

Company No. 823437K



**Standard Chartered Saadiq Berhad**

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

**Financial statements for the three months  
ended 31 March 2016**

**STANDARD CHARTERED SAADIQ BERHAD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016**

	Note	31 March 2016 RM'000	31 December 2015 RM'000
<b>Assets</b>			
Cash and short term funds		2,337,162	1,404,220
Investment securities available-for-sale	10	175,602	606,416
Financing and advances	11	6,601,004	6,730,018
Derivative financial assets		230,030	335,251
Other assets	13	598,932	1,972,120
Current tax assets		13,685	15,982
Statutory deposits with Bank Negara Malaysia	14	220,990	261,086
Property, plant and equipment		266	398
Deferred tax assets		3,813	1,705
<b>Total assets</b>		<b><u>10,181,484</u></b>	<b><u>11,327,196</u></b>
<b>Liabilities</b>			
Deposits from customers	15	2,728,715	2,757,058
Investment account of customers	16	678,420	731,155
Deposits and placements of banks and other financial institutions	17	3,220,075	3,754,829
Investment account due to designated financial institutions		2,328,589	2,465,804
Derivatives financial liabilities		232,511	337,987
Other liabilities	18	310,430	604,013
Subordinated sukuk		100,000	100,000
<b>Total liabilities</b>		<b><u>9,598,740</u></b>	<b><u>10,750,846</u></b>
<b>Equity</b>			
Share capital		102,750	102,750
Reserves		479,994	473,600
<b>Total equity attributable to equity holder of the Bank</b>		<b><u>582,744</u></b>	<b><u>576,350</u></b>
<b>Total liabilities and equity</b>		<b><u>10,181,484</u></b>	<b><u>11,327,196</u></b>
<b>Commitments and contingencies</b>	24	<b><u>9,965,340</u></b>	<b><u>11,662,874</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 2015.*

**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 2016**

	Note	1st Quarter ended		Three months ended	
		31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Income derived from investment of depositors' funds and others	19	<b>72,631</b>	72,061	<b>72,631</b>	72,061
Income derived from investment of shareholder's funds	21	<b>29,523</b>	35,291	<b>29,523</b>	35,291
Provisions for financing	23	<b>(4,856)</b>	(1,019)	<b>(4,856)</b>	(1,019)
<b>Total distributable income</b>		<b>97,298</b>	106,333	<b>97,298</b>	106,333
Income attributable to depositors	20	<b>(35,525)</b>	(39,775)	<b>(35,525)</b>	(39,775)
Income attributable to investment account holders		<b>(16,530)</b>	(16,932)	<b>(16,530)</b>	(16,932)
<b>Total net income</b>		<b>45,243</b>	49,626	<b>45,243</b>	49,626
Other operating expenses	22	<b>(35,027)</b>	(30,201)	<b>(35,027)</b>	(30,201)
Profit before taxation		<b>10,216</b>	19,425	<b>10,216</b>	19,425
Tax expense		<b>(2,523)</b>	(4,868)	<b>(2,523)</b>	(4,868)
<b>Profit for the period</b>		<b>7,693</b>	14,557	<b>7,693</b>	14,557
<b>Other comprehensive (expense)/income, net of income tax</b>					
Fair value reserve (investment securities available for sale):					
Net change in fair value		<b>(1,299)</b>	45	<b>(1,299)</b>	45
<b>Other comprehensive (expense)/income for the period, net of income tax</b>		<b>(1,299)</b>	45	<b>(1,299)</b>	45
<b>Total comprehensive income for the period</b>		<b>6,394</b>	14,602	<b>6,394</b>	14,602

*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 CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED 31 MARCH 2016**

	← <i>Non-Distributable Reserves</i> →				<i>Distributable Reserves Retained profits</i>	<b>Total</b>
	<b>Share capital</b>	<b>Share premium</b>	<b>Statutory reserves</b>	<b>AFS reserves</b>	<b>RM'000</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 1 January 2016</b>	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	-	-	-	(1,299)	-	(1,299)
Total other comprehensive expense for the period	-	-	-	(1,299)	-	(1,299)
Profit for the period	-	-	-	-	7,693	7,693
Total comprehensive income for the period	-	-	-	(1,299)	7,693	6,394
<b>At 31 March 2016</b>	<b>102,750</b>	<b>308,250</b>	<b>102,750</b>	<b>564</b>	<b>68,430</b>	<b>582,744</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 2015.*

**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 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	
<b>At 1 January 2015</b>	102,750	308,250	102,750	(20)	46,192	559,922
Fair value reserve (investment securities available for-sale):-						
Net changes in fair value	-	-	-	45	-	45
Total other comprehensive income for the period	-	-	-	45	-	45
Profit for the period	-	-	-	-	14,557	14,557
Total comprehensive income for the period	-	-	-	45	14,557	14,602
<b>At 31 March 2015</b>	<b>102,750</b>	<b>308,250</b>	<b>102,750</b>	<b>25</b>	<b>60,749</b>	<b>574,524</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 2015.*

**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 2016**

	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>
Profit before taxation	10,216	19,425
Adjustment for non-cash items	(587)	(307)
Operating profit before working capital changes	<u>9,629</u>	<u>19,118</u>
Changes in working capital		
Net changes in operating assets	1,542,044	(45,666)
Net changes in operating liabilities	(1,046,630)	923,086
Income taxes paid	(1,918)	(675)
Net cash generated from operating activities	<u>503,125</u>	<u>895,863</u>
Net cash generated from investing activities	<u>429,817</u>	<u>-</u>
Net increase in cash and cash equivalents	932,942	895,863
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>2,337,162</u></u>	<u><u>2,015,384</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 10.22 million, a 47.41% decrease against the corresponding period last year as income derived from investment of shareholder's funds declined 16.34% to RM 29.52 million, in line with the reduction in personal financing.

Financing and advances decreased marginally by 1.92% to RM 6.6 billion while there was a moderate decline in Deposit from Customers of 1.03% to RM 2.73 billion. Nevertheless, the Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 16.23% and 19.34%, 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 three months ended 31 March 2016**

**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 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 2018

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

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 first quarter and three months ended 31 March 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 first quarter and three months ended 31 March 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 first quarter and three months ended 31 March 2016 .

**7. Proposed Dividend**

No dividend has been proposed for the first quarter and the three months ended 31 March 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 significant changes in the composition of the Bank during the three months ended 31 March 2016 .

**10. Investment securities available-for-sale**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<u>At fair value</u>		
Malaysian Government treasury bills	74,995	74,542
Bank Negara Malaysia bills	-	49,860
Government Islamic bonds	100,607	482,014
	<u>175,602</u>	<u>606,416</u>

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

	<b>Bai Bithaman Ajil (deferred payment sale)</b>	<b>Ijarah (lease)</b>	<b>Ijarah Thumma Al-Bai (finance lease)</b>	<b>Murabahah (cost plus)</b>	<b>Bai'Al Inah (sale and buy- back)</b>	<b>Diminishing Musyarakah</b>	<b>Others</b>	<b>Total financing and advances</b>
<b>As at 31 March 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing								
- House financing	540,282	-	-	-	-	2,662,734	3,777	3,206,793
- Hire purchase receivables	-	-	146,569	-	-	-	-	146,569
- Lease receivables	-	212,131	-	-	-	-	-	212,131
- Other term financing	50,002	-	-	1,250,293	216,045	889,498	77,554	2,483,392
Bills receivable	-	-	-	3,149	-	-	417,617	420,766
Trust receipts	-	-	-	354,018	-	-	-	354,018
Staff financing	860	-	-	2,239	90	-	96	3,285
Revolving credit	-	-	-	541,817	-	-	-	541,817
	591,144	212,131	146,569	2,151,516	216,135	3,552,232	499,044	7,368,771
Less: Unearned income								(652,710)
Gross financing and advances								6,716,061
Less: Impairment provisions on financing and advances:-								
- Individual impairment provisions								(28,430)
- Collective impairment provisions								(86,627)
Total net financing and advances								<u>6,601,004</u>

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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> )	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
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	-	-	-	-	-	-	284,312	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	2,327,780	340,913	3,573,230	294,140	7,532,625
Less: Unearned income								<u>(680,635)</u>
Gross financing and advances								6,851,990
Less: Impairment provisions on financing and advances:-								
- Individual impairment provisions								(28,622)
- Collective impairment provisions								<u>(93,350)</u>
Total net financing and advances								<u><u>6,730,018</u></u>

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Domestic non-bank financial institutions	200,837	200,895
Domestic business enterprises	2,861,914	2,835,722
<i>Small medium enterprises</i>	1,106,918	1,098,377
<i>Others</i>	1,754,996	1,737,345
Individuals	3,089,907	3,160,888
Foreign entities	563,403	654,485
	6,716,061	6,851,990

**(iii) By profit rate sensitivity**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Fixed rate		
- House financing	1,477	1,754
- Hire purchase receivables	146,981	154,638
- Other financing	1,223,530	1,433,497
Variable rate		
- House financing	3,236,257	3,234,545
- Revolving credit	533,986	538,422
- Other financing	1,573,830	1,489,134
	6,716,061	6,851,990

**(iv) By sector**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Agriculture	3,181	2,816
Mining and quarrying	177,677	181,232
Manufacturing	879,055	842,198
Electricity, gas and water	2,275	2,323
Construction	166,829	155,970
Real estate	323,437	333,684
Wholesale & retail trade and restaurants & hotels	699,822	722,879
Transportation, storage and communication	94,941	100,511
Finance, insurance and business services	574,316	557,910
Household	3,605,177	3,673,703
Others	189,351	278,764
	6,716,061	6,851,990

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Purchase of landed property		
- Residential	2,930,586	2,947,860
- Non-residential	911,817	921,425
Fixed assets excluding land and building	142,477	147,954
Personal Use	441,181	486,450
Working Capital	2,290,000	2,348,301
	<u>6,716,061</u>	<u>6,851,990</u>

**(vi) By maturity structure**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Maturing within one year	1,173,535	1,236,056
One year to three years	706,113	563,235
Three years to five years	737,564	991,779
Over five years	4,098,849	4,060,920
	<u>6,716,061</u>	<u>6,851,990</u>

**(vii) By geographical distribution**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Within Malaysia	<u>6,716,061</u>	<u>6,851,990</u>

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

Included in Financing and advances are exposures amounting to RM1,005,357,000 (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**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
At 1 January	36,817	38,121
Classified as impaired during the financial period/year	30,036	75,098
Reclassified as performing during the financial period/year	(15,771)	(12,911)
Amount recovered during the financial period/year	(857)	(13,065)
Amount written off during the financial period/year	(10,392)	(50,426)
At end of reporting period/year	<u>39,833</u>	<u>36,817</u>
Individual impairment provisions	(28,430)	(28,622)
Net impaired financing and advances	<u><u>11,403</u></u>	<u><u>8,195</u></u>

**(ii) Movements in impairment provisions for financing and advances**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Collective impairment provisions</b>		
At 1 January	93,350	119,038
Impairments made during the financial period/year	1,829	17,745
Amount written back	(8,552)	(43,433)
At end of reporting period/year	<u>86,627</u>	<u>93,350</u>
As a percentage of gross financing and advances less individual impairment provisions	<u>1.30%</u>	<u>1.37%</u>

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Individual impairment provisions</b>		
At 1 January	28,622	23,790
Impairments made during the financial period/year	17,877	66,046
Amount written back	(3,198)	(11,236)
Amount written off	(14,871)	(49,978)
At end of reporting period/year	<u>28,430</u>	<u>28,622</u>

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Manufacturing	896	1,588
Construction	26	64
Wholesale & retail trade and restaurants & hotels	2,847	1,951
Transportation, storage and communication	526	625
Finance, insurance and business services	13	-
Household	35,404	32,477
Others	121	112
	<u>39,833</u>	<u>36,817</u>

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Purchase of landed property	18,308	10,847
- Residential	17,326	9,754
- Non-residential	982	1,093
Fixed assets excluding land and building	719	859
Personal use	17,096	21,630
Working capital	3,710	3,481
	<u>39,833</u>	<u>36,817</u>

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Within Malaysia	<u>39,833</u>	<u>36,817</u>

**13. Other assets**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Income receivable	1,558	2,343
Other receivables, deposits and prepayments	597,374	1,969,777
	<u>598,932</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**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Demand deposits		
- Wadiah	1,091,033	788,984
Saving deposits		
- Wadiah	82,723	100,000
Investment deposits		
- Murabahah	17,173	16,792
Negotiable instruments of deposits		
- Bai-Inah	112,711	111,061
General investment deposits	1,425,075	1,740,221
- Mudharabah	74,450	88,342
- Murabahah	1,350,625	1,651,879
	<u>2,728,715</u>	<u>2,757,058</u>

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Due within six months	1,295,558	1,334,093
Six months to one year	108,946	399,006
One year to three years	22,224	134,975
Three years to five years	128,231	-

**(ii) By type of customers**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Government and statutory bodies	36,105	136,057
Business enterprises	861,541	1,022,611
Individuals	1,006,460	1,133,045
Others	824,609	465,345
	<u>2,728,715</u>	<u>2,757,058</u>



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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.

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Unrestricted investment accounts</b>		
Without maturity Mudharabah	<u>678,420</u>	<u>731,155</u>
<b>Movement in Investment Account</b>		
<b>Mudharabah Unrestricted Investment Account</b>		
As at 1 January	731,155	-
Conversion from deposits from customers	-	607,756
New placement during the period/year	313,962	834,225
Redemption during the period/year	(374,443)	(720,255)
Income from investment	8,368	12,755
Profit distributed to the bank	(622)	(3,326)
At end of reporting period/year	<u>678,420</u>	<u>731,155</u>
Investment asset:		
Commodity Murabahah Placement-i ("CMP-i")	678,420	722,951
Overnight placement with BNM	-	8,204
Total investments	<u>678,420</u>	<u>731,155</u>
	<b>31 March 2016</b>	
	Average	Average
	Profit sharing	rate of
	ratio	return
	(%)	(%)
Unrestricted investment accounts:		
Less than 3 months	<u>39.71</u>	<u>4.74</u>

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**17 Deposits and placements of banks and other financial institutions**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Non-Mudharabah</b>		
Other financial institutions	91,279	116,817
<b>Mudharabah</b>		
Licensed banks	<u>3,128,796</u>	<u>3,638,012</u>
	<u>3,220,075</u>	<u>3,754,829</u>

**18 Other liabilities**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Income payable	3,484	14,011
Other payables and accruals	<u>306,946</u>	<u>590,002</u>
	<u>310,430</u>	<u>604,013</u>

**19 Income derived from investment of depositors' funds and others**

	<b>1st Quarter ended</b>		<b>Three months ended</b>	
	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>
Income derived from investment of:-				
(i) General investment deposits	37,768	45,398	37,768	45,398
(ii) Other deposits	<u>34,863</u>	<u>26,663</u>	<u>34,863</u>	<u>26,663</u>
	<u>72,631</u>	<u>72,061</u>	<u>72,631</u>	<u>72,061</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

	1st Quarter ended		Three months ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<b>Finance income and hibah</b>				
Financing and advances	28,892	35,645	28,892	35,645
Investment securities available-for-sale	1,704	-	1,704	-
Money at call and deposits with financial institutions	4,646	5,532	4,646	5,532
	35,242	41,177	35,242	41,177
Amortisation of premium less accretion of discount	(1,368)	(1,860)	(1,368)	(1,860)
Total finance income and hibah	33,874	39,317	33,874	39,317
<b>Other operating income</b>				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	5,706	9,378	5,706	9,378
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(1,812)	(3,297)	(1,812)	(3,297)
	3,894	6,081	3,894	6,081
	37,768	45,398	37,768	45,398

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## 19 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 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<b>Finance income and hibah</b>				
Financing and advances	26,668	20,934	26,668	20,934
Investment securities available-for-sale	1,573	-	1,573	-
Money at call and deposits with financial institutions	4,289	3,249	4,289	3,249
	32,530	24,183	32,530	24,183
Amortisation of premium less accretion of discount	(1,263)	(1,092)	(1,263)	(1,092)
Total finance income and hibah	31,267	23,091	31,267	23,091
<b>Other operating income</b>				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	5,268	5,508	5,268	5,508
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(1,672)	(1,936)	(1,672)	(1,936)
	3,596	3,572	3,596	3,572
	34,863	26,663	34,863	26,663

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**20 Income attributable to depositors**

	1st Quarter ended		Three months ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Deposits from customers				
- Mudharabah fund	695	19,616	695	19,616
- Non-Mudharabah fund	14,782	6,132	14,782	6,132
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	18,479	12,533	18,479	12,533
- Non-Mudharabah fund	1,569	1,494	1,569	1,494
	<u>35,525</u>	<u>39,775</u>	<u>35,525</u>	<u>39,775</u>

**21 Income derived from investment of shareholder's funds**

	1st Quarter ended		Three months ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<b>Finance income and hibah</b>				
Financing and advances	<u>29,523</u>	<u>35,291</u>	<u>29,523</u>	<u>35,291</u>

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**22 Other operating expenses**

	1st Quarter ended		Three months ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<b>Personnel costs</b>				
- Salaries, bonus, wages and allowances	2,035	2,217	2,035	2,217
- Other staff related cost	267	434	267	434
	<u>2,302</u>	<u>2,651</u>	<u>2,302</u>	<u>2,651</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	132	516	132	516
- Rental	402	509	402	509
- Information technology expenses	8	26	8	26
- Utilities and maintenance	482	590	482	590
	<u>1,024</u>	<u>1,641</u>	<u>1,024</u>	<u>1,641</u>
<b>Marketing expenses</b>				
- Advertisement and publicity	2	12	2	12
- Others	26	70	26	70
	<u>28</u>	<u>82</u>	<u>28</u>	<u>82</u>
<b>Administration and general expenses</b>				
- Communication expenses	42	63	42	63
- Group administration fees and business support expenses	10,581	1,710	10,581	1,710
- Management fee	20,262	23,914	20,262	23,914
- Others	788	140	788	140
	<u>31,673</u>	<u>25,827</u>	<u>31,673</u>	<u>25,827</u>
<b>Total other operating expenses</b>	<u>35,027</u>	<u>30,201</u>	<u>35,027</u>	<u>30,201</u>

**23 Provisions for financing**

	1st Quarter ended		Three months ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Provisions for financing:-				
- Individual impairment provisions	14,679	14,250	14,679	14,250
- Made in the financial period	17,877	16,458	17,877	16,458
- Written back in respect of recoveries	(3,198)	(2,208)	(3,198)	(2,208)
- Collective impairment provisions				
- Made in the financial period	1,829	1,375	1,829	1,375
- Written back	(8,552)	(11,443)	(8,552)	(11,443)
Bad and doubtful debts on financing and advances:-				
- Recovered	(3,100)	(3,163)	(3,100)	(3,163)
	<u>4,856</u>	<u>1,019</u>	<u>4,856</u>	<u>1,019</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 31 March 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	1,245	1,245	263	1,344	1,344	301
Transaction-related contingent items	178,512	155,695	28,194	193,481	193,481	43,703
Short-term self liquidating trade-related contingencies	44,421	4,539	1,568	125,059	125,059	38,424
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	3,112,013	464,042 <sup>**</sup>	186,471 <sup>**</sup>	3,026,733	472,298 <sup>**</sup>	189,108 <sup>**</sup>
- maturity exceeding one year	739,634	137,642 <sup>**</sup>	116,228	859,118	110,970 <sup>**</sup>	144,228 <sup>**</sup>
Foreign exchange related contracts:-						
- less than one year	782,063	34,599 <sup>**</sup>	10,089 <sup>**</sup>	1,891,965	61,173 <sup>**</sup>	7,871 <sup>**</sup>
- one year to less than five years	2,040,081	97,568 <sup>**</sup>	30,332 <sup>**</sup>	2,146,412	222,202 <sup>**</sup>	149,977 <sup>**</sup>
Profit rate related contracts:-						
- one year to less than five years	3,033,974	130,332	16,565	3,385,365	124,332	27,768
Miscellaneous commitments and contingencies	33,397	2,499	241	33,397	617	64
	9,965,340	1,028,161	389,951	11,662,874	1,311,476	601,444

\*\* Excluded in the credit equivalent and risk weighted amount of the Bank are RM482.09million (2015: RM509.84million) and RM404.54million (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 advances - Over-the-counter (OTC) derivatives	-
Type of financial liabilities	-	OTC derivatives	-

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 March 2016</b>				
<b>Assets</b>				
Investment securities available-for-sale				
- Malaysian Government / Bank Negara Bills	-	74,995	-	74,995
- Debt securities	-	100,607	-	100,607
Derivative financial instruments	-	230,030	-	230,030
	-	405,632	-	405,632
<b>Liabilities</b>				
Deposits from customers	-	17,173	-	17,173
Deposits and placements of banks and other financial institutions	-	3,598	-	3,598
Derivative financial instruments	-	232,511	-	232,511
	-	253,282	-	253,282
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2015</b>				
<b>Assets</b>				
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
<b>Liabilities</b>				
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 31 March 2016.



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**26 Capital adequacy**

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Tier 1 Capital</b>		
Paid-up ordinary share capital	102,750	102,750
Share premium	308,250	308,250
Other reserves	171,180	163,487
Less: Deferred tax assets	(3,911)	(2,029)
Excess of Expected Loss over Expected Provisions under AIRB approach	(1,174)	(14,971)
Unrealised gains and losses on 'available-for-sale' financial instruments	254	838
CET 1 and Eligible Tier 1 capital	<u>577,349</u>	<u>558,325</u>
<b>Tier 2 Capital</b>		
Islamic subordinated sukuk	100,000	100,000
Collective impairment provisions	10,427	9,826
Eligible Tier 2 capital	<u>110,427</u>	<u>109,826</u>
Total capital base	<u><u>687,776</u></u>	<u><u>668,151</u></u>

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Total risk-weighted assets:-		
Credit risk	3,199,733	3,896,048
Operational risk	<u>357,255</u>	<u>356,681</u>
	<u><u>3,556,988</u></u>	<u><u>4,252,729</u></u>
CET 1 capital ratio	16.231%	13.129%
Tier 1 capital ratio	16.231%	13.129%
Risk-weighted capital ratio	19.336%	15.711%