairment provisions	4,434	9,826
Surplus of total eligible provisions over total expected loss under AIRB approach	129	-
Eligible Tier 2 capital	<u>104,563</u>	<u>109,826</u>
Total capital base	<u>689,196</u>	<u>668,151</u>

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

	30 June 2016	31 December 2015
	RM'000	RM'000
Total risk-weighted assets:-		
Credit risk	3,157,750	3,896,048
Operational risk	360,517	356,681
	<u>3,518,267</u>	<u>4,252,729</u>
CET 1 capital ratio	16.617%	13.129%
Tier 1 capital ratio	16.617%	13.129%
Risk-weighted capital ratio	19.589%	15.711%