

Company No. 823437K



Standard Chartered Saadiq Berhad

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

**Financial statements for the financial half year
ended 30 June 2017**

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

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

	Note	30 June 2017 RM'000	31 December 2016 RM'000
Assets			
Cash and short term funds		1,524,136	1,392,350
Investment securities available-for-sale	10	100,242	99,576
Financing and advances	11	5,721,364	6,600,489
Derivative financial assets		268,340	294,900
Other assets	13	850,744	627,453
Current tax assets		-	4,707
Statutory deposits with Bank Negara Malaysia	14	137,510	143,150
Property, plant and equipment		109	151
Deferred tax assets		6,311	5,803
Total assets		8,608,756	9,168,579
Liabilities			
Deposits from customers	15	2,442,871	2,389,883
Investment account of customers	16	747,252	668,677
Deposits and placements of banks and other financial institutions	17	2,618,096	2,590,008
Investment account due to designated financial institutions	18	1,473,904	1,937,198
Derivative financial liabilities		273,769	308,333
Other liabilities	19	330,645	568,696
Current tax liabilities		403	-
Subordinated sukuk		100,000	100,000
Total liabilities		7,986,940	8,562,795
Equity			
Share capital		102,750	102,750
Reserves		519,066	503,034
Total equity attributable to equity holder of the Bank		621,816	605,784
Total liabilities and equity		8,608,756	9,168,579
Commitments and contingencies	27	9,303,724	8,365,793

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 2ND QUARTER AND SIX MONTHS ENDED 30 JUNE 2017

	Note	2nd quarter ended		Six months ended	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Income derived from investment of depositors' funds	20	60,694	69,027	140,175	152,574
Income derived from investment of investment account funds	21	20,841	26,510	45,665	53,860
Income derived from investment of shareholder's funds	22	25,867	35,886	42,370	55,944
Allowances for impairment on financing and advances	23	(4,741)	(7,720)	(4,944)	(12,576)
Total distributable income		102,661	123,703	223,266	249,802
Profit/hibah distributed to depositors	24	(53,637)	(61,400)	(107,641)	(120,671)
Profit distributed to investment account holders	25	(17,029)	(20,944)	(37,753)	(42,529)
Total net income		31,995	41,359	77,872	86,602
Other operating expenses	26	(26,748)	(30,947)	(57,028)	(65,974)
Profit before taxation		5,247	10,412	20,844	20,628
Tax expense		(1,331)	(2,730)	(5,385)	(5,253)
Profit for the period		3,916	7,682	15,459	15,375
Other comprehensive income/(expense), net of income tax					
Items that may be reclassified subsequently to profit or loss					
Fair value reserve (investment securities available for sale):					
Net change in fair value		299	(457)	573	(1,756)
Other comprehensive income/(expense) for the period, net of income tax		299	(457)	573	(1,756)
Total comprehensive income for the period		4,215	7,225	16,032	13,619

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 SIX MONTHS ENDED 30 JUNE 2017

	← Non-Distributable Reserves →				Distributable Reserves Retained profits	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	RM'000	
At 1 January 2017	102,750	308,250	102,750	(805)	92,839	605,784
Fair value reserve (investment securities available-for-sale):- Net changes in fair value	-	-	-	573	-	573
Total other comprehensive expense for the period	-	-	-	573	-	573
Profit for the period	-	-	-	-	15,459	15,459
Total comprehensive income for the period	-	-	-	573	15,459	16,032
Transfer between reserves	-	-	(102,750)	-	102,750	-
Total transaction with owner of the Bank	-	-	(102,750)	-	102,750	-
At 30 June 2017	102,750	308,250	-	(232)	211,048	621,816

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 SIX MONTHS ENDED 30 JUNE 2017**

	← <i>Non-Distributable Reserves</i> →				<i>Distributable Reserves</i>	Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Retained profits 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 income 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 2016.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	30 June 2017 RM'000	30 June 2016 RM'000
Profit before taxation	20,844	20,628
Adjustment for non-cash items	5,051	(537)
Operating profit before working capital changes	25,895	20,091
Changes in working capital		
Net changes in operating assets	648,525	1,334,007
Net changes in operating liabilities	(541,693)	(1,455,255)
Income taxes paid	(963)	(1,926)
Net cash generated from/(used in) operating activities	131,764	(103,083)
Net cash generated from investing activities	22	503,981
Net increase in cash and cash equivalents	131,786	400,898
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>1,524,136</u>	<u>1,805,118</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 RM20.84 million, a 1.04% increase against the corresponding period last year. While net income decreased by 10.08% against the same period last year, provision for financing was better by 60.69% and operating expenses was 13.56% lower.

Financing and advances decreased by 13.32% to RM 5.72 billion while there was an increase in deposit from customers of 2.22% to RM 2.44 billion. The Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 18.08% and 21.24%, 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 second quarter and the financial half year ended 30 June 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 second quarter and financial half year ended 30 June 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 second quarter and financial half year ended 30 June 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 second quarter and financial half year ended 30 June 2017 .

7. Proposed Dividend

No dividend has been proposed for the second quarter and the financial half year ended 30 June 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 financial half year ended 30 June 2017 .

10. Investment securities available-for-sale

	30 June 2017 RM'000	31 December 2016 RM'000
<u>At fair value</u>		
Government Islamic bonds	100,242	99,576
	<u>100,242</u>	<u>99,576</u>

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

As at 30 June 2017	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	457,956	-	-	-	-	2,498,508	-	2,956,464
- Hire purchase receivables	-	-	74,784	-	-	-	-	74,784
- Lease receivables	-	120,257	-	-	-	-	35,734	155,991
- Other term financing	358,528	-	-	-	842,342	820,077	48,772	2,069,719
Bills receivable	189,343	-	-	25,828	146,607	-	-	361,778
Trust receipts	-	-	-	244,028	-	-	-	244,028
Staff financing	723	-	-	-	6,655	-	-	7,378
Revolving credit	-	-	-	-	381,446	-	-	381,446
	1,006,550	120,257	74,784	269,856	1,377,050	3,318,585	84,506	6,251,588
Less: Unearned income								(434,809)
Gross financing and advances								5,816,779
Less: Impairment provisions on financing and advances:-								
- Individual impairment provisions								(30,445)
- Collective impairment provisions								(64,970)
Total net financing and advances								5,721,364

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

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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
	<u>899,503</u>	<u>256,026</u>	<u>101,619</u>	<u>325,758</u>	<u>2,098,038</u>	<u>3,436,153</u>	<u>99,207</u>	<u>7,216,304</u>
Less: Unearned income								<u>(508,989)</u>
Gross financing and advances								6,707,315
Less: Impairment provisions on financing and advances:-								
- Individual impairment provisions								(26,162)
- Collective impairment provisions								<u>(80,664)</u>
Total net financing and advances								<u><u>6,600,489</u></u>

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

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11. Financing and advances (continued)

(ii) By type of customer

	30 June 2017 RM'000	31 December 2016 RM'000
Domestic non-bank financial institutions	76,452	298,625
Domestic business enterprises	2,503,383	2,957,681
<i>Small medium enterprises</i>	903,546	1,001,368
<i>Others</i>	1,599,837	1,956,313
Individuals	2,695,153	2,842,028
Foreign entities	541,791	608,981
	5,816,779	6,707,315

(iii) By profit rate sensitivity

	30 June 2017 RM'000	31 December 2016 RM'000
Fixed rate		
- House financing	1,253	1,363
- Hire purchase receivables	74,784	101,619
- Other financing	910,774	1,091,654
Variable rate		
- House financing	2,935,981	3,066,795
- Revolving credit	371,865	725,355
- Other financing	1,522,122	1,720,529
	5,816,779	6,707,315

(iv) By sector

	30 June 2017 RM'000	31 December 2016 RM'000
Agriculture	184,920	130,240
Mining and quarrying	211,221	239,849
Manufacturing	600,339	685,188
Electricity, gas and water	1,414	1,694
Construction	177,774	168,784
Real estate	330,519	339,622
Wholesale & retail trade and restaurants & hotels	385,369	815,775
Transportation, storage and communication	59,110	73,754
Finance, insurance and business services	500,072	665,412
Household	3,182,939	3,344,557
Others	183,102	242,440
	5,816,779	6,707,315

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

	30 June 2017 RM'000	31 December 2016 RM'000
Purchase of landed property		
- Residential	2,714,409	2,821,086
- Non-residential	853,274	875,003
Fixed assets excluding land and building	69,912	95,725
Personal Use	246,612	308,380
Working Capital	1,932,572	2,607,121
	<u>5,816,779</u>	<u>6,707,315</u>

(vi) By maturity structure

	30 June 2017 RM'000	31 December 2016 RM'000
Maturing within one year	1,095,990	1,708,542
One year to three years	516,677	466,481
Three years to five years	416,286	589,916
Over five years	3,787,826	3,942,376
	<u>5,816,779</u>	<u>6,707,315</u>

(vii) By geographical distribution

	30 June 2017 RM'000	31 December 2016 RM'000
Within Malaysia	5,762,774	6,600,863
Outside Malaysia	54,005	106,452
	<u>5,816,779</u>	<u>6,707,315</u>

(viii) Analysis of foreign currency exposure

	30 June 2017 RM'000	31 December 2016 RM'000
USD	983,688	1,051,860
Other foreign currencies	2,790	9,976
	<u>986,478</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**

	30 June 2017 RM'000	31 December 2016 RM'000
At 1 January	56,883	36,817
Classified as impaired during the financial period/year	49,946	120,084
Reclassified as performing during the financial period/year	(38,805)	(54,623)
Amount recovered during the financial period/year	(2,189)	(3,408)
Amount written off during the financial period/year	(17,725)	(41,987)
At end of reporting period/year	<u>48,110</u>	<u>56,883</u>
Individual impairment provisions	(30,445)	(26,162)
Net impaired financing and advances	<u><u>17,665</u></u>	<u><u>30,721</u></u>

(ii) Movements in impairment provisions for financing and advances

	30 June 2017 RM'000	31 December 2016 RM'000
Collective impairment provisions		
At 1 January	80,664	93,350
Impairments made during the financial period/year	4,358	20,459
Amount written back	(20,052)	(33,145)
At end of reporting period/year	<u>64,970</u>	<u>80,664</u>
As a percentage of gross financing and advances less individual impairment provisions	<u>1.12%</u>	<u>1.21%</u>

	30 June 2017 RM'000	31 December 2016 RM'000
Individual impairment provisions		
At 1 January	26,162	28,622
Impairments made during the financial period/year	35,038	74,205
Amount written back	(7,665)	(13,948)
Amount written off	(23,090)	(62,717)
At end of reporting period/year	<u>30,445</u>	<u>26,162</u>

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

	30 June 2017 RM'000	31 December 2016 RM'000
Manufacturing	1,152	839
Construction	1,237	455
Wholesale & retail trade and restaurants & hotels	9,924	6,272
Transportation, storage and communication	3,377	3,537
Finance, insurance and business services	489	1,086
Household	31,082	41,212
Others	849	3,482
	<u>48,110</u>	<u>56,883</u>

(iv) Impaired financing and advances by purpose

	30 June 2017 RM'000	31 December 2016 RM'000
Purchase of landed property	21,035	30,427
- Residential	15,720	25,262
- Non-residential	5,315	5,165
Fixed assets excluding land and building	2,619	2,743
Personal use	15,361	15,550
Working capital	9,095	8,163
	<u>48,110</u>	<u>56,883</u>

(v) Impaired financing and advances by geographical distribution

	30 June 2017 RM'000	31 December 2016 RM'000
Within Malaysia	<u>48,110</u>	<u>56,883</u>

13. Other assets

	30 June 2017 RM'000	31 December 2016 RM'000
Income receivable	1,454	1,544
Other receivables, deposits and prepayments	849,290	625,909
	<u>850,744</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.

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

	30 June 2017 RM'000	31 December 2016 RM'000
Demand deposits		
- Wadiah	826,385	758,035
Saving deposits		
- Wadiah	75,499	86,787
Term deposits	1,540,987	1,545,061
- Tawarruq	1,378,808	1,388,369
- Mudharabah	19,817	21,084
Negotiable instruments of deposits		
- Bai-Inah	121,778	118,009
Structured deposits		
- Tawarruq	20,584	17,599
	<u>2,442,871</u>	<u>2,389,883</u>

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

	30 June 2017 RM'000	31 December 2016 RM'000
Due within six months	1,173,352	1,271,162
Six months to one year	226,246	155,890
One year to three years	19,611	-
Three years to five years	121,778	118,009
	<u>1,540,987</u>	<u>1,545,061</u>

(ii) By type of customers

	30 June 2017 RM'000	31 December 2016 RM'000
Government and statutory bodies	661,516	667,230
Business enterprises	896,268	616,513
Individuals	515,908	644,093
Others	369,179	462,047
	<u>2,442,871</u>	<u>2,389,883</u>

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16. Investment account of customers

	30 June 2017 RM'000	31 December 2016 RM'000
Unrestricted investment accounts		
Without maturity Mudharabah	<u>747,252</u>	<u>668,677</u>
By type of customers		
Business enterprises	136,447	42,976
Individuals	565,908	581,538
Others	44,897	44,163
	<u>747,252</u>	<u>668,677</u>

17. Deposits and placements of banks and other financial institutions

	30 June 2017 RM'000	31 December 2016 RM'000
Non-Mudharabah		
Licensed banks	2,393,478	2,528,988
Other financial institutions	224,618	61,020
	<u>2,618,096</u>	<u>2,590,008</u>

18. Investment accounts due to designated financial institutions

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

	30 June 2017 RM'000	31 December 2016 RM'000
Income payable	23,445	22,587
Other payables and accruals	307,200	546,109
	<u>330,645</u>	<u>568,696</u>

STANDARD CHARTERED SAADIQ BERHAD
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20. Income derived from investment of depositors' funds

	2nd quarter ended		Six months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Income derived from investment of:-				
(i) Term deposits	25,910	22,997	84,428	78,147
(ii) Other deposits	34,784	46,030	55,747	74,427
	<u>60,694</u>	<u>69,027</u>	<u>140,175</u>	<u>152,574</u>

(i) Income derived from investment of term deposits

	2nd Quarter ended		Six months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Finance income and hibah				
Financing and advances	20,632	19,500	67,722	66,177
Investment securities available-for-sale	304	304	874	665
Money at call and deposits with financial institutions	5,080	3,387	12,684	8,912
	26,016	23,191	81,280	75,754
Amortisation of premium less accretion of discount	(999)	(349)	(2,843)	(1,749)
Total finance income and hibah	<u>25,017</u>	<u>22,842</u>	<u>78,437</u>	<u>74,005</u>
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	1,250	(1,263)	7,205	4,579
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(357)	1,418	(1,214)	(437)
	893	155	5,991	4,142
	<u>25,910</u>	<u>22,997</u>	<u>84,428</u>	<u>78,147</u>

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

	2nd quarter ended		Six months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Finance income and hibah				
Financing and advances	27,848	38,992	44,717	63,026
Investment securities available-for-sale	373	448	577	634
Money at call and deposits with financial institutions	5,651	5,642	8,375	8,487
	33,872	45,082	53,669	72,147
Amortisation of premium less accretion of discount	(1,217)	(944)	(1,877)	(1,665)
Total finance income and hibah	32,655	44,138	51,792	70,482
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	2,624	1,353	4,757	4,361
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(495)	539	(802)	(416)
	2,129	1,892	3,955	3,945
	34,784	46,030	55,747	74,427

21. Income derived from investment of investment account funds

	2nd quarter ended		Six months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Finance income and hibah				
Financing and advances	14,103	17,069	31,765	34,897
Investment securities available-for-sale	-	-	-	2,597
Money at call and deposits with financial institutions	6,738	9,441	13,900	16,366
	20,841	26,510	45,665	53,860

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22. Income derived from investment of shareholder's funds

	2nd quarter ended		Six months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Finance income and hibah				
Financing and advances	20,705	30,398	33,985	47,375
Investment securities available-for-sale	278	345	439	476
Money at call and deposits with financial institutions	4,220	4,371	6,365	6,380
	25,203	35,114	40,789	54,231
Amortisation of premium less accretion of discount	(906)	(743)	(1,426)	(1,252)
Total finance income and hibah	24,297	34,371	39,363	52,979
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	1,937	1,153	3,616	3,278
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(367)	362	(609)	(313)
	1,570	1,515	3,007	2,965
	25,867	35,886	42,370	55,944

23. Allowances for impairment on financing and advances

	2nd quarter ended		Six months ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Provisions for financing:-				
- Individual impairment provisions	11,093	16,593	27,373	31,272
- Made in the financial period	14,665	22,311	35,038	40,188
- Written back in respect of recoveries	(3,572)	(5,718)	(7,665)	(8,916)
- Collective impairment provisions	(2,980)	(5,736)	(15,694)	(12,459)
- Made in the financial period	3,336	3,617	4,358	5,446
- Written back	(6,316)	(9,353)	(20,052)	(17,905)
Bad and doubtful debts on financing and advances:-				
- Recovered	(3,372)	(3,137)	(6,735)	(6,237)
	4,741	7,720	4,944	12,576

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24. Profit/hibah distributed to depositors

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	215	730	449	1,476
- Non-Mudharabah fund	15,444	13,397	29,376	30,399
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	37,978	47,273	77,816	88,796
	<u>53,637</u>	<u>61,400</u>	<u>107,641</u>	<u>120,671</u>

25. Profit/hibah distributed to investment account holders

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Investment accounts of customers	4,744	5,889	10,340	11,790
Investment accounts due to designated financial institutions	12,285	15,055	27,413	30,739
	<u>17,029</u>	<u>20,944</u>	<u>37,753</u>	<u>42,529</u>

26. Other operating expenses

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	2,946	2,366	5,967	4,401
- Other staff related cost	563	510	1,223	777
	<u>3,509</u>	<u>2,876</u>	<u>7,190</u>	<u>5,178</u>
Establishment costs				
- Depreciation of property, plant and equipment	9	54	20	186
- Rental	235	376	526	778
- Information technology expenses	-	-	855	7
- Utilities and maintenance	430	1,283	787	1,765
	<u>674</u>	<u>1,713</u>	<u>2,188</u>	<u>2,736</u>
Marketing expenses				
- Advertisement and publicity	-	-	-	2
- Others	49	65	65	91
	<u>49</u>	<u>65</u>	<u>65</u>	<u>93</u>
Administration and general expenses				
- Communication expenses	26	51	49	93
- Group administration fees and business support expenses	831	4,258	4,443	14,839
- Management fee	21,081	21,414	41,634	41,676
- Others	578	570	1,459	1,359
	<u>22,516</u>	<u>26,293</u>	<u>47,585</u>	<u>57,967</u>
Total other operating expenses	<u>26,748</u>	<u>30,947</u>	<u>57,028</u>	<u>65,974</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 June 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	8,865	7,511 **	2,209 **	2,817	1,463 **	536 **
Transaction-related contingent items	224,670	160,287 **	34,208 **	212,675	157,604 **	22,114 *
Short-term self liquidating trade-related contingencies	78,916	78,916	24,906	41,190	37,581 **	8,987 **
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	3,993,116	266,444 **	134,057 **	3,255,162	339,491 **	163,784 **
- maturity exceeding one year	365,332	71,178	98,731	404,986	93,936	80,683
Foreign exchange related contracts:-						
- less than one year	964,880	30,815	8,264	610,656	12,109	5,844 **
- one year to less than five years	2,146,898	107,715 **	37,003 **	2,335,014	193,823 **	80,677
Profit rate related contracts:-						
- one year to less than five years	1,521,047	66,850	11,397	1,503,293	72,086	12,718
	<u>9,303,724</u>	<u>789,716</u>	<u>350,775</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 RM420.3million (2016: RM411.0million) and RM308.7million (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
30 June 2017				
Assets				
Investment securities available-for-sale				
- Government Islamic bonds	-	100,242	-	100,242
Derivative financial instruments	-	268,340	-	268,340
	-	368,582	-	368,582
Liabilities				
Deposits from customers	-	20,584	-	20,584
Deposits and placements of banks and other financial institutions	-	3,614	-	3,614
Derivative financial instruments	-	273,769	-	273,769
	-	297,967	-	297,967
31 December 2016				
Assets				
Investment securities available-for-sale				
- Government Islamic bonds	-	99,576	-	99,576
Derivative financial instruments	-	294,900	-	294,900
	-	394,476	-	394,476
Liabilities				
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 June 2017.

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29. 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 2017 RM'000	31 December 2016 RM'000
Aggregate value of outstanding credit exposures to connected parties	<u>305,703</u>	<u>363,807</u>
As a percentage of total credit exposures	<u>4.4%</u>	<u>4.5%</u>

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

30. Capital adequacy

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

	30 June 2017 RM'000	31 December 2016 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	102,750	102,750
Share premium	308,250	308,250
Other reserves	211,048	195,589
Less: Deferred tax assets	(6,271)	(5,663)
Unrealised gains and losses on 'available-for-sale' financial instruments	<u>(232)</u>	<u>(805)</u>
CET 1 and Eligible Tier 1 capital	<u>615,545</u>	<u>600,121</u>
Tier 2 Capital		
Islamic subordinated sukuk	100,000	100,000
Collective impairment provisions	3,501	4,169
Surplus of total eligible provisions over total expected loss under AIRB approach	<u>4,061</u>	<u>7,187</u>
Eligible Tier 2 capital	<u>107,562</u>	<u>111,356</u>
Total capital base	<u>723,107</u>	<u>711,477</u>

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

	30 June 2017 RM'000	31 December 2016 RM'000
Total risk-weighted assets:-		
Credit risk	3,072,524	3,446,093
Operational risk	<u>332,104</u>	<u>350,763</u>
	<u>3,404,628</u>	<u>3,796,856</u>
CET 1 capital ratio	18.080%	15.806%
Tier 1 capital ratio	18.080%	15.806%
Risk-weighted capital ratio	21.239%	18.739%