

Company No. 823437K



**Standard Chartered Saadiq Berhad**

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

**Financial statements for the nine months  
ended 30 September 2017**

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017**

	30 September 2017	31 December 2016
Note	RM'000	RM'000
<b>Assets</b>		
Cash and short term funds	1,321,554	1,392,350
Investment securities available-for-sale	10 100,525	99,576
Financing and advances	11 5,478,011	6,600,489
Derivative financial assets	249,381	294,900
Other assets	13 1,022,018	627,453
Current tax assets	-	4,707
Statutory deposits with Bank Negara Malaysia	14 136,431	143,150
Property, plant and equipment	100	151
Deferred tax assets	6,233	5,803
<b>Total assets</b>	<b><u>8,314,253</u></b>	<b><u>9,168,579</u></b>
<b>Liabilities</b>		
Deposits from customers	15 2,644,210	2,389,883
Investment account of customers	16 731,576	668,677
Deposits and placements of banks and other financial institutions	17 2,027,624	2,590,008
Investment account due to designated financial institutions	18 1,473,904	1,937,198
Derivative financial liabilities	251,288	308,333
Other liabilities	19 458,572	568,696
Current tax liabilities	663	-
Subordinated sukuk	100,000	100,000
<b>Total liabilities</b>	<b><u>7,687,837</u></b>	<b><u>8,562,795</u></b>
<b>Equity</b>		
Share capital	102,750	102,750
Reserves	523,666	503,034
<b>Total equity attributable to equity holder of the Bank</b>	<b><u>626,416</u></b>	<b><u>605,784</u></b>
<b>Total liabilities and equity</b>	<b><u>8,314,253</u></b>	<b><u>9,168,579</u></b>
<b>Commitments and contingencies</b>	27 <b><u>9,688,678</u></b>	<b><u>8,365,793</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 2016.*

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE 3RD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017**

	Note	3rd quarter ended		Nine months ended	
		30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Income derived from investment of depositors' funds	20	71,553	72,145	211,728	224,719
Income derived from investment of investment account funds	21	23,321	23,432	68,986	77,292
Income derived from investment of shareholder's funds	22	12,188	25,142	54,558	81,086
Allowances for impairment on financing and advances	23	(1,948)	(6,413)	(6,892)	(18,989)
<b>Total distributable income</b>		<b>105,114</b>	114,306	<b>328,380</b>	364,108
Profit/hibah distributed to depositors	24	(55,254)	(60,280)	(162,896)	(180,951)
Profit distributed to investment account holders	25	(19,590)	(18,259)	(57,343)	(60,788)
<b>Total net income</b>		<b>30,270</b>	35,767	<b>108,141</b>	122,369
Other operating expenses	26	(24,294)	(32,386)	(81,322)	(98,360)
<b>Profit before taxation</b>		<b>5,976</b>	3,381	<b>26,819</b>	24,009
Tax expense		(1,621)	(628)	(7,006)	(5,881)
<b>Profit for the period</b>		<b>4,355</b>	2,753	<b>19,813</b>	18,128
<b>Other comprehensive income/(expense), net of income tax</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Fair value reserve (investment securities available for sale):					
Net change in fair value		246	734	819	(1,022)
<b>Other comprehensive income/(expense) for the period, net of income tax</b>		<b>246</b>	734	<b>819</b>	(1,022)
<b>Total comprehensive income for the period</b>		<b>4,601</b>	3,487	<b>20,632</b>	17,106

*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 2016.*

## STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

	← <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 2017</b>	102,750	308,250	102,750	(805)	92,839	605,784
Fair value reserve (investment securities available-for-sale):-						
Net changes in fair value	-	-	-	819	-	819
Total other comprehensive expense for the period	-	-	-	819	-	819
Profit for the period	-	-	-	-	19,813	19,813
<b>Total comprehensive income for the period</b>	-	-	-	819	19,813	20,632
Transfer between reserves	-	-	(102,750)	-	102,750	-
<b>Total transaction with owner of the Bank</b>	-	-	(102,750)	-	102,750	-
<b>At 30 September 2017</b>	<b>102,750</b>	<b>308,250</b>	<b>-</b>	<b>14</b>	<b>215,402</b>	<b>626,416</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 2016.*

## STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

	← Non-Distributable Reserves →				Distributable Reserves	Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
<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	-	-	-	(1,022)	-	(1,022)
Total other comprehensive income for the period	-	-	-	(1,022)	-	(1,022)
Profit for the period	-	-	-	-	18,128	18,128
Total comprehensive income for the period	-	-	-	(1,022)	18,128	17,106
<b>At 30 September 2016</b>	<b>102,750</b>	<b>308,250</b>	<b>102,750</b>	<b>841</b>	<b>78,865</b>	<b>593,456</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 2016.

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

	<b>30 September 2017 RM'000</b>	<b>30 September 2016 RM'000</b>
Profit before taxation	26,819	24,009
Adjustment for non-cash items	7,050	(454)
Operating profit before working capital changes	33,869	23,555
Changes in working capital		
Net changes in operating assets	772,450	1,794,054
Net changes in operating liabilities	(874,813)	(2,190,126)
Income taxes paid	(2,324)	(1,726)
Net cash used in operating activities	(70,818)	(374,243)
Net cash generated from investing activities	22	503,981
Net (decrease)/increase in cash and cash equivalents	(70,796)	129,738
Cash and cash equivalent at beginning of the year	1,392,350	1,404,220
Cash and cash equivalent at end of the period	<u>1,321,554</u>	<u>1,533,958</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 2016.*

**STANDARD CHARTERED SAADIQ BERHAD**  
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**REVIEW OF PERFORMANCE**

The Bank registered a pre-tax profit of RM26.82 million, a 11.70% increase against the corresponding period last year. The increase in pre-tax profit is mainly attributable to the decrease in allowances for impairment of financing and other operating expenses by 63.71% and 17.32% respectively, partially offset by the decrease in income derived from investment of shareholders' funds and income derived from investment of investment account funds by 32.72% and 10.75%.

Financing and advances decreased by 17.01% to RM 5.48 billion while there was an increase in deposit from customers of 10.64% to RM 2.64 billion. The Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 17.94% and 21.08%, respectively.

**PROSPECTS**

Our Retail business will continue enhancing customer value propositions while investing in technology and people and expanding our partnerships and alliances while the focus of Commercial Banking business will be to ensure a balanced and healthy portfolio supporting high growth sectors. Meanwhile, our Corporate and Institutional Banking segment will continue to align with the Standard Chartered PLC Global Banking agenda, with emphasis on elevating our client relationships through resourcing of coverage teams.

**STANDARD CHARTERED SAADIQ BERHAD**  
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**Notes to the financial statements for the financial half year ended 30 June 2017**

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

The unaudited condensed interim financial statements for the third quarter and nine months ended 30 September 2017 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, except for the adoption of the following MFRS and Amendments to MFRSs during the current financial period:

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*

The adoption of the above MFRS and Amendments to MFRSs do not have any material impacts on the financial statements of the Group and the Bank.

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, 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.

The Bank are currently assessing the financial impact that may arise from the adoption of MFRS 15.

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 adoption of MFRS 9 will result in a change in accounting policy. The Bank are currently assessing the financial impact of adopting MFRS 9.



**STANDARD CHARTERED SAADIQ BERHAD**  
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**1. Basis of preparation of the financial statements (continued)**

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. 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 2016.

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

The auditor's report on the financial statements for the financial year ended 31 December 2016 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 third quarter and nine months ended 30 September 2017 .

**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 third quarter and nine months ended 30 September 2017 .

**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 third quarter and nine months ended 30 September 2017 .

**7. Proposed Dividend**

No dividend has been proposed for the third quarter and the nine months ended 30 September 2017 .

**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 nine months ended 30 September 2017 .

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

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<u>At fair value</u>		
Government Islamic bonds	100,525	99,576
	<u>100,525</u>	<u>99,576</u>

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

**11. Financing and advances****(i) By type and by contract****As at 30 September 2017**

	Bai'^	Ijarah	Ijarah Thumma Al- Bai	Murabahah	Tawarruq	Musarakah 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	442,789	-	-	-	-	2,460,467	-	2,903,256
- Hire purchase receivables	-	-	63,568	-	-	-	-	63,568
- Lease receivables	-	105,836	-	-	-	-	-	105,836
- Other term financing	316,500	-	-	-	782,619	805,627	77,504	1,982,250
Bills receivable	197,268	-	-	19,502	161,837	-	-	378,607
Trust receipts	-	-	-	191,505	-	-	-	191,505
Staff financing	685	-	-	-	10,559	-	-	11,244
Revolving credit	-	-	-	-	360,365	-	-	360,365
	<u>957,242</u>	<u>105,836</u>	<u>63,568</u>	<u>211,007</u>	<u>1,315,380</u>	<u>3,266,094</u>	<u>77,504</u>	<u>5,996,631</u>
Less: Unearned income								(426,835)
Gross financing and advances								<u>5,569,796</u>
Less: Impairment provisions on financing and advances:-								
- Individual impairment provisions								(30,253)
- Collective impairment provisions								(61,532)
Total net financing and advances								<u><u>5,478,011</u></u>

^ Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn.

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

As at 31 December 2016	Bai'^	Ijarah	Ijarah Thumma Al- Bai	Murabahah	Tawarruq	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	488,088	-	-	-	-	2,580,078	-	3,068,166
- Hire purchase receivables	-	-	101,619	-	-	-	-	101,619
- Lease receivables	-	256,026	-	-	-	-	-	256,026
- Other term financing	185,758	-	-	-	989,561	856,075	99,207	2,130,601
Bills receivable	224,856	-	-	30,208	379,362	-	-	634,426
Trust receipts	-	-	-	295,550	-	-	-	295,550
Staff financing	801	-	-	-	3,760	-	-	4,561
Revolving credit	-	-	-	-	725,355	-	-	725,355
	899,503	256,026	101,619	325,758	2,098,038	3,436,153	99,207	7,216,304
Less: Unearned income								(508,989)
Gross financing and advances								6,707,315
Less: Impairment provisions on financing and advances:-								
- Individual impairment provisions								(26,162)
- Collective impairment provisions								(80,664)
Total net financing and advances								<u>6,600,489</u>

^ Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn.

**STANDARD CHARTERED SAADIQ BERHAD**  
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**11. Financing and advances (continued)****(ii) By type of customer**

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Domestic non-bank financial institutions	66,353	298,625
Domestic business enterprises	2,340,162	2,957,681
<i>Small medium enterprises</i>	868,302	1,001,368
<i>Others</i>	1,471,860	1,956,313
Individuals	2,626,590	2,842,028
Foreign entities	536,691	608,981
	5,569,796	6,707,315

**(iii) By profit rate sensitivity**

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Fixed rate		
- House financing	1,218	1,363
- Hire purchase receivables	63,568	101,619
- Other financing	623,592	1,091,654
Variable rate		
- House financing	2,902,036	3,066,795
- Revolving credit	360,366	725,355
- Other financing	1,619,016	1,720,529
	5,569,796	6,707,315

**(iv) By sector**

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Agriculture	193,255	130,240
Mining and quarrying	215,460	239,849
Manufacturing	501,744	685,188
Electricity, gas and water	973	1,694
Construction	179,658	168,784
Real estate	358,280	339,622
Wholesale & retail trade and restaurants & hotels	405,161	815,775
Transportation, storage and communication	54,647	73,754
Finance, insurance and business services	387,522	665,412
Household	3,111,144	3,344,557
Others	161,952	242,440
	5,569,796	6,707,315

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

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Purchase of landed property		
- Residential	2,672,086	2,821,086
- Non-residential	836,519	875,003
Fixed assets excluding land and building	59,080	95,725
Personal Use	221,741	308,380
Working Capital	1,780,370	2,607,121
	<u>5,569,796</u>	<u>6,707,315</u>

**(vi) By maturity structure**

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Maturing within one year	991,529	1,708,542
One year to three years	477,179	466,481
Three years to five years	563,361	589,916
Over five years	3,537,727	3,942,376
	<u>5,569,796</u>	<u>6,707,315</u>

**(vii) By geographical distribution**

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Within Malaysia	5,517,659	6,600,863
Outside Malaysia	52,137	106,452
	<u>5,569,796</u>	<u>6,707,315</u>

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

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
USD	863,690	1,051,860
Other foreign currencies	-	9,976
	<u>863,690</u>	<u>1,061,836</u>

**STANDARD CHARTERED SAADIQ BERHAD**  
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**12. Impaired financing and advances****(i) Movements in impaired financing and advances**

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
At 1 January	56,883	36,817
Classified as impaired during the financial period/year	70,791	120,084
Reclassified as performing during the financial period/year	(53,728)	(54,623)
Amount recovered during the financial period/year	(3,392)	(3,408)
Amount written off during the financial period/year	(24,216)	(41,987)
At end of reporting period/year	46,338	56,883
Individual impairment provisions	(30,253)	(26,162)
Net impaired financing and advances	<u>16,085</u>	<u>30,721</u>

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

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Collective impairment provisions</b>		
At 1 January	80,664	93,350
Impairments made during the financial period/year	6,479	20,459
Amount written back	(25,611)	(33,145)
At end of reporting period/year	<u>61,532</u>	<u>80,664</u>
As a percentage of gross financing and advances less individual impairment provisions	<u>1.11%</u>	<u>1.21%</u>

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Individual impairment provisions</b>		
At 1 January	26,162	28,622
Impairments made during the financial period/year	44,930	74,205
Amount written back	(8,963)	(13,948)
Amount written off	(31,876)	(62,717)
At end of reporting period/year	<u>30,253</u>	<u>26,162</u>

**STANDARD CHARTERED SAADIQ BERHAD**  
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**12. Impaired financing and advances (continued)****(iii) Impaired financing and advances by sector**

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Agriculture	112	-
Manufacturing	736	839
Construction	1,275	455
Wholesale & retail trade and restaurants & hotels	9,742	6,272
Transportation, storage and communication	2,247	3,537
Finance, insurance and business services	648	1,086
Household	29,324	41,212
Others	2,254	3,482
	<u>46,338</u>	<u>56,883</u>

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

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Purchase of landed property	21,775	30,427
- Residential	12,642	25,262
- Non-residential	9,133	5,165
Fixed assets excluding land and building	2,279	2,743
Personal use	13,905	15,550
Working capital	8,379	8,163
	<u>46,338</u>	<u>56,883</u>

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

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Within Malaysia	<u>46,338</u>	<u>56,883</u>

**13. Other assets**

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Income receivable	618	1,544
Other receivables, deposits and prepayments	1,021,400	625,909
	<u>1,022,018</u>	<u>627,453</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.

**STANDARD CHARTERED SAADIQ BERHAD**  
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**15. Deposits from customers****(i) By type of deposits**

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Demand deposits		
- Wadiah	847,258	758,035
Saving deposits		
- Wadiah	75,525	86,787
Term deposits	1,721,427	1,545,061
- Tawarruq	1,559,380	1,388,369
- Mudharabah	17,480	21,084
Negotiable instruments of deposits		
- Bai-Inah	123,787	118,009
Structured deposits		
- Tawarruq	20,780	17,599
	<u>2,644,210</u>	<u>2,389,883</u>

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

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Due within six months	1,426,851	1,271,162
Six months to one year	138,934	155,890
One year to three years	31,855	-
Three years to five years	-	118,009
Over five years	123,787	-
	<u>1,721,427</u>	<u>1,545,061</u>

**(ii) By type of customers**

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Government and statutory bodies	942,059	667,230
Business enterprises	831,829	616,513
Individuals	479,382	644,093
Others	390,940	462,047
	<u>2,644,210</u>	<u>2,389,883</u>



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**16. Investment account of customers**

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Unrestricted investment accounts</b>		
Without maturity Mudharabah	<u>731,576</u>	<u>668,677</u>
<b>By type of customers</b>		
Business enterprises	136,670	42,976
Individuals	550,775	581,538
Others	<u>44,131</u>	<u>44,163</u>
	<u>731,576</u>	<u>668,677</u>

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

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Non-Mudharabah</b>		
Licensed banks	1,946,392	2,528,988
Other financial institutions	<u>81,232</u>	<u>61,020</u>
	<u>2,027,624</u>	<u>2,590,008</u>

**18. Investment accounts due to designated financial institutions**

<b>Restricted investment accounts</b>		
Mudharabah	<u>1,473,904</u>	<u>1,937,198</u>
<b>By type of counterparties</b>		
Licensed bank	<u>1,473,904</u>	<u>1,937,198</u>

Mudharabah deposit placement of licensed bank is a placement under the Profit Sharing Investment Account ("PSIA") concept by the Bank's immediate holding company .

**19. Other liabilities**

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Income payable	18,694	22,587
Other payables and accruals	<u>439,878</u>	<u>546,109</u>
	<u>458,572</u>	<u>568,696</u>

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

	3rd quarter ended		Nine months ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Income derived from investment of:-				
(i) Term deposits	48,889	34,837	133,317	112,984
(ii) Other deposits	22,664	37,308	78,411	111,735
	<u>71,553</u>	<u>72,145</u>	<u>211,728</u>	<u>224,719</u>

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

	3rd Quarter ended		Nine months ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
<b>Finance income and hibah</b>				
Financing and advances	39,138	29,683	106,860	95,860
Investment securities available-for-sale	552	344	1,426	1,009
Money at call and deposits with financial institutions	9,285	5,326	21,969	14,238
	48,975	35,353	130,255	111,107
Amortisation of premium less accretion of discount	(1,843)	(1,085)	(4,686)	(2,834)
Total finance income and hibah	<u>47,132</u>	<u>34,268</u>	<u>125,569</u>	<u>108,273</u>
<b>Other operating income</b>				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	2,484	3,466	9,689	8,045
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(727)	(2,897)	(1,941)	(3,334)
	1,757	569	7,748	4,711
	<u>48,889</u>	<u>34,837</u>	<u>133,317</u>	<u>112,984</u>

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**20. Income derived from investment of depositors' funds (continued)****(ii) Income derived from investment of other deposits**

	3rd quarter ended		Nine months ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
<b>Finance income and hibah</b>				
Financing and advances	18,134	31,773	62,851	94,799
Investment securities available-for-sale	262	364	839	998
Money at call and deposits with financial institutions	4,546	5,594	12,921	14,081
	22,942	37,731	76,611	109,878
Amortisation of premium less accretion of discount	(879)	(1,137)	(2,756)	(2,802)
Total finance income and hibah	22,063	36,594	73,855	107,076
<b>Other operating income</b>				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	941	3,595	5,698	7,956
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(340)	(2,881)	(1,142)	(3,297)
	601	714	4,556	4,659
	22,664	37,308	78,411	111,735

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

	3rd quarter ended		Nine months ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
<b>Finance income and hibah</b>				
Financing and advances	16,962	15,224	48,727	50,121
Investment securities available-for-sale	-	-	-	2,597
Money at call and deposits with financial institutions	6,359	8,208	20,259	24,574
	23,321	23,432	68,986	77,292

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

	3rd quarter ended		Nine months ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
<b>Finance income and hibah</b>				
Financing and advances	9,746	21,422	43,731	68,797
Investment securities available-for-sale	145	248	584	724
Money at call and deposits with financial institutions	2,625	3,838	8,990	10,218
	12,516	25,508	53,305	79,739
Amortisation of premium less accretion of discount	(492)	(782)	(1,918)	(2,034)
Total finance income and hibah	12,024	24,726	51,387	77,705
<b>Other operating income</b>				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	349	2,496	3,965	5,774
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(185)	(2,080)	(794)	(2,393)
	164	416	3,171	3,381
	12,188	25,142	54,558	81,086

**23. Allowances for impairment on financing and advances**

	3rd quarter ended		Nine months ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Provisions for financing:-				
- Individual impairment provisions	8,594	12,620	35,967	43,892
- Made in the financial period	9,892	17,482	44,930	57,670
- Written back in respect of recoveries	(1,298)	(4,862)	(8,963)	(13,778)
- Collective impairment provisions	(3,438)	(2,823)	(19,132)	(15,282)
- Made in the financial period	2,121	4,287	6,479	9,733
- Written back	(5,559)	(7,110)	(25,611)	(25,015)
Bad and doubtful debts on financing and advances:-				
- Recovered	(3,208)	(3,384)	(9,943)	(9,621)
	1,948	6,413	6,892	18,989

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

	3rd quarter ended		Nine months ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Deposits from customers				
- Mudharabah fund	186	439	636	1,915
- Non-Mudharabah fund	16,374	11,366	45,750	41,765
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	38,694	48,475	116,510	137,271
	<u>55,254</u>	<u>60,280</u>	<u>162,896</u>	<u>180,951</u>

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

	3rd quarter ended		Nine months ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Investment accounts of customers	7,839	5,512	18,179	17,302
Investment accounts due to designated financial institutions	11,751	12,747	39,164	43,486
	<u>19,590</u>	<u>18,259</u>	<u>57,343</u>	<u>60,788</u>

**26. Other operating expenses**

	3rd quarter ended		Nine months ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
<b>Personnel costs</b>				
- Salaries, bonus, wages and allowances	1,830	2,412	7,797	6,813
- Other staff related cost	560	625	1,783	1,402
	<u>2,390</u>	<u>3,037</u>	<u>9,580</u>	<u>8,215</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	9	46	29	232
- Rental	216	406	742	1,184
- Information technology expenses	108	3	963	10
- Utilities and maintenance	581	407	814	1,227
	<u>914</u>	<u>862</u>	<u>2,548</u>	<u>2,653</u>
<b>Marketing expenses</b>				
- Advertisement and publicity	-	-	-	2
- Others	55	80	120	171
	<u>55</u>	<u>80</u>	<u>120</u>	<u>173</u>
<b>Administration and general expenses</b>				
- Communication expenses	50	33	99	126
- Group administration fees and business support expenses	642	4,134	5,085	18,973
- Management fee	17,726	21,122	59,360	62,798
- Others	2,517	3,118	4,530	5,422
	<u>20,935</u>	<u>28,407</u>	<u>69,074</u>	<u>87,319</u>
<b>Total other operating expenses</b>	<u>24,294</u>	<u>32,386</u>	<u>81,322</u>	<u>98,360</u>

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**27. Commitments and contingencies**

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

The commitments and contingencies are as follows:-

	As at 30 September 2017			As at 31 December 2016		
	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	9,154	7,800 **	2,393 **	2,817	1,463 **	536 **
Transaction-related contingent items	267,041	163,677 **	30,153 **	212,675	157,604 **	22,114 *
Short-term self liquidating trade-related contingencies	160,457	103,813	33,169	41,190	37,581 **	8,987 **
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	4,020,651	291,793 **	152,568 **	3,255,162	339,491 **	163,784 **
- maturity exceeding one year	511,310	95,369	143,056	404,986	93,936	80,683
Foreign exchange related contracts:-						
- less than one year	1,053,141	34,936	9,264	610,656	12,109	5,844 **
- one year to less than five years	2,127,084	118,980 **	26,648 **	2,335,014	193,823 **	80,677
Profit rate related contracts:-						
- one year to less than five years	1,539,840	63,053	10,730	1,503,293	72,086	12,718
	<u>9,688,678</u>	<u>879,421</u>	<u>407,981</u>	<u>8,365,793</u>	<u>908,093</u>	<u>375,343</u>

\*\* Excluded in the credit equivalent and risk weighted amount of the Bank are RM468.4million (2016: RM411.0million) and RM305.1million (2016: RM272.2million) 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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**28. 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	-

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>30 September 2017</b>				
<b>Assets</b>				
Investment securities available-for-sale				
- Government Islamic bonds	-	100,525	-	100,525
Derivative financial instruments	-	249,381	-	249,381
	-	349,906	-	349,906
<b>Liabilities</b>				
Deposits from customers	-	20,780	-	20,780
Deposits and placements of banks and other financial institutions	-	3,625	-	3,625
Derivative financial instruments	-	251,288	-	251,288
	-	275,693	-	275,693
<b>31 December 2016</b>				
<b>Assets</b>				
Investment securities available-for-sale				
- Government Islamic bonds	-	99,576	-	99,576
Derivative financial instruments	-	294,900	-	294,900
	-	394,476	-	394,476
<b>Liabilities</b>				
Deposits from customers	-	17,599	-	17,599
Deposits and placements of banks and other financial institutions	-	3,630	-	3,630
Derivative financial instruments	-	308,333	-	308,333
	-	329,562	-	329,562

There were no transfers between Level 1 and Level 2 during the period ended 30 September 2017.

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**29. Capital adequacy**

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

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 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	215,402	195,589
Less: Deferred tax assets	(6,235)	(5,663)
Excess of Expected Loss over Expected Provisions under AIRB approach	-	-
Unrealised gains and losses on 'available-for-sale' financial instruments	6	(805)
CET 1 and Eligible Tier 1 capital	<u>620,173</u>	<u>600,121</u>
<b>Tier 2 Capital</b>		
Islamic subordinated sukuk	100,000	100,000
Collective impairment provisions	3,364	4,169
Surplus of total eligible provisions over total expected loss under AIRB approach	5,077	7,187
Eligible Tier 2 capital	<u>108,441</u>	<u>111,356</u>
Total capital base	<u><u>728,614</u></u>	<u><u>711,477</u></u>

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

	<b>30 September 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Total risk-weighted assets:-		
Credit risk	3,128,356	3,446,093
Operational risk	328,773	350,763
	<u>3,457,129</u>	<u>3,796,856</u>
CET 1 capital ratio	17.939%	15.806%
Tier 1 capital ratio	17.939%	15.806%
Risk-weighted capital ratio	21.076%	18.739%