

Registration No. 200801022118 (823437-K)



Standard Chartered Saadiq Berhad

Registration No. 200801022118 (823437-K)
(Incorporated in Malaysia)

**Condensed financial statements for the financial period
ended 30 June 2020**

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	30 June 2020 RM'000	31 December 2019 RM'000
Assets			
Cash and short term funds		1,495,974	1,488,152
Investment securities	10	1,020,963	898,250
Financing and advances - investment account placements	11	1,487,747	1,383,925
Financing and advances - others	11	2,871,931	2,962,632
Derivative financial assets		60,965	78,476
Other assets	13	173,169	242,303
Current tax assets		3,609	14,340
Statutory deposits with Bank Negara Malaysia	14	-	77,024
Property, plant and equipment		1,184	1,638
Deferred tax assets		4,117	2,613
Total assets		<u>7,119,659</u>	<u>7,149,353</u>
Liabilities			
Deposits from customers	15	2,906,586	2,859,327
Structured deposits		3,140	3,143
Investment accounts of customers	16	507,056	519,052
Deposits and placements of banks and other financial institutions	17	311,548	106,345
Restricted investment accounts due to designated financial institutions	18	2,236,460	2,328,737
Derivative financial liabilities		61,046	78,792
Other liabilities	19	243,660	432,455
Provision for credit commitments and contingencies	20	2,058	216
Subordinated sukuk		100,000	100,000
Total liabilities		<u>6,371,554</u>	<u>6,428,067</u>
Share capital		411,000	411,000
Reserves		337,105	310,286
Total equity attributable to equity holder of the Bank		<u>748,105</u>	<u>721,286</u>
Total liabilities and equity		<u>7,119,659</u>	<u>7,149,353</u>
Commitments and contingencies	28	<u>9,368,302</u>	<u>9,830,799</u>
Total Islamic banking assets		<u>7,119,659</u>	<u>7,149,353</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 2019.

STANDARD CHARTERED SAADIQ BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 2ND QUARTER AND SIX MONTHS ENDED 30 JUNE 2020

	Note	2nd quarter ended		Six months ended	
		30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Income derived from investment of depositors' funds	21	40,319	46,801	79,077	85,275
Income derived from investment of investment account funds	22	22,326	36,610	49,736	79,915
Income derived from investment of shareholder's funds	23	8,963	9,426	17,436	17,888
Provision of credit loss allowance ("ECL")	24	(9,269)	(298)	(5,248)	2,771
Total distributable income		62,339	92,539	141,001	185,849
Profit/hibah distributed to depositors	25	(16,777)	(25,149)	(35,264)	(42,382)
Profit/hibah distributed to investment account holders	26	(18,579)	(29,796)	(41,042)	(64,748)
Total net income		26,983	37,594	64,695	78,719
Other operating expenses	27	(20,549)	(22,529)	(42,535)	(47,854)
Profit before taxation		6,434	15,065	22,160	30,865
Tax expense		(1,557)	(3,759)	(5,378)	(7,608)
Profit for the period		4,877	11,306	16,782	23,257
Other comprehensive income for the period, net of income tax					
Items that may be reclassified subsequently to profit or loss					
Fair value reserve:					
Net change in fair value					
- investment securities measured at fair value through other comprehensive income ("FVOCI")					
		6,744	1,846	10,024	3,138
Net changes in expected credit losses transferred to profit or loss					
		27	78	13	109
Other comprehensive income for the period, net of income tax		6,771	1,924	10,037	3,247
Total comprehensive income for the period		11,648	13,230	26,819	26,504

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 2019.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	← Attributable to owner of the Bank →				Total RM'000
	Share capital RM'000	Regulatory reserves RM'000	Fair value reserves RM'000	← Non-Distributable Reserves → Distributable Reserves Retained profits RM'000	
At 1 January 2020	411,000	31,622	6,944	271,720	721,286
Fair value reserve (FVOCI)					
- Net changes in fair value	-	-	10,024	-	10,024
- Net changes in credit losses	-	-	13	-	13
Total other comprehensive income for the period	-	-	10,037	-	10,037
Profit for the period	-	-	-	16,782	16,782
Total other comprehensive income for the period	-	-	10,037	16,782	26,819
At 30 June 2020	411,000	31,622	16,981	288,502	748,105

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 2019.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	← <i>Attributable to owner of the Bank</i> →				Total RM'000
	Share capital RM'000	← <i>Non-Distributable Reserves</i> → Regulatory reserves RM'000		Fair value reserves RM'000	
At 1 January 2019	411,000	13,622	75	243,169	667,866
Fair value reserve (FVOCI)					
- Net changes in fair value	-	-	3,138	-	3,138
- Net changes in credit losses	-	-	109	-	109
Total other comprehensive income for the period	-	-	3,247	-	3,247
Profit for the period	-	-	-	23,257	23,257
Total other comprehensive income for the period	-	-	3,247	23,257	26,504
At 30 June 2019	411,000	13,622	3,322	266,426	694,370

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 2019.

STANDARD CHARTERED SAADIQ BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	30 June 2020 RM'000	30 June 2019 RM'000
Profit before taxation	22,160	30,865
Adjustment for non-cash items	<u>7,722</u>	<u>(2,378)</u>
Operating profit before working capital changes	29,882	28,487
Changes in working capital		
Net changes in operating assets	129,398	465,739
Net changes in operating liabilities	(40,110)	(385,215)
Income taxes refund/(paid)	<u>684</u>	<u>(9,350)</u>
Net cash generated from operating activities	119,854	99,661
Net cash used in investing activities	(111,566)	(557,167)
Net cash used in financing activities	<u>(466)</u>	<u>(428)</u>
Net increase/(decrease) in cash and cash equivalents	7,822	(457,934)
Cash and cash equivalent at beginning of the year	<u>1,488,152</u>	<u>1,852,990</u>
Cash and cash equivalent at end of the period	<u><u>1,495,974</u></u>	<u><u>1,395,056</u></u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019.

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REVIEW OF PERFORMANCE

The Bank registered a pre-tax profit of RM 22.2 million, a 28.2% decrease as compared to the corresponding period last year. Net income declined by RM 14.0 million or 17.8% attributable to weaker macroeconomic sentiments while operating expenses were kept under control, reducing by 11.1% year-on-year.

Total financing and advances increased marginally by 0.3 % over the period to RM 4.4 billion while customer deposits continued its strong momentum, growing by 1.7% to RM 2.9 billion. The Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 25.877% and 30.222%, respectively.

PROSPECTS

The full impact of the COVID-19 pandemic crisis on the global economy is gradually unravelling, with global economic growth forecast for 2020 now slashed to -4.9%. While movement restrictions have gradually eased, the fallout from the crisis has been severe, particularly for the aviation, hospitality and oil and gas sectors, while unemployment rates have risen overall. Major central banks have continued to cut profit rates and expanded on relief measures during the second quarter of 2020.

On the domestic front, there has been gradual relaxations in the Movement Control Order ("MCO"), attributable to the government's successful measures in curbing the spread of the virus, and this has allowed for the gradual re-opening of the economy, with most business sectors now operating. Nonetheless, international travel remains severely restricted while international trade volumes have reduced significantly, with exports volume indices and imports volume indices down by 21.9% and 26.8% respectively year on year.

Malaysia recorded Gross Domestic Product ("GDP") growth of 0.7% for the first quarter, the lowest since 2009, with the full effects of COVID-19 to be seen in the second quarter. Bank Negara Malaysia ("BNM") has maintained its annual GDP growth at -2.0% to 0.5% for now, with an updated forecast expected in the third quarter. Overnight policy rate ("OPR") was reduced further to a record low of 1.75% in July, following three rounds of cuts in January, March and May 2020. The banking industry is now moving into the second half of the six month financing moratorium period implemented by BNM in April 2020, with current focus gearing towards the likely impact of the moratorium expiry in 30 September 2020. The Ringgit experienced a period of volatility between March and May of this year, but has now settled to a range of 4.25 – 4.30 against the US Dollar.

Amidst this extremely challenging economic backdrop, the Bank has continued to serve and engage our customer needs by creatively leveraging on our digital platforms and technology. The investments made in technology platforms has helped the bank to operate seamlessly during the disruptions created by the pandemic. We will continue to leverage on this digital capability as a broad strategic imperative, in tandem with the global shift towards the 'new normal'. In the near term, we are fully committed to continue supporting the government's economic recovery efforts by providing the requisite assistance to our customers across all segments who have been most impacted by the pandemic crisis. As the situation remains volatile, the Bank will continue to remain vigilant and proactively monitor new developments as they happen and intensely manage the portfolio to minimise the downside risk. In the adverse condition also, there are opportunities in various sectors witnessing surge in local and international demand, especially in the Healthcare and Hygiene industries, where we will continue to play an active role by delivering our network and serving clients with our diversified product capabilities.

For the longer term, we remain optimistic on the fundamentals, inherent strength and resilience of the diversified Malaysian economy. It is important to stay on course on our core franchise strategy while navigating through the turbulent times and we would continue to do so whilst managing the resultant downside risk emanating from uncontrollable macro-economic headwinds.

Our strategic focus for the Retail Banking business will continue to be the Affluent and Emerging Affluent segments through our range of Wealth Management product suites, while continuing to support the growth of SMEs through our award winning Business Banking solutions. As the pace of digital adoption has intensified, we will continue investing in our digital capabilities to enhance and improve client journeys.

In the Corporate and Commercial Banking space, we will continue to leverage on our network to grow our Transaction Banking and Financial Markets flow business, with focus on Halal trade corridor and designated Shariah Counter entities. Our Halal360 programme will be our latest initiative to support the Islamic trade ecosystem and aligned to the government's aspiration to make Malaysia the Halal economic hub.

Our longer term agenda for the Corporate and Commercial Banking segment will be to continue leveraging on our network to grow our Transaction Banking and Financial Markets flow business, focusing on acquiring new trade oriented clients in the high growth sectors of the economy and also deepening existing relationships with world class corporate finance and capital markets capabilities. We have also invested heavily in the digital capabilities to enhance our corporate and commercial client journeys.

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Notes to the financial statements for the financial period ended 30 June 2020

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the financial period ended 30 June 2020 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting.

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 MFRSs, Interpretation and Amendments to MFRSs during the current financial period:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- | | | |
|-----|-------------------------------------|--|
| i) | Amendments to MFRS 3 | <i>Business Combinations - Definition of Business</i> |
| ii) | Amendments to MFRS 101 and MFRS 108 | <i>Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material</i> |

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- | | | |
|----|-----------------------|---|
| i) | Amendments to MFRS 16 | <i>Leases - Covid-19-Related Rent Concessions</i> |
|----|-----------------------|---|

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- | | | |
|----|---------|----------------------------|
| i) | MFRS 17 | <i>Insurance Contracts</i> |
|----|---------|----------------------------|

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- | | | |
|------|--|---|
| i) | Amendments to MFRS 101 | <i>Presentation of Financial Statements – Classification of Liabilities as Current or Non-current</i> |
| ii) | Amendments to MFRS 1, MFRS 9 and MFRS 141 | <i>Annual Improvements to MFRS Standards 2018–2020</i> |
| iii) | Amendments to Illustrative Examples accompanying MFRS 16 | <i>Leases (Annual Improvements to MFRS Standards 2018–2020)</i> |
| iii) | Amendments to MFRS 3 | <i>Business Combinations - Reference to the Conceptual Framework</i> |
| iv) | Amendments to MFRS 116 | <i>Property, Plant and Equipment - Proceeds before Intended Use</i> |
| v) | Amendments to MFRS 137 | <i>Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract</i> |

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

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

Other than MFRS 17 and amendments to MFRS 141 which is not applicable to the Bank, the Bank plans to apply the abovementioned accounting standards and amendments that is effective for annual periods beginning on or after 1 January 2021 and 1 January 2022 respectively.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period or prior period financial statements of the Bank.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019. 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 2019.

2. Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2019 was not qualified.

3. Seasonal or cyclical factors

Other than those disclosed in Current Year Prospect, there is no other material seasonal or cyclical factors affecting the business operations of the Bank.

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

In order to assist individuals and small and medium-sized enterprise ("SMEs") facing temporary financial challenging arising from COVID-19 pandemic, the Bank has participated in national relief program to grant automatic moratorium on all financing repayments, principals and profits (except for credit card balances) by individuals and SME customers for a period of six months from 1 April 2020. The customers can opt out anytime during the payment deferment period and have until 30 September 2020 to reach an agreement in relation to repayment arrangement after the moratorium period.

In relation to that, the Bank has to consider accounting effects as original terms of the financing has been modified by the blanket moratorium. Modification gain/loss arises when there is a difference between present value of the cash flow pre and post-modification, discounted using the original profit rates. The gain or loss will be reported within "profit income" with a corresponding adjustment made to the gross carrying amount of the asset. The amount will be unwound over the remaining contractual life of the modified financing.

Due to uncertainties in the opt-out rate and repayment arrangement after the moratorium period, the modification gain/ loss arising from the moratorium program is still being assessed by the management.

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 period ended 30 June 2020. Due to uncertainties on the timing and pace of economic recovery, management judgemental overlay has been put in place to calibrate MFRS 9 model expected credit loss.

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 period ended 30 June 2020 .

7. Proposed Dividend

No dividend has been proposed for the second quarter and the financial period ended 30 June 2020 .

8. Subsequent events

As the impact of the COVID-19 pandemic continues to evolve, our estimates on expected credit losses are subject to change in near term based on the latest development in the global and domestic economic environment.

9. Changes in the composition of the Bank

There were no changes in the composition of the Bank during the financial period ended 30 June 2020.

10. Investment securities

	30 June 2020 RM'000	31 December 2019 RM'000
Investment securities measured at FVOCI - debt instruments	<u>1,020,963</u>	<u>898,250</u>

i) By type

	30 June 2020 RM'000	31 December 2019 RM'000
Investment securities measured at FVOCI - debt instruments		
Malaysian Government Investment Issues	<u>1,020,963</u>	<u>898,250</u>
	<u>1,020,963</u>	<u>898,250</u>

The carrying amount of a debt securities measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but it reflected as a debit to profit or loss or retained profits and credit to other comprehensive income.

ii) Movement of allowance for expected credit losses

	30 June 2020 RM'000	31 December 2019 RM'000
Balance as at 1 January	198	19
Net remeasurement of loss allowance	13	179
At end of reporting period/year	<u>211</u>	<u>198</u>

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

As at 30 June 2020

	Bai [^]	Ijarah [#]	Ijarah Thumma Al- Bai [#]	Murabahah	Commodity Murabahah	Musarakah Mutanaqisah	Others	Total financing and advances
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost								
Term financing								
- House financing	307,819	-	-	-	-	1,959,442	-	2,267,261
- Hire purchase receivables	-	-	6,099	-	-	-	-	6,099
- Lease receivables	-	13,163	-	-	-	-	-	13,163
- Other term financing	17,466	-	-	-	1,461,115	621,450	46,396	2,146,427
Bills receivable	79,396	-	-	41,964	85,091	-	-	206,451
Trust receipts	-	-	-	22,282	-	-	-	22,282
Staff financing	-	-	-	-	6,577	-	115	6,692
Revolving credit	-	-	-	-	155,185	-	-	155,185
	404,681	13,163	6,099	64,246	1,707,968	2,580,892	46,511	4,823,560
Less: Unearned income								(411,826)
Gross financing and advances								4,411,734
Less: Allowances for credit losses on financing and advances:-								
- 12-month ECL (Stage 1)								(5,652)
- Lifetime ECL non-credit-impaired (Stage 2)								(13,048)
- Lifetime ECL credit-impaired (Stage 3)								(33,356)
Total net financing and advances								4,359,678
Less: Financing and advances funded by investment account placements *								(1,487,747)
Total net financing and advances - others								2,871,931

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

[#] Under this mode of financing, the Bank acquires the assets against customers' purchase undertaking to purchase the assets on maturity of the financing. The assets will be leased to the customer during financing tenure prior to the acquisition of asset by the customer.

* Financing and advances funded by investment account placements are exposures under Restricted Profit Sharing Investment Account ("RPSIA"), as part of an arrangement between the Bank and SCBMB. SCBMB is exposed to the risk of RPSIA financing and will account for all the expected credit losses arising thereon.

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

As at 31 December 2019	Bai'^	Ijarah #	Ijarah Thumma Al- Bai #	Murabahah	Commodity Murabahah	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	322,125	-	-	-	-	2,015,410	-	2,337,535
- Hire purchase receivables	-	-	8,038	-	-	-	-	8,038
- Lease receivables	-	13,140	-	-	-	-	-	13,140
- Other term financing	19,653	-	-	-	1,389,028	638,570	38,828	2,086,079
Bills receivable	75,354	-	-	14,382	60,519	-	-	150,255
Trust receipts	-	-	-	26,066	-	-	-	26,066
Staff financing	-	-	-	-	7,227	-	136	7,363
Revolving credit	-	-	-	-	196,099	-	-	196,099
	417,132	13,140	8,038	40,448	1,652,873	2,653,980	38,964	4,824,575
Less: Unearned income								(425,768)
Gross financing and advances								4,398,807
Less: Allowances for credit losses on financing and advances:-								
- 12-month ECL (Stage 1)								(2,427)
- Lifetime ECL non-credit-impaired (Stage 2)								(6,343)
- Lifetime ECL credit-impaired (Stage 3)								(43,480)
Total net financing and advances								4,346,557
Less: Financing and advances funded by investment account placements *								(1,383,925)
Total net financing and advances - others								2,962,632

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

Under this mode of financing, the Bank acquires the assets against customers' purchase undertaking to purchase the assets on maturity of the financing. The assets will be leased to the customer during financing tenure prior to the acquisition of asset by the customer.

* Financing and advances funded by investment account placements are exposures under Restricted Profit Sharing Investment Account ("RPSIA"), as part of an arrangement between the Bank and SCBMB. SCBMB is exposed to the risk of RPSIA financing and will account for all the expected credit losses arising thereon.

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

	30 June 2020 RM'000	31 December 2019 RM'000
Domestic non-bank financial institutions	100,000	229
Domestic business enterprises	1,417,630	1,427,911
<i>Small medium enterprises</i>	891,599	879,693
<i>Others</i>	526,031	548,218
Individuals	1,979,102	2,043,807
Other domestic entities	8,500	2,437
Foreign entities	906,502	924,423
	4,411,734	4,398,807

(iii) By profit rate sensitivity

	30 June 2020 RM'000	31 December 2019 RM'000
Fixed rate		
Housing financing	212	229
Hire purchase receivables	6,099	8,038
Other fixed rate financing	579,272	557,959
Variable rate		
Base lending rate ("BLR") plus/ Base rate plus	588,136	613,707
Cost plus	996,209	914,629
Other variable rates	2,241,806	2,304,245
	4,411,734	4,398,807

(iv) By sector

	30 June 2020 RM'000	31 December 2019 RM'000
Agriculture	51,581	70,179
Mining and quarrying	1,758	9,652
Manufacturing	374,923	251,480
Electricity, gas and water	833	1,139
Construction	157,864	164,296
Real estate	204,630	211,329
Wholesale & retail trade and restaurants & hotels	344,308	397,568
Transportation, storage and communication	37,977	38,860
Finance, insurance and business services	289,224	205,820
Household	2,339,057	2,414,818
Others	609,579	633,666
	4,411,734	4,398,807

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11. Financing and advances (continued)

(v) By purpose

	30 June 2020 RM'000	31 December 2019 RM'000
Purchase of property		
- Residential	2,113,237	2,170,956
- Non-residential	639,490	658,289
Fixed assets excluding land and building	4,553	5,914
Personal Use	66,060	75,697
Working Capital	1,588,394	1,487,951
	<u>4,411,734</u>	<u>4,398,807</u>

(vi) By maturity structure

	30 June 2020 RM'000	31 December 2019 RM'000
Maturing within one year	491,653	409,099
One year to three years	621,748	719,648
Three years to five years	435,680	320,312
Over five years	2,862,653	2,949,748
	<u>4,411,734</u>	<u>4,398,807</u>

(vii) By geographical distribution

	30 June 2020 RM'000	31 December 2019 RM'000
Within Malaysia	3,873,754	3,863,163
Outside Malaysia	537,980	535,644
	<u>4,411,734</u>	<u>4,398,807</u>

(viii) Analysis of foreign currency exposure

	30 June 2020 RM'000	31 December 2019 RM'000
EUR	963	-
JPY	5,053	-
USD	153,320	117,778
	<u>159,336</u>	<u>117,778</u>

12. Impaired financing and advances

(i) Movements in impaired financing and advances

	30 June 2020 RM'000	31 December 2019 RM'000
At 1 January	70,924	63,010
Classified as non-performing during the financial period/year	36,705	98,836
Reclassified as performing during the financial period/year	(33,276)	(55,907)
Amount recovered during the financial period/year	(3,481)	(6,393)
Amount written off during the financial period/year	(12,701)	(28,622)
At end of reporting period/year	58,171	70,924
Impairment provision	(21,925)	(30,865)
Net impaired financing and advances	<u>36,246</u>	<u>40,059</u>

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12. Impaired financing and advances (continued)**(ii) Movements in allowances for credit losses for financing and advances**

	← 2020 →				← 2019 →			
	12-month ECL (Stage 1) RM'000	Lifetime ECL non credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000	12-month ECL (Stage 1) RM'000	Lifetime ECL non credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000
Balance at 1 January	2,427	6,343	43,480	52,250	3,364	12,375	54,212	69,951
Transfer to 12-month ECL	2,815	(2,657)	(158)	-	12,668	(7,648)	(5,020)	-
Transfer to lifetime ECL non-credit-impaired	(1,199)	3,180	(1,981)	-	(2,027)	4,492	(2,465)	-
Transfer to lifetime ECL credit-impaired	(8)	(2,847)	2,855	-	(18)	(4,828)	4,846	-
Net remeasurement of loss allowance	1,677	9,029	(2,898)	7,808	(11,127)	1,952	17,740	8,565
Write-offs	-	-	(6,675)	(6,675)	-	-	(23,380)	(23,380)
Unwinding of discount	-	-	(1,267)	(1,267)	-	-	(2,711)	(2,711)
Foreign exchange and other movements	(60)	-	-	(60)	(433)	-	258	(175)
At end of reporting period/year *	<u>5,652</u>	<u>13,048</u>	<u>33,356</u>	<u>52,056</u>	<u>2,427</u>	<u>6,343</u>	<u>43,480</u>	<u>52,250</u>

* Excluded in total allowance for credit losses end of reporting period/year is a transfer to SCBMB under PSIA arrangement amounting to RM5.6 million (2019: RM5.7 million).

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

	30 June 2020 RM'000	31 December 2019 RM'000
Manufacturing	734	1,794
Construction	2,364	2,672
Real estate	5,309	4,935
Wholesale & retail trade and restaurants & hotels	18,369	15,633
Transportation, storage and communication	1,756	1,450
Finance, insurance and business services	3,787	8,340
Household	23,808	34,029
Others	2,044	2,071
	<u>58,171</u>	<u>70,924</u>

(iv) Impaired financing and advances by purpose

	30 June 2020 RM'000	31 December 2019 RM'000
Purchase of property	34,500	47,817
- Residential	18,055	25,668
- Non-residential	16,445	22,149
Fixed assets excluding land and building	172	214
Personal use	2,441	3,706
Working capital	21,058	19,187
	<u>58,171</u>	<u>70,924</u>

(v) Impaired financing and advances by geographical distribution

	30 June 2020 RM'000	31 December 2019 RM'000
Within Malaysia	<u>58,171</u>	<u>70,924</u>

13. Other assets

	30 June 2020 RM'000	31 December 2019 RM'000
Income receivable	9,211	8,952
Other receivables, deposits and prepayments	163,958	233,351
	<u>173,169</u>	<u>242,303</u>

14. Statutory deposits with Bank Negara Malaysia

The non-profit 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"); which is determined at a set percentages of total eligible liabilities.

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15. Deposits from customers

(i) By type of deposits

	30 June 2020 RM'000	31 December 2019 RM'000
Demand deposits	1,257,343	1,312,841
- Qard	1,048,366	1,080,055
- Commodity Murabahah *	208,977	232,786
Saving deposits	584,637	514,583
- Qard	74,245	70,515
- Commodity Murabahah *	510,392	444,068
Term deposits	1,064,606	1,031,903
- Commodity Murabahah *	1,051,842	1,018,233
- Mudharabah	12,764	13,670
	<u>2,906,586</u>	<u>2,859,327</u>

* Balances under Commodity Murabahah arrangement may contain incidental Qard elements due to timing differences between the deposit placement renewal and the execution of Commodity Murabahah.

The maturity structure of the term deposits is as follows:-

	30 June 2020 RM'000	31 December 2019 RM'000
Due within six months	860,386	866,748
Six months to one year	196,985	151,807
One year to Six years	7,235	13,348
	<u>1,064,606</u>	<u>1,031,903</u>

(ii) By type of customers

	30 June 2020 RM'000	31 December 2019 RM'000
Government and statutory bodies	21	72,020
Business enterprises	826,656	1,063,132
Individuals	1,251,099	960,268
Others	828,810	763,907
	<u>2,906,586</u>	<u>2,859,327</u>

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16. Investment accounts of customers

	30 June 2020 RM'000	31 December 2019 RM'000
Unrestricted investment accounts		
Without maturity		
Mudharabah	507,056	519,052

17. Deposits and placements of banks and other financial institutions

	30 June 2020 RM'000	31 December 2019 RM'000
Qard		
Licensed banks	43,944	74,006
Commodity Murabahah		
Other financial institutions	267,604	32,339
	<u>311,548</u>	<u>106,345</u>

18. Restricted investment accounts due to designated financial institutions

Restricted investment accounts		
Mudharabah	<u>2,236,460</u>	<u>2,328,737</u>
By type of counterparties		
Licensed banks	<u>2,236,460</u>	<u>2,328,737</u>

Mudharabah deposit placement of licensed bank is a placement under the PSIA arrangement by the Bank's immediate holding company.

19. Other liabilities

	30 June 2020 RM'000	31 December 2019 RM'000
Lease liabilities	1,148	1,605
Income payable	16,065	12,616
Other payables and accruals	226,447	418,234
	<u>243,660</u>	<u>432,455</u>

20. Provision for credit commitments and contingencies

	30 June 2020 RM'000	31 December 2019 RM'000
Financing commitments and financial guarantee contracts		
Balance as at 1 January	216	5,059
Net remeasurement of loss allowance	1,833	(4,849)
Foreign exchange and other movements	9	6
At end of reporting period/year	<u>2,058</u>	<u>216</u>

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21. Income derived from investment of depositors' funds

	2nd quarter ended		Six months ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Income derived from investment of:-				
(i) Term deposits	15,355	21,953	32,758	46,840
(ii) Other deposits	24,964	24,848	46,319	38,435
	40,319	46,801	79,077	85,275

(i) Income derived from investment of term deposits

	2nd quarter ended		Six months ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Finance income and hibah				
Financing and advances	9,250	14,383	20,212	28,202
Investment securities	2,425	1,961	5,289	2,881
Money at call and deposits with financial institutions	1,786	3,581	3,072	9,701
Total finance income and hibah	13,461	19,925	28,573	40,784
Other operating income				
Fees and commission income	1,904	2,050	4,235	6,338
Fees and commission expense	(10)	(22)	(50)	(282)
	1,894	2,028	4,185	6,056
	15,355	21,953	32,758	46,840

(ii) Income derived from investment of other deposits

	2nd quarter ended		Six months ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Finance income and hibah				
Financing and advances	15,128	15,597	28,580	23,141
Investment securities	3,964	1,861	7,479	2,364
Money at call and deposits with financial institutions	2,765	4,619	4,343	7,960
Total finance income and hibah	21,857	22,077	40,402	33,465
Other operating income				
Fees and commission income	3,128	2,860	5,988	5,201
Fees and commission expense	(21)	(89)	(71)	(231)
	3,107	2,771	5,917	4,970
	24,964	24,848	46,319	38,435

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22. Income derived from investment of investment account funds

	2nd quarter ended		Six months ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Finance income and hibah				
Financing and advances	18,698	32,008	40,743	69,962
Money at call and deposits with financial institutions	3,628	4,602	8,993	9,953
	<u>22,326</u>	<u>36,610</u>	<u>49,736</u>	<u>79,915</u>

23. Income derived from investment of shareholder's funds

	2nd quarter ended		Six months ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Finance income and hibah				
Financing and advances	5,422	6,071	10,759	10,770
Investment securities	1,420	788	2,815	1,100
Money at call and deposits with financial institutions	1,009	1,625	1,635	3,706
Total finance income and hibah	7,851	8,484	15,209	15,576
Other operating income				
Fees and commission income	1,119	962	2,254	2,420
Fees and commission expense	(7)	(20)	(27)	(108)
	<u>1,112</u>	<u>942</u>	<u>2,227</u>	<u>2,312</u>
	<u>8,963</u>	<u>9,426</u>	<u>17,436</u>	<u>17,888</u>

24. Provision for credit loss allowance

	2nd quarter ended		Six months ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Charge/(release) for credit loss allowance	10,514	3,572	9,654	3,218
- Financing and advances	8,653	3,459	7,808	7,556
- Credit commitments and contingencies	1,834	35	1,833	(4,441)
- Financial assets held at FVOCI - investment securities	27	78	13	103
Amount recovered from impaired financing and advances	(1,245)	(3,274)	(4,406)	(5,989)
	<u>9,269</u>	<u>298</u>	<u>5,248</u>	<u>(2,771)</u>

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25. Profit/hibah distributed to depositors

	2nd quarter ended		Six months ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Deposits from customers				
- Mudharabah fund	91	104	181	201
- Non-Mudharabah fund	14,844	23,647	31,075	39,462
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	1,842	1,398	4,008	2,719
	<u>16,777</u>	<u>25,149</u>	<u>35,264</u>	<u>42,382</u>

26. Profit/hibah distributed to investment account holders

	2nd quarter ended		Six months ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Investment accounts of customers	3,411	5,430	7,938	11,324
Investment accounts due to designated financial institutions	15,168	24,366	33,104	53,424
	<u>18,579</u>	<u>29,796</u>	<u>41,042</u>	<u>64,748</u>

27. Other operating expenses

	2nd quarter ended		Six months ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	2,006	2,661	4,216	4,448
- Pension fund contributions	296	363	600	723
- Other staff related cost	351	400	877	590
	<u>2,653</u>	<u>3,424</u>	<u>5,693</u>	<u>5,761</u>
Establishment costs				
- Depreciation of property, plant and equipment	24	18	47	36
- Depreciation of right-of-use assets	229	221	457	456
- Rental	19	34	40	65
- Information technology expenses	3	25	19	214
- Utilities and maintenance	522	297	809	591
	<u>797</u>	<u>595</u>	<u>1,372</u>	<u>1,362</u>
Marketing expenses				
- Advertisement and publicity	73	86	249	98
- Others	68	24	187	79
	<u>141</u>	<u>110</u>	<u>436</u>	<u>177</u>
Administration and general expenses				
- Communication expenses	23	38	55	71
- Group administration fees and business support expenses	1,962	685	3,686	2,656
- Management fee	14,522	15,958	29,524	35,638
- Others	451	1,719	1,769	2,189
	<u>16,958</u>	<u>18,400</u>	<u>35,034</u>	<u>40,554</u>
Total other operating expenses	<u>20,549</u>	<u>22,529</u>	<u>42,535</u>	<u>47,854</u>

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28. 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 2020			As at 31 December 2019		
	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	65,140	47,940	63,073	66,269	49,069	57,783
Transaction-related contingent items	278,209	182,342	30,556	128,863	128,863	38,851
Short-term self liquidating trade-related contingencies	66,983	60,159	22,071	19,737	19,737	8,278
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	4,502,429	183,350	141,385	4,560,174	275,208	267,336
- maturity exceeding one year	432,212	38,371	56,391	623,716	61,394	97,612
Foreign exchange related contracts:-						
- less than one year	1,876,200	75,974	11,327	2,238,741	113,429	46,762
Profit rate related contracts:-						
- less than one year	1,389,195	5,393	893	1,419,065	9,381	1,489
- one year to less than five years	757,934	38,692	13,075	774,234	33,735	13,946
	<u>9,368,302</u>	<u>632,221</u>	<u>338,771</u>	<u>9,830,799</u>	<u>690,816</u>	<u>532,057</u>

Included in direct credit substitutes and transaction-related contingent items are the deals or contracts entered under Kafalah concept amounting to RM 343.3 million (2019: RM195.1 million). All deals and contracts in short-term self liquidating trade-related contingencies are entered under Wakalah concept amounting to RM 67.0 million (2019: RM19.7 million).

** Excluded from the credit equivalent and risk weighted amounts of the Bank are RM 184.6 million (2019: RM69.7 million) and RM 92.3 million (2019: RM48.3 million) respectively relating to exposures funded by PSIA placements from SCBMB as provided by BNM's policy document on Investment Account. The related credit risk and exposure of facilities funded by the Specific Investment Account are allowed to be transferred to SCBMB as the fund provider.

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29. 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. Structured deposits.	-

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2020				
Assets				
Investment securities at FVOCI				
- Malaysian Government Investment Issues	-	1,020,963	-	1,020,963
Derivative financial instruments	-	60,965	-	60,965
	-	1,081,928	-	1,081,928
Liabilities				
Structured deposits	-	3,140	-	3,140
Derivative financial instruments	-	61,046	-	61,046
	-	64,186	-	64,186
31 December 2019				
Assets				
Investment securities at FVOCI				
- Malaysian Government Investment Issues	-	898,250	-	898,250
Derivative financial instruments	-	78,476	-	78,476
	-	976,726	-	976,726
Liabilities				
Structured deposits	-	3,143	-	3,143
Derivative financial instruments	-	78,792	-	78,792
	-	81,935	-	81,935

There were no transfers between Level 1 and Level 2 during the period ended 30 June 2020.

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30. 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 2020	31 December 2019
	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	<u>84,033</u>	<u>115,109</u>
As a percentage of total credit exposures	<u>1.6%</u>	<u>2.2%</u>

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

31. Capital adequacy

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

	30 June 2020	31 December 2019
	RM'000	RM'000
Tier 1 Capital		
Paid-up ordinary share capital	411,000	411,000
Other reserves	271,720	271,720
Less: Deferred tax assets	(7,066)	(3,819)
Unrealised gains on investment securities	7,641	3,125
Common Equity Tier ("CET") 1 and Eligible Tier 1 capital	<u>683,295</u>	<u>682,026</u>
Tier 2 Capital		
Subordinated sukuk	100,000	100,000
General provisions under standardised approach*	1,012	929
Surplus of total Eligible Provisions over total Expected Loss under AIRB approach	<u>13,718</u>	<u>15,693</u>
Eligible Tier 2 capital	<u>114,730</u>	<u>116,622</u>
Total Capital Base	<u>798,025</u>	<u>798,648</u>

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

	30 June 2020	31 December 2019
	RM'000	RM'000
Total risk-weighted assets:-		
- credit risk	2,360,116	2,692,359
- operational risk	<u>280,393</u>	<u>281,851</u>
	<u>2,640,509</u>	<u>2,974,210</u>
CET 1 capital ratio	25.877%	22.931%
Tier 1 capital ratio	25.877%	22.931%
Risk-weighted capital ratio	30.222%	26.852%

* General provision refers to stage 1 and stage 2 ECL allowance as defined under MFRS 9, *Financial Instruments*, to the extent they are ascribed to non-credit-impaired exposures as determined under the standardised approach for credit risk.