

Company No. 823437K



Standard Chartered Saadiq Berhad

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

**Financial statements for the nine months
ended 30 September 2016**

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

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

	30 September 2016	31 December 2015
Note	RM'000	RM'000
Assets		
Cash and short term funds	1,533,958	1,404,220
Investment securities available-for-sale	10 101,776	606,416
Financing and advances	11 6,614,045	6,730,018
Derivative financial assets	245,345	335,251
Other assets	13 422,252	1,972,120
Current tax assets	8,210	15,982
Statutory deposits with Bank Negara Malaysia	14 149,899	261,086
Property, plant and equipment	166	398
Deferred tax assets	5,645	1,705
Total assets	<u>9,081,296</u>	<u>11,327,196</u>
Liabilities		
Deposits from customers	15 2,315,424	2,757,058
Investment account of customers	16 653,018	731,155
Deposits and placements of banks and other financial institutions	17 2,584,780	3,754,829
Investment account due to designated financial institutions	2,077,258	2,465,804
Derivative financial liabilities	265,109	337,987
Other liabilities	18 492,251	604,013
Subordinated sukuk	100,000	100,000
Total liabilities	<u>8,487,840</u>	<u>10,750,846</u>
Equity		
Share capital	102,750	102,750
Reserves	490,706	473,600
Total equity attributable to equity holder of the Bank	<u>593,456</u>	<u>576,350</u>
Total liabilities and equity	<u>9,081,296</u>	<u>11,327,196</u>
Commitments and contingencies	24 <u>7,962,057</u>	<u>11,662,874</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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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3RD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2016

	Note	3rd quarter ended		Nine months ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Income derived from investment of depositors' funds and others	19	70,436	86,024	218,613	238,338
Income derived from investment of shareholder's funds	21	24,778	32,379	81,999	101,173
Provisions for financing	23	(6,413)	(10,462)	(18,989)	(11,581)
Total distributable income		88,801	107,941	281,623	327,930
Income attributable to depositors	20	(33,592)	(54,252)	(107,222)	(148,523)
Income attributable to investment account holders		(19,442)	(16,974)	(52,032)	(47,953)
Total net income		35,767	36,715	122,369	131,454
Other operating expenses	22	(32,386)	(32,789)	(98,360)	(92,686)
Profit before taxation		3,381	3,926	24,009	38,768
Tax expense		(628)	(1,020)	(5,881)	(11,977)
Profit for the period		2,753	2,906	18,128	26,791
Other comprehensive (expense)/income, net of income tax					
Fair value reserve (investment securities available for sale):					
Net change in fair value		734	(4)	(1,022)	46
Other comprehensive (expense)/income for the period, net of income tax		734	(4)	(1,022)	46
Total comprehensive income for the period		3,487	2,902	17,106	26,837

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2015.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

	← <i>Non-Distributable Reserves</i> →				<i>Distributable Reserves Retained profits</i>	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	RM'000	
At 1 January 2016	102,750	308,250	102,750	1,863	60,737	576,350
Fair value reserve (investment securities available-for-sale):- Net changes in fair value	-	-	-	(1,022)	-	(1,022)
Total other comprehensive expense 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
At 30 September 2016	102,750	308,250	102,750	841	78,865	593,456

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2015.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016**

	← <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 2015	102,750	308,250	102,750	(20)	46,192	559,922
Fair value reserve (investment securities available for-sale):-						
Net changes in fair value	-	-	-	46	-	46
Total other comprehensive income for the period	-	-	-	46	-	46
Profit for the period	-	-	-	-	26,791	26,791
Total comprehensive income for the period	-	-	-	46	26,791	26,837
At 30 September 2015	102,750	308,250	102,750	26	72,983	586,759

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 CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

	30 September 2016 RM'000	30 September 2015 RM'000
Profit before taxation	24,009	38,768
Adjustment for non-cash items	(454)	(829)
Operating profit before working capital changes	23,555	37,939
Changes in working capital		
Net changes in operating assets	1,794,054	(1,190,610)
Net changes in operating liabilities	(2,190,126)	2,598,283
Income taxes paid	(1,726)	(7,474)
Net cash (used in)/generated from operating activities	(374,243)	1,438,138
Net cash generated from/(used in) investing activities	503,981	(102,935)
Net increase in cash and cash equivalents	129,738	1,335,203
Cash and cash equivalent at beginning of the year	1,404,220	1,119,521
Cash and cash equivalent at end of the period	<u>1,533,958</u>	<u>2,454,724</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 24.01 million, a 38.07% decrease against the corresponding period last year as income derived from investment of shareholder's funds declined 8.28% to RM 218.61 million, in line with the reduction in personal financing. Provision for financing increased by RM 7.41 million against the corresponding period due to lower releases in collective impairment provisions, coupled with a one-off precautionary top up in individual impairment provisions.

Financing and advances decreased marginally by 1.72% to RM 6.6 billion while there was a decline in Deposit from Customers of 31.16% to RM 2.58 billion. Nevertheless, the Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 15.47% and 18.24%, 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 nine months ended 30 September 2016

1. Basis of preparation of the financial statements

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

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

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

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

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

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

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

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

- i) MFRS 16 *Leases*

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

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

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

MFRS 15, Revenue from Contracts with Customers

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

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

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

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2015.

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2. Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2015 was not qualified.

3. Seasonal or cyclical factors

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

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the third quarter and financial half year ended 30 September 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 third quarter and financial half year ended 30 September 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 third quarter and financial half year ended 30 September 2016 .

7. Proposed Dividend

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

8. Subsequent events

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

9. Changes in the composition of the Bank

There were no changes in the composition of the Bank during the financial half year ended 30 September 2016 .

10. Investment securities available-for-sale

	30 September 2016 RM'000	31 December 2015 RM'000
<u>At fair value</u>		
Malaysian Government treasury bills	-	74,542
Bank Negara Malaysia bills	-	49,860
Government Islamic bonds	101,776	482,014
	101,776	606,416

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

	Bai Bithaman Ajil (<i>deferred payment sale</i>)	Ijarah (<i>lease</i>)	Ijarah Thumma Al- Bai (<i>finance lease</i>)	Murabahah (<i>cost plus</i>)	Murabahah Bai Dayn	Bai'Al Inah (<i>sale and buy- back</i>)	Tawarruq	Musharakah Mutanaqisah (<i>diminishing musharakah</i>)	Others	Total financing and advances
As at 30 September 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing										
- House financing	503,209	-	-	-	-	4,373	-	2,611,731	-	3,119,313
- Hire purchase receivables	-	-	115,231	-	-	-	-	-	-	115,231
- Lease receivables	-	273,035	-	-	-	-	-	-	-	273,035
- Other term financing	50,158	-	-	283,786	-	173,878	771,922	861,958	46,387	2,188,089
Bills receivable	-	-	-	14,860	301,979	-	278,868	-	-	595,707
Trust receipts	-	-	-	305,508	-	-	-	-	-	305,508
Staff financing	606	-	-	3,070	-	239	-	-	-	3,915
Revolving credit	-	-	-	-	-	-	658,843	-	-	658,843
	553,973	273,035	115,231	607,224	301,979	178,490	1,709,633	3,473,689	46,387	7,259,641
Less: Unearned income										(541,582)
Gross financing and advances										6,718,059
Less: Impairment provisions on financing and advances:-										
- Individual impairment provisions										(25,946)
- Collective impairment provisions										(78,068)
Total net financing and advances										<u>6,614,045</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>)	Murabahah Bai Dayn	Bai'Al Inah (<i>sale and buy- back</i>)	Tawarruq	Musharakah Mutanaqisah (<i>diminishing musharakah</i>)	Others	Total financing and advances
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing										
- House financing	557,285	-	-	-	-	-	-	2,674,755	4,259	3,236,299
- Hire purchase receivables	-	-	154,638	-	-	-	-	-	-	154,638
- Lease receivables	-	234,699	-	-	-	-	-	-	-	234,699
- Other term financing	59,782	-	-	326,018	-	321,761	889,160	898,475	34,692	2,529,888
Bills receivable	-	-	-	6,355	169,843	-	108,114	-	-	284,312
Trust receipts	-	-	-	516,078	-	-	-	-	-	516,078
Staff financing	674	-	-	-	-	308	1,181	109	-	2,272
Revolving credit	-	-	-	-	-	-	574,439	-	-	574,439
	617,741	234,699	154,638	848,451	169,843	322,069	1,572,894	3,573,339	38,951	7,532,625
Less: Unearned income										(680,635)
Gross financing and advances										6,851,990
Less: Impairment provisions on financing and advances:-										
- Individual impairment provisions										(28,622)
- Collective impairment provisions										(93,350)
Total net financing and advances										6,730,018

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

	30 September 2016 RM'000	31 December 2015 RM'000
Domestic non-bank financial institutions	299,829	200,895
Domestic business enterprises	2,893,092	2,835,722
<i>Small medium enterprises</i>	1,031,986	1,098,377
<i>Others</i>	1,861,106	1,737,345
Individuals	2,922,646	3,160,888
Foreign entities	602,492	654,485
	6,718,059	6,851,990

(iii) By profit rate sensitivity

	30 September 2016 RM'000	31 December 2015 RM'000
Fixed rate		
- House financing	1,390	1,754
- Hire purchase receivables	115,231	154,638
- Other financing	1,156,599	1,433,497
Variable rate		
- House financing	3,089,747	3,234,545
- Revolving credit	658,843	538,422
- Other financing	1,696,249	1,489,134
	6,718,059	6,851,990

(iv) By sector

	30 September 2016 RM'000	31 December 2015 RM'000
Agriculture	154,414	2,816
Mining and quarrying	229,917	181,232
Manufacturing	743,122	842,198
Electricity, gas and water	1,731	2,323
Construction	162,770	155,970
Real estate	329,579	333,684
Wholesale & retail trade and restaurants & hotels	691,172	722,879
Transportation, storage and communication	81,191	100,511
Finance, insurance and business services	665,091	557,910
Household	3,427,800	3,673,703
Others	231,272	278,764
	6,718,059	6,851,990

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

	30 September 2016 RM'000	31 December 2015 RM'000
Purchase of landed property		
- Residential	2,863,130	2,947,860
- Non-residential	883,000	921,425
Fixed assets excluding land and building	112,680	147,954
Personal Use	344,770	486,450
Working Capital	2,514,479	2,348,301
	<u>6,718,059</u>	<u>6,851,990</u>

(vi) By maturity structure

	30 September 2016 RM'000	31 December 2015 RM'000
Maturing within one year	1,630,705	1,236,056
One year to three years	483,103	563,235
Three years to five years	616,649	991,779
Over five years	3,987,602	4,060,920
	<u>6,718,059</u>	<u>6,851,990</u>

(vii) By geographical distribution

	30 September 2016 RM'000	31 December 2015 RM'000
Within Malaysia	<u>6,718,059</u>	<u>6,851,990</u>

(viii) Analysis of foreign currency exposure

Included in Financing and advances are exposures amounting to RM1,086,113,000 (December 2015: RM1,079,059,000) which are denominated in US dollars.

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

	30 September 2016 RM'000	31 December 2015 RM'000
At 1 January	36,817	38,121
Classified as impaired during the financial period/year	84,994	75,098
Reclassified as performing during the financial period/year	(44,789)	(12,911)
Amount recovered during the financial period/year	(2,179)	(13,065)
Amount written off during the financial period/year	(32,894)	(50,426)
At end of reporting period/year	<u>41,949</u>	<u>36,817</u>
Individual impairment provisions	<u>(25,946)</u>	<u>(28,622)</u>
Net impaired financing and advances	<u><u>16,003</u></u>	<u><u>8,195</u></u>

(ii) Movements in impairment provisions for financing and advances

	30 September 2016 RM'000	31 December 2015 RM'000
Collective impairment provisions		
At 1 January	93,350	119,038
Impairments made during the financial period/year	9,733	17,745
Amount written back	(25,015)	(43,433)
At end of reporting period/year	<u>78,068</u>	<u>93,350</u>
As a percentage of gross financing and advances less individual impairment provisions	<u>1.17%</u>	<u>1.37%</u>

	30 September 2016 RM'000	31 December 2015 RM'000
Individual impairment provisions		
At 1 January	28,622	23,790
Impairments made during the financial period/year	57,670	65,120
Amount written back	(13,778)	(10,310)
Amount written off	(46,568)	(49,978)
At end of reporting period/year	<u>25,946</u>	<u>28,622</u>

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

	30 September 2016 RM'000	31 December 2015 RM'000
Manufacturing	664	1,588
Construction	-	64
Wholesale & retail trade and restaurants & hotels	5,796	1,951
Transportation, storage and communication	933	625
Finance, insurance and business services	1,657	-
Household	29,916	32,477
Others	2,983	112
	<u>41,949</u>	<u>36,817</u>

(iv) Impaired financing and advances by purpose

	30 September 2016 RM'000	31 December 2015 RM'000
Purchase of landed property	21,291	10,847
- Residential	18,648	9,754
- Non-residential	2,643	1,093
Fixed assets excluding land and building	443	859
Personal use	13,000	21,630
Working capital	7,215	3,481
	<u>41,949</u>	<u>36,817</u>

(v) Impaired financing and advances by geographical distribution

	30 September 2016 RM'000	31 December 2015 RM'000
Within Malaysia	<u>41,949</u>	<u>36,817</u>

13. Other assets

	30 September 2016 RM'000	31 December 2015 RM'000
Income receivable	502	2,343
Other receivables, deposits and prepayments	421,750	1,969,777
	<u>422,252</u>	<u>1,972,120</u>

14. Statutory deposits with Bank Negara Malaysia

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

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

	30 September 2016 RM'000	31 December 2015 RM'000
Demand deposits		
- Wadiah	672,953	788,984
Saving deposits		
- Wadiah	96,405	100,000
Investment deposits		
- Tawarruq	17,613	16,792
Negotiable instruments of deposits		
- Bai-Inah	116,182	111,061
General investment deposits	1,412,271	1,740,221
- Mudharabah	34,938	88,342
- Tawarruq	1,377,333	1,651,879
	<u>2,315,424</u>	<u>2,757,058</u>

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

	30 September 2016 RM'000	31 December 2015 RM'000
Due within six months	1,205,719	1,334,093
Six months to one year	199,421	399,006
One year to three years	24,744	134,975
Three years to five years	116,182	-
	<u>1,546,066</u>	<u>1,868,074</u>

(ii) By type of customers

	30 September 2016 RM'000	31 December 2015 RM'000
Government and statutory bodies	668,132	136,057
Business enterprises	590,249	1,022,611
Individuals	661,121	1,133,045
Others	395,922	465,345
	<u>2,315,424</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.

	30 September 2016 RM'000	31 December 2015 RM'000
Unrestricted investment accounts		
Without maturity Mudharabah	<u>653,018</u>	<u>731,155</u>
Movement in Investment Account		
Mudharabah Unrestricted Investment Account		
As at 1 January	731,155	-
Conversion (to) / from deposits from customers	(90,122)	607,756
New placement during the period/year	1,043,773	834,225
Redemption during the period/year	(1,053,422)	(720,255)
Income from investment	25,063	12,755
Profit distributed to the bank	(3,429)	(3,326)
At end of reporting period/year	<u>653,018</u>	<u>731,155</u>
Investment asset:		
Commodity Murabahah Placement-i ("CMP-i")	653,018	722,951
Overnight placement with BNM	-	8,204
Total investments	<u>653,018</u>	<u>731,155</u>
		30 September 2016
		Average
		Profit sharing
		ratio
		(%)
Unrestricted investment accounts:		
Less than 3 months		<u>33.59%</u>

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16. Investment account of customers (continued)

	30 September 2016 Average rate of return (%)
Unrestricted investment accounts:	
Less than 3 months	4.22%

17. Deposits and placements of banks and other financial institutions

	30 September 2016 RM'000	31 December 2015 RM'000
Non-Mudharabah		
Other financial institutions	73,272	116,817
Mudharabah		
Licensed banks	2,511,508	3,638,012
	2,584,780	3,754,829

18. Other liabilities

	30 September 2016 RM'000	31 December 2015 RM'000
Income payable	23,805	14,011
Other payables and accruals	468,446	590,002
	492,251	604,013

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

	3rd quarter ended		Nine months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Income derived from investment of:-				
(i) General investment deposits	65,192	81,936	133,354	176,371
(ii) Other deposits	5,244	4,088	85,259	61,967
	70,436	86,024	218,613	238,338

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

(i) Income derived from investment of general investment deposits

	3rd Quarter ended		Nine months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Finance income and hibah				
Financing and advances	51,350	53,408	103,794	123,523
Investment securities available-for-sale	1,239	606	3,250	817
Money at call and deposits with financial institutions	12,441	19,069	23,209	35,877
	65,030	73,083	130,253	160,217
Amortisation of premium less accretion of discount	(2,533)	(2,866)	(4,679)	(6,647)
Total finance income and hibah	62,497	70,217	125,574	153,570
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	5,096	15,260	13,284	31,254
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(2,401)	(3,541)	(5,504)	(8,453)
	2,695	11,719	7,780	22,801
	65,192	81,936	133,354	176,371

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

(ii) Income derived from investment of other deposits

	3rd quarter ended		Nine months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Finance income and hibah				
Financing and advances	4,795	425	66,360	43,399
Investment securities available-for-sale	(283)	158	2,078	287
Money at call and deposits with financial institutions	2,198	2,304	14,839	12,605
	6,710	2,887	83,277	56,291
Amortisation of premium less accretion of discount	(471)	(18)	(2,991)	(2,335)
Total finance income and hibah	6,239	2,869	80,286	53,956
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	(1,119)	1,178	8,492	10,981
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	124	41	(3,519)	(2,970)
	(995)	1,219	4,973	8,011
	5,244	4,088	85,259	61,967

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20. Income attributable to depositors

	3rd quarter ended		Nine months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Deposits from customers				
- Mudharabah fund	369	9,938	2,473	51,274
- Non-Mudharabah fund	10,250	12,936	37,269	29,502
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	18,759	23,635	60,239	53,740
- Non-Mudharabah fund	4,214	7,743	7,241	14,007
	<u>33,592</u>	<u>54,252</u>	<u>107,222</u>	<u>148,523</u>

21. Income derived from investment of shareholder's funds

	3rd quarter ended		Nine months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Finance income and hibah				
Financing and advances	<u>24,778</u>	<u>32,379</u>	<u>81,999</u>	<u>101,173</u>

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22. Other operating expenses

	3rd quarter ended		Nine months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	2,412	2,806	6,813	7,217
- Other staff related cost	625	1,275	1,402	2,308
	3,037	4,081	8,215	9,525
Establishment costs				
- Depreciation of property, plant and equipment	46	356	232	1,268
- Rental	406	512	1,184	1,531
- Information technology expenses	3	4	10	40
- Utilities and maintenance	699	610	2,464	1,818
	1,154	1,482	3,890	4,657
Marketing expenses				
- Advertisement and publicity	-	246	2	328
- Others	80	66	171	271
	80	312	173	599
Administration and general expenses				
- Communication expenses	33	57	126	183
- Group administration fees and business support expenses	4,134	5,745	18,973	9,133
- Management fee	21,122	20,475	62,798	66,657
- Others	2,826	637	4,185	1,932
	28,115	26,914	86,082	77,905
Total other operating expenses	32,386	32,789	98,360	92,686

23. Provisions for financing

	3rd quarter ended		Nine months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Provisions for financing:-				
- Individual impairment provisions	12,620	17,085	43,892	44,556
- Made in the financial period	17,482	20,389	57,670	53,222
- Written back in respect of recoveries	(4,862)	(3,304)	(13,778)	(8,666)
- Collective impairment provisions	(2,823)	(3,350)	(15,282)	(23,078)
- Made in the financial period	4,287	3,893	9,733	9,086
- Written back	(7,110)	(7,243)	(25,015)	(32,164)
Bad and doubtful debts on financing and advances:-				
- Recovered	(3,384)	(3,273)	(9,621)	(9,897)
	6,413	10,462	18,989	11,581

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24. Commitments and contingencies

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

The commitments and contingencies are as follows:-

	As at 30 September 2016			As at 31 December 2015		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,871	1,424	379	1,344	1,344	301
Transaction-related contingent items	193,235	137,233	22,302	193,481	193,481	43,703
Short-term self liquidating trade-related contingencies	53,297	41,747	10,499	125,059	125,059	38,424
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	3,122,353	355,514 **	130,030 **	3,026,733	472,298 **	189,108 *
- maturity exceeding one year	460,079	117,566 **	143,179 **	859,118	110,970 **	144,228 *
Foreign exchange related contracts:-						
- less than one year	564,993	13,631 **	5,440 **	1,891,965	61,173 **	7,871 **
- one year to less than five years	2,103,460	178,428 **	120,162 **	2,146,412	222,202 **	149,977 **
Profit rate related contracts:-						
- one year to less than five years	1,461,769	96,128	17,327	3,385,365	124,332	27,768
Miscellaneous commitments and contingencies	-	-	-	33,397	617	64
	<u>7,962,057</u>	<u>941,671</u>	<u>449,318</u>	<u>11,662,874</u>	<u>1,311,476</u>	<u>601,444</u>

** Excluded in the credit equivalent and risk weighted amount of the Bank are RM310.83million (2015: RM509.84million) and RM190.20million (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 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 September 2016				
Assets				
Investment securities available-for-sale				
- Debt securities	-	101,776	-	101,776
Derivative financial instruments	-	245,345	-	245,345
	-	347,121	-	347,121

Liabilities				
Deposits from customers	-	17,613	-	17,613
Deposits and placements of banks and other financial institutions	-	3,614	-	3,614
Derivative financial instruments	-	265,109	-	265,109
	-	286,336	-	286,336

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2015				
Assets				
Investment securities available-for-sale				
- Malaysian Government / Bank Negara Bills	-	124,402	-	124,402
- Debt securities	-	482,014	-	482,014
Derivative financial instruments	-	335,251	-	335,251
	-	941,667	-	941,667

Liabilities				
Deposits from customers	-	16,792	-	16,792
Deposits and placements of banks and other financial institutions	-	3,629	-	3,629
Derivative financial instruments	-	337,987	-	337,987
	-	358,408	-	358,408

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

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26. Capital adequacy

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

	30 September 2016 RM'000	31 December 2015 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	102,750	102,750
Share premium	308,250	308,250
Other reserves	181,615	163,487
Less: Deferred tax assets	(5,791)	(2,029)
Excess of Expected Loss over Expected Provisions under AIRB approach	-	(14,971)
Unrealised gains and losses on 'available-for-sale' financial instruments	378	838
CET 1 and Eligible Tier 1 capital	<u>587,202</u>	<u>558,325</u>
Tier 2 Capital		
Islamic subordinated sukuk	100,000	100,000
Collective impairment provisions	4,185	9,826
Surplus of total eligible provisions over total expected loss under AIRB approach	907	-
Eligible Tier 2 capital	<u>105,092</u>	<u>109,826</u>
Total capital base	<u>692,294</u>	<u>668,151</u>

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

	30 September 2016 RM'000	31 December 2015 RM'000
Total risk-weighted assets:-		
Credit risk	3,440,389	3,896,048
Operational risk	355,233	356,681
	<u>3,795,622</u>	<u>4,252,729</u>
CET 1 capital ratio	15.471%	13.129%
Tier 1 capital ratio	15.471%	13.129%
Risk-weighted capital ratio	18.239%	15.711%