

Company No. 823437K



Standard Chartered Saadiq Berhad

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

**Financial statements for the financial period
ended 30 September 2019**

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Note	30 September 2019 RM'000	31 December 2018 RM'000
Assets			
Cash and short term funds		1,461,480	1,852,990
Investment securities	11	898,229	100,375
Financing and advances - investment account placements	12	1,688,841	2,431,916
Financing and advances - others	12	2,988,655	2,876,828
Derivative financial assets		88,253	184,650
Other assets	14	294,114	351,621
Current tax assets		7,831	7,337
Statutory deposits with Bank Negara Malaysia	15	89,697	47,980
Property, plant and equipment		1,883	108
Deferred tax assets		4,821	6,050
Total assets		<u>7,523,804</u>	<u>7,859,855</u>
Liabilities			
Deposits from customers	16	3,342,455	2,603,930
Structured deposits		3,114	3,642
Investment accounts of customers	17	554,524	726,594
Deposits and placements of banks and other financial institutions	18	124,165	428,586
Restricted investment accounts due to designated financial institutions	19	2,279,705	3,004,937
Derivative financial liabilities		89,059	189,413
Other liabilities	20	319,263	129,828
Provision for credit commitments and contingencies	21	324	5,059
Subordinated sukuk		100,000	100,000
Total liabilities		<u>6,812,609</u>	<u>7,191,989</u>
Share capital		411,000	411,000
Reserves		300,195	256,866
Total equity attributable to equity holder of the Bank		<u>711,195</u>	<u>667,866</u>
Total liabilities and equity		<u>7,523,804</u>	<u>7,859,855</u>
Commitments and contingencies	29	<u>9,422,609</u>	<u>9,081,138</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 2018.

STANDARD CHARTERED SAADIQ BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3RD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019

	Note	3rd quarter ended		Nine months ended	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Income derived from investment of depositors' funds	22	41,714	37,799	126,989	106,038
Income derived from investment of investment account funds	23	32,567	43,049	112,482	130,756
Income derived from investment of shareholder's funds	24	9,594	9,166	27,482	27,842
Net release of credit loss allowance	25	4,920	12,743	7,691	22,828
Total distributable income		88,795	102,757	274,644	287,464
Profit/hibah distributed to depositors	26	(21,112)	(16,966)	(63,494)	(49,194)
Profit/hibah distributed to investment account holders	27	(26,652)	(34,790)	(91,400)	(106,539)
Total net income		41,031	51,001	119,750	131,731
Other operating expenses	28	(23,586)	(24,259)	(71,440)	(71,837)
Profit before taxation		17,445	26,742	48,310	59,894
Tax expense		(3,671)	(5,431)	(11,279)	(13,980)
Profit for the period		13,774	21,311	37,031	45,914
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")					
		2,967	259	6,105	44
Net changes in expected credit losses transferred to profit or loss					
		84	7	193	7
Other comprehensive income for the period, net of income tax		3,051	266	6,298	51
Total comprehensive income for the period		16,825	21,577	43,329	45,965

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 2018.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	← Non-Distributable Reserves →				Distributable Reserves Retained profits	Total RM'000
	Share capital RM'000	Share premium RM'000	Regulatory reserves RM'000	Fair value reserves RM'000	RM'000	
At 1 January 2019	411,000	-	13,622	75	243,169	667,866
Fair value reserve (FVOCI)						
- Net changes in fair value	-	-	-	6,105	-	6,105
- Net changes in credit losses	-	-	-	193	-	193
Total other comprehensive income for the period	-	-	-	6,298	-	6,298
Profit for the period	-	-	-	-	37,031	37,031
Total other comprehensive income for the period	-	-	-	6,298	37,031	43,329
Transfer between reserves	-	-	18,000	-	(18,000)	-
At 30 September 2019	411,000	-	31,622	6,373	262,200	711,195

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 2018.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	← Non-Distributable Reserves →				Distributable Reserves	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Fair value reserves RM'000	Retained profits RM'000	
At 31 December 2017	102,750	308,250	-	40	219,067	630,107
Impact of adopting MFRS 9 as at 1 January 2018						
- Adjustment related to impairment, net of income taxes	-	-	-	18	(5,880)	(5,862)
- Transfer between reserves	-	-	13,622	-	(13,622)	-
Restated balance as at 1 January 2018	102,750	308,250	13,622	58	199,565	624,245
Fair value reserve (FVOCI)						
Net changes in fair value	-	-	-	44	-	44
Net changes in credit losses	-	-	-	7	-	7
Total other comprehensive expense for the period	-	-	-	51	-	51
Profit for the period	-	-	-	-	45,914	45,914
Total comprehensive income for the period	-	-	-	51	45,914	45,965
Transition to no par value regime *	308,250	(308,250)	-	-	-	-
Total transaction with owner of the Bank	308,250	(308,250)	-	-	-	-
At 30 September 2018	411,000	-	13,622	109	245,479	670,210

* The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account of RM308.25 million became part of the Bank's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There was no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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 2018.

STANDARD CHARTERED SAADIQ BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

	30 September 2019 RM'000	30 September 2018 RM'000
Profit before taxation	48,310	59,894
Adjustment for non-cash items	(6,626)	(22,647)
Operating profit before working capital changes	<u>41,684</u>	<u>37,247</u>
Changes in working capital		
Net changes in operating assets	646,214	36,403
Net changes in operating liabilities	(276,110)	178,676
Income taxes paid	(12,466)	(8,639)
Net cash generated from operating activities	<u>399,322</u>	<u>243,687</u>
Net cash used in investing activities	<u>(790,832)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	<u>(391,510)</u>	<u>243,687</u>
Cash and cash equivalent at beginning of the year	1,852,990	1,612,916
Cash and cash equivalent at end of the period	<u><u>1,461,480</u></u>	<u><u>1,856,603</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 2018.

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REVIEW OF PERFORMANCE

The Bank registered a pre-tax profit of RM 48.3 million, a 19.3 % decline against the corresponding period last year. Net income declined by RM 12.0 million or 9.1% mainly attributable to lower net release in provisions for credit losses, while operating expenses decreased by 0.6% year-on-year.

Total financing and advances declined by 11.9 % over the period to RM 4.68 billion while customer deposits showed stronger momentum over the period, growing by 28.4 % to RM 3.3 billion.

The Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 19.837% and 23.533%, respectively.

PROSPECTS

The global economy continues to be in a state of uncertainty arising from the prolonged trade war, Brexit negotiations and civil unrest in Hong Kong. Malaysia, being dependent on external trade, is susceptible to external risk factors but the economy has shown resilience. In the first half of 2019, GDP growth was 4.7% while Malaysia exports only shrank marginally for the first 8 months of 2019 by 0.4% from a year ago. The increase in foreign direct investment in the first half of 2019 is an indicator of the shift in global supply chain attributable to the protracted trade war.

The Malaysian financial system also remains stable, despite a challenging global environment and high degree of volatility in the international financial market throughout the year. Bank Negara Malaysia held its Overnight Policy Rate ('OPR') at 3% during its September meeting, and indicating that growth will continue to be supported by resilient private spending, alongside stable labour market and wage growth. Meanwhile, inflation is expected to remain low.

Budget 2020 was unveiled by the Finance Minister on 11 October 2019, with a strong focus on digital transformation, foreign investment and increasing the contribution of SMEs as an engine for economic growth. Measures were introduced to grant easier access to financing to certain sectors under Skim Jaminan Pinjaman Perniagaan ('SJPP'). The government also reiterated BNM's commitment towards a Digital Bank licencing framework by end 2019 for public consultation while continuing to further support promotion and development of the Islamic Finance ecosystem.

While the economic backdrop remains challenging, the Bank's strategic agenda is well placed to deliver sustainable returns across all client segments. SCB continues to be active in the key sectors of the economy and will keep the focus and momentum in domestic and international businesses leveraging the global network of the Bank. Export oriented, import substitution manufacturing sectors, supporting the SMEs of the country and providing innovative solutions to Malaysians to grow and protect their wealth are a few of the key focus areas of SCB in taking the business forward.

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Notes to the financial statements for the financial period ended 30 September 2019

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the financial period ended 30 September 2019 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:

i) MFRS 16	<i>Leases</i>
ii) IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
iii) Amendments to MFRS 3	<i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
iv) Amendments to MFRS 9	<i>Financial Instruments – Prepayment Features with Negative Compensation</i>
v) Amendments to MFRS 11	<i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
vi) Amendments to MFRS 112	<i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
vii) Amendments to MFRS 119	<i>Employee Benefits - Plan Amendment, Curtailment or Settlement</i>
viii) Amendments to MFRS 123	<i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
ix) Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures</i>

The adoption of the above MFRSs, Interpretation and Amendments to MFRSs do not have any material impact to the financial statements of the Bank except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The impact of MFRS 16 on the Bank is primarily where the Bank is a lessee in property lease contracts. The Bank has elected to adopt the simplified approach of transition and will not restate comparative information.

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

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 January 2021

i) MFRS 17	<i>Insurance Contracts</i>
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MFRSs and Amendments to MFRSs effective for 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>
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1. Basis of preparation of the financial statements (continued)

The Bank plans to apply the abovementioned accounting standards, amendments and interpretations from the annual period beginning on 1 January 2020 for the amendments that are effective for annual periods beginning on or after 1 January 2020.

The Bank does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021, as it is not applicable to the Bank.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018. 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 2018.

2. Accounting policy changes

The below-described accounting policies have been applied since 1 January 2019 following the adoption of MFRS 16.

Lease Accounting:

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Summary of accounting policy changes

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

The Bank presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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3. Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2018 was not qualified.

4. Seasonal or cyclical factors

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the third quarter and nine months ended 30 September 2019 .

6. Changes in accounting estimates

There were no material changes in estimates of amounts reported that have a material effect on the unaudited condensed interim financial statements in the third quarter and nine months ended 30 September 2019 .

7. Issuances, cancellations, repurchases, resale and repayments of securities portfolio

There were no issuance and repayment of debt and equity securities, share-buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the third quarter and nine months ended 30 September 2019

8. Proposed Dividend

No dividend has been proposed for the third quarter and the nine months ended 30 September 2019 .

9. Subsequent events

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

10. Changes in the composition of the Bank

There were no changes in the composition of the Bank during the nine months ended 30 September 2019 .

11. Investment securities

	30 September 2019 RM'000	31 December 2018 RM'000
Investment securities measured at FVOCI - debt instruments	<u>898,229</u>	<u>100,375</u>

i) By type

	30 September 2019 RM'000	31 December 2018 RM'000
Investment securities measured at FVOCI - debt instruments		
Malaysian Government Investment Issues	<u>898,229</u>	<u>100,375</u>
	<u>898,229</u>	<u>100,375</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 credit losses

	30 September 2019	31 December 2018
Balance as at 1 January	25	18
Net remeasurement of loss allowance	<u>186</u>	<u>7</u>
At end of reporting period/year	<u>211</u>	<u>25</u>

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

As at 30 September 2019

	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	333,865	-	-	-	-	2,063,878	-	2,397,743
- Hire purchase receivables	-	-	9,742	-	-	-	-	9,742
- Lease receivables	-	14,328	-	-	-	-	-	14,328
- Other term financing	20,904	-	-	-	1,366,735	659,764	46,618	2,094,021
Bills receivable	84,109	-	-	82,218	200,812	-	-	367,139
Trust receipts	-	-	-	87,513	-	-	-	87,513
Staff financing	-	-	-	-	8,049	-	148	8,197
Revolving credit	-	-	-	-	181,092	-	-	181,092
	438,878	14,328	9,742	169,731	1,756,688	2,723,642	46,766	5,159,775
Less: Unearned income								(427,638)
Gross financing and advances								4,732,137
Less: Allowances for credit losses financing and advances:-								
- 12-month ECL (Stage 1)								(4,236)
- Lifetime ECL non-credit-impaired (Stage 2)								(5,769)
- Lifetime ECL credit-impaired (Stage 3)								(44,636)
Total net financing and advances								4,677,496
Less: Financing and advances funded by investment account placements *								(1,688,841)
Total net financing and advances - others								2,988,655

[^] 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 Standard Chartered Bank Malaysia Berhad. Standard Chartered Bank Malaysia Berhad is exposed to the risk of RPSIA financing and will account for all the expected credit losses arising thereon.

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12. Financing and advances (continued)

(i) By type and by contract (continued)

As at 31 December 2018	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	363,101	-	-	-	-	2,260,117	-	2,623,218
- Hire purchase receivables	-	-	20,204	-	-	-	-	20,204
- Lease receivables	-	28,983	-	-	-	-	-	28,983
- Other term financing	23,627	-	-	-	1,324,065	712,516	80,300	2,140,508
Bills receivable	202,015	-	-	16,528	244,413	-	-	462,956
Trust receipts	-	-	-	197,962	-	-	-	197,962
Staff financing	344	-	-	-	10,608	-	191	11,143
Revolving credit	-	-	-	-	342,900	-	-	342,900
	589,087	28,983	20,204	214,490	1,921,986	2,972,633	80,491	5,827,874
Less: Unearned income								(449,179)
Gross financing and advances								5,378,695
Less: Allowances for credit losses on financing and advances:-								
- 12-month ECL (Stage 1)								(3,364)
- Lifetime ECL non-credit-impaired (Stage 2)								(12,375)
- Lifetime ECL credit-impaired (Stage 3)								(54,212)
Total net financing and advances								5,308,744
Less: Financing and advances funded by investment account placements *								(2,431,916)
Total net financing and advances - others								2,876,828

[^] 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 Standard Chartered Bank Malaysia Berhad. Standard Chartered Bank Malaysia Berhad is exposed to the risk of RPSIA financing and will account for all the expected credit losses arising thereon.

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

	30 September 2019 RM'000	31 December 2018 RM'000
Domestic non-bank financial institutions	258	80,304
Domestic business enterprises	1,630,566	2,023,623
<i>Small medium enterprises</i>	866,683	795,122
<i>Others</i>	763,883	1,228,501
Individuals	2,105,220	2,330,546
Other domestic entities	7,415	-
Foreign entities	988,678	944,222
	4,732,137	5,378,695

(iii) By profit rate sensitivity

	30 September 2019 RM'000	31 December 2018 RM'000
Fixed rate		
Housing financing	251	956
Other fixed rate financing	682,285	554,851
Variable rate		
Base lending rate ("BLR") plus/ Base rate plus	621,336	673,381
Cost plus	1,057,773	1,562,855
Other variable rates	2,370,492	2,586,652
	4,732,137	5,378,695

(iv) By sector

	30 September 2019 RM'000	31 December 2018 RM'000
Agriculture	177,488	193,365
Mining and quarrying	8,314	8,681
Manufacturing	348,213	565,140
Electricity, gas and water	803	838
Construction	164,616	125,051
Real estate	221,392	263,674
Wholesale & retail trade and restaurants & hotels	365,143	503,447
Transportation, storage and communication	40,757	39,244
Finance, insurance and business services	209,637	304,029
Household	2,484,400	2,746,340
Others	711,374	628,886
	4,732,137	5,378,695

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

	30 September 2019 RM'000	31 December 2018 RM'000
Purchase of property		
- Residential	2,224,104	2,431,467
- Non-residential	680,332	734,867
Fixed assets excluding land and building	7,337	16,980
Personal Use	85,897	125,277
Working Capital	1,734,467	2,070,104
	<u>4,732,137</u>	<u>5,378,695</u>

(vi) By maturity structure

	30 September 2019 RM'000	31 December 2018 RM'000
Maturing within one year	672,127	1,092,971
One year to three years	231,124	319,932
Three years to five years	759,957	693,947
Over five years	3,068,929	3,271,845
	<u>4,732,137</u>	<u>5,378,695</u>

(vii) By geographical distribution

	30 September 2019 RM'000	31 December 2018 RM'000
Within Malaysia	4,143,647	4,871,815
Outside Malaysia	588,490	506,880
	<u>4,732,137</u>	<u>5,378,695</u>

(viii) Analysis of foreign currency exposure

	30 September 2019 RM'000	31 December 2018 RM'000
USD	264,702	577,595
EUR	1,833	-
	<u>266,535</u>	<u>577,595</u>

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

	30 September 2019 RM'000	31 December 2018 RM'000
At 1 January	63,010	43,181
Classified as non-performing during the financial period/year	67,838	101,974
Reclassified as performing during the financial period/year	(48,113)	(63,041)
Amount recovered during the financial period/year	(3,114)	(2,380)
Amount written off during the financial period/year	(23,490)	(16,724)
At end of reporting period/year	56,131	63,010
Impairment provision	(30,818)	(37,666)
Net impaired financing and advances	<u>25,313</u>	<u>25,344</u>

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13. Impaired financing and advances

(ii) Movements in allowances for credit losses for financing and advances

	← 2019 →				← 2018 →			
	12-month ECL (Stage 1) RM'000	Lifetime ECL not 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 not credit- impaired (Stage 2) RM'000	Lifetime ECL credit- impaired (Stage 3) RM'000	Total RM'000
Balance at 1 January	3,364	12,375	54,212	69,951	12,936	32,797	57,228	102,961
Transfer to 12-month ECL	11,157	(11,157)	-	-	27,453	(26,969)	(484)	-
Transfer to lifetime ECL non-credit-impaired	(1,634)	8,646	(7,012)	-	(4,977)	6,529	(1,552)	-
Transfer to lifetime ECL credit-impaired	-	(3,901)	3,901	-	(31)	(10,316)	10,347	-
Net remeasurement of loss allowance	(8,651)	(194)	14,436	5,591	(32,047)	10,334	16,736	(4,977)
Unwind of discount	-	-	(2,243)	(2,243)	-	-	(3,656)	(3,656)
Write-offs	-	-	(18,589)	(18,589)	-	-	(24,407)	(24,407)
Foreign exchange and other movements	-	-	(69)	(69)	30	-	-	30
At end of reporting period/year *	<u>4,236</u>	<u>5,769</u>	<u>44,636</u>	<u>54,641</u>	<u>3,364</u>	<u>12,375</u>	<u>54,212</u>	<u>69,951</u>

The Bank is required to maintain, in aggregate, loss allowances for non-credit-impaired exposures and regulatory reserves of no less than 1.0% of total credit exposures, net of loss allowance for credit-impaired exposures. As of 30 September 2019, the loss allowance for non-credit-impaired exposures and regulatory reserves, as a percentage of total credit exposures less loss allowance for credit-impaired exposures is above 1.0% after excluding the exposures funded by Profit Sharing Investment Account ("PSIA") placements from Standard Chartered Bank Malaysia Berhad ("SCBMB"), where loss allowance for financing assets funded by PSIA are held at the fund provider, SCBMB.

* Excluded in the total allowances for credit losses is ECL allowance for exposures funded by PSIA placement from SCBMB amounting to RM5.23 million (2018:RM10.95 million).

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

	30 September 2019 RM'000	31 December 2018 RM'000
Agriculture	-	664
Mining and quarrying	-	45
Manufacturing	1,660	1,497
Construction	1,268	1,643
Real estate	-	4,731
Wholesale & retail trade and restaurants & hotels	14,328	6,207
Transportation, storage and communication	1,017	2,176
Finance, insurance and business services	1,347	3,781
Household	34,378	42,019
Others	2,133	247
	<u>56,131</u>	<u>63,010</u>

(iv) Impaired financing and advances by purpose

	30 September 2019 RM'000	31 December 2018 RM'000
Purchase of property	32,031	42,471
- Residential	25,848	29,263
- Non-residential	6,183	13,208
Fixed assets excluding land and building	268	2,541
Personal use	3,917	6,916
Working capital	19,915	11,082
	<u>56,131</u>	<u>63,010</u>

(v) Impaired financing and advances by geographical distribution

	30 September 2019 RM'000	31 December 2018 RM'000
Within Malaysia	<u>56,131</u>	<u>63,010</u>

14. Other assets

	30 September 2019 RM'000	31 December 2018 RM'000
Income receivable	12,178	1,472
Other receivables, deposits and prepayments	281,936	350,149
	<u>294,114</u>	<u>351,621</u>

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

	30 September 2019 RM'000	31 December 2018 RM'000
Demand deposits	1,522,983	828,431
- Qard	1,133,525	816,203
- Commodity Murabahah *	389,458	12,228
Saving deposits	334,209	243,775
- Qard	71,977	59,207
- Commodity Murabahah *	262,232	184,568
Term deposits	1,485,263	1,531,724
- Commodity Murabahah *	1,471,692	1,518,206
- Mudharabah	13,571	13,518
	<u>3,342,455</u>	<u>2,603,930</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 September 2019 RM'000	31 December 2018 RM'000
Due within six months	1,319,226	1,100,779
Six months to one year	160,432	427,408
One year to three years	5,605	3,537
	<u>1,485,263</u>	<u>1,531,724</u>

(ii) By type of customers

	30 September 2019 RM'000	31 December 2018 RM'000
Government and statutory bodies	227,809	651,918
Business enterprises	1,210,743	814,458
Individuals	1,139,073	918,949
Others	764,830	218,605
	<u>3,342,455</u>	<u>2,603,930</u>

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17. Investment accounts of customers

	30 September 2019 RM'000	31 December 2018 RM'000
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Unrestricted investment accounts

Without maturity
Mudharabah

	<u>554,524</u>	<u>726,594</u>
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18. Deposits and placements of banks and other financial institutions

	30 September 2019 RM'000	31 December 2018 RM'000
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Qard

Licensed banks

	88,944	198,034
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Commodity Murabahah

Other financial institutions

	<u>35,221</u>	<u>230,552</u>
	<u>124,165</u>	<u>428,586</u>

19. Restricted investment accounts due to designated financial institutions**Restricted investment accounts**

Mudharabah

	<u>2,279,705</u>	<u>3,004,937</u>
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By type of counterparties

Licensed banks

	<u>2,279,705</u>	<u>3,004,937</u>
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Mudharabah deposit placement of licensed bank is a placement under the PSIA arrangement by the Bank's immediate holding company.

20. Other liabilities

	30 September 2019 RM'000	31 December 2018 RM'000
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Lease liabilities
Income payable
Other payables and accruals

	1,848	-
	13,880	22,909
	<u>303,535</u>	<u>106,919</u>
	<u>319,263</u>	<u>129,828</u>

21. Provision for credit commitments and contingencies

	30 September 2019 ECL RM'000	31 December 2018 Impairment provisions RM'000
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Financing commitments and financial guarantee contracts

Balance as at 1 January
Net remeasurement of loss allowance
Foreign exchange and other movements
At end of reporting period/year

	5,059	1,009
	(4,745)	4,047
	<u>10</u>	<u>3</u>
	<u>324</u>	<u>5,059</u>

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22. Income derived from investment of depositors' funds

	3rd quarter ended		Nine months ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Income derived from investment of:-				
(i) Term deposits	20,098	25,281	66,938	67,856
(ii) Other deposits	21,616	12,518	60,051	38,182
	41,714	37,799	126,989	106,038

(i) Income derived from investment of term deposits

	3rd Quarter ended		Nine months ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Finance income and hibah				
Financing and advances	12,412	15,516	40,614	45,138
Investment securities	3,053	518	5,934	1,444
Money at call and deposits with financial institutions	1,984	6,243	11,685	14,951
Total finance income and hibah	17,449	22,277	58,233	61,533
Other operating income				
Fees and commission income	2,675	3,268	9,013	8,048
Fees and commission expense	(26)	(264)	(308)	(1,725)
	2,649	3,004	8,705	6,323
	20,098	25,281	66,938	67,856

(ii) Income derived from investment of other deposits

	3rd quarter ended		Nine months ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Finance income and hibah				
Financing and advances	13,295	7,542	36,436	25,398
Investment securities	2,959	255	5,323	813
Money at call and deposits with financial institutions	2,523	3,164	10,483	8,413
Total finance income and hibah	18,777	10,961	52,242	34,624
Other operating income				
Fees and commission income	2,885	1,647	8,086	4,529
Fees and commission expense	(46)	(90)	(277)	(971)
	2,839	1,557	7,809	3,558
	21,616	12,518	60,051	38,182

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23. Income derived from investment of investment account funds

	3rd quarter ended		Nine months ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Finance income and hibah				
Financing and advances	27,446	38,078	97,408	111,002
Money at call and deposits with financial institutions	5,121	4,971	15,074	19,754
	<u>32,567</u>	<u>43,049</u>	<u>112,482</u>	<u>130,756</u>

24. Income derived from investment of shareholder's funds

	3rd quarter ended		Nine months ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Finance income and hibah				
Financing and advances	5,905	5,528	16,675	18,522
Investment securities	1,336	186	2,436	592
Money at call and deposits with financial institutions	1,092	2,314	4,798	6,134
Total finance income and hibah	8,333	8,028	23,909	25,248
Other operating income				
Fees and commission income	1,280	1,205	3,700	3,302
Fees and commission expense	(19)	(67)	(127)	(708)
	<u>1,261</u>	<u>1,138</u>	<u>3,573</u>	<u>2,594</u>
	<u>9,594</u>	<u>9,166</u>	<u>27,482</u>	<u>27,842</u>

25. Net release of credit loss allowance

	3rd quarter ended		Nine months ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Release/(charge) for credit loss allowance	2,185	9,981	(1,033)	13,897
- Financing and advances	1,965	10,151	(5,591)	13,426
- Credit commitments and contingencies	304	(163)	4,745	478
- Financial assets held at FVOCI - investment securities	-	-	-	-
	<u>(84)</u>	<u>(7)</u>	<u>(187)</u>	<u>(7)</u>
Amount recovered from impaired financing and advances	2,735	2,762	8,724	8,931
	<u>4,920</u>	<u>12,743</u>	<u>7,691</u>	<u>22,828</u>

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26. Profit/hibah distributed to depositors

	3rd quarter ended		Nine months ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Deposits from customers				
- Non-Mudharabah fund	19,834	15,628	59,497	45,196
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	1,278	1,338	3,997	3,998
	21,112	16,966	63,494	49,194

27. Profit/hibah distributed to investment account holders

	3rd quarter ended		Nine months ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Investment accounts of customers	5,068	6,293	16,392	18,711
Investment accounts due to designated financial institutions	21,584	28,497	75,008	87,828
	26,652	34,790	91,400	106,539

28. Other operating expenses

	3rd quarter ended		Nine months ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	2,125	3,522	6,573	8,226
- Pension fund contributions	307	344	1,030	1,098
- Other staff related cost	240	322	830	1,089
	2,672	4,188	8,433	10,413
Establishment costs				
- Depreciation of property, plant and equipment	18	15	54	47
- Depreciation of right-of-use assets	212	-	668	-
- Rental	24	203	89	707
- Information technology expenses	12	105	226	337
- Utilities and maintenance	286	315	877	960
	552	638	1,914	2,051
Marketing expenses				
- Advertisement and publicity	8	77	106	112
- Others	93	63	172	193
	101	140	278	305
Administration and general expenses				
- Communication expenses	43	40	114	172
- Group administration fees and business support expenses	1,536	1,532	4,192	6,379
- Management fee	18,257	17,221	53,895	48,970
- Others	425	500	2,614	3,547
	20,261	19,293	60,815	59,068
Total other operating expenses	23,586	24,259	71,440	71,837

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29. 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 2019			As at 31 December 2018		
	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	65,602	48,402	57,117	24,122	24,122	10,057
Transaction-related contingent items	134,257	117,057	28,428	119,615	113,905	16,410
Short-term self liquidating trade-related contingencies	32,645	31,731	13,191	22,492	22,492	8,363
Obligations under underwriting agreement						
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	4,382,681	246,768	187,813	3,966,252	194,900	159,287
- maturity exceeding one year	453,267	64,041	101,416	523,718	25,403	43,448
Foreign exchange related contracts:-						
- less than one year	2,249,842	126,796	55,980	1,847,247	39,092	18,076
- one year to less than five years	-	-	-	1,188,073	120,406	54,853
Profit rate related contracts:-						
- less than one year	228	1,236	315	-	-	-
- one year to less than five years	2,104,087	51,762	16,115	1,389,619	21,807	5,539
	<u>9,422,609</u>	<u>687,793</u>	<u>460,375</u>	<u>9,081,138</u>	<u>562,127</u>	<u>316,033</u>

Included in direct credit substitutes and transaction-related contingent items are the deals or contracts entered under Kafalah concept amounting to RM 161.7 million (2018: RM143.7 million). All deals and contracts in short-term self liquidating trade-related contingencies are entered under Wakalah concept amounting to RM 32.6 million (2018: RM22.5 million).

** Excluded from the credit equivalent and risk weighted amounts of the Bank are RM78.7 million (2018: RM189.6 million) and RM52.1 million (2018: RM152.7 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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30. 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 September 2019				
Assets				
Investment securities at FVOCI				
- Malaysian Government Investment Issues	-	898,229	-	898,229
Derivative financial instruments	-	88,253	-	88,253
	-	986,482	-	986,482
Liabilities				
Structured deposits	-	3,114	-	3,114
Derivative financial instruments	-	89,059	-	89,059
	-	92,173	-	92,173
31 December 2018				
Assets				
Investment securities at FVOCI				
- Malaysian Government Investment Issues	-	100,375	-	100,375
Derivative financial instruments	-	184,650	-	184,650
	-	285,025	-	285,025
Liabilities				
Structured deposits	-	3,642	-	3,642
Derivative financial instruments	-	189,413	-	189,413
	-	193,055	-	193,055

There were no transfers between Level 1 and Level 2 during the period ended 30 September 2019.

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31. Capital adequacy

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

	30 September 2019 RM'000	31 December 2018 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	411,000	411,000
Other reserves	225,169	243,169
Less: Deferred tax assets	(5,928)	(6,063)
Unrealised gains on investment securities	2,868	34
Common Equity Tier ("CET") 1 and Eligible Tier 1 capital	<u>633,109</u>	<u>648,140</u>
Tier 2 Capital		
Subordinated sukuk	100,000	100,000
General provisions under standardised approach*	1,086	1,472
Surplus of total Eligible Provisions over total Expected Loss under AIRB approach	16,906	14,259
Eligible Tier 2 capital	<u>117,992</u>	<u>115,731</u>
Total Capital Base	<u>751,101</u>	<u>763,871</u>

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

	30 September 2019 RM'000	31 December 2018 RM'000
Total risk-weighted assets:-		
- credit risk	2,897,050	2,449,970
- operational risk	294,575	309,136
	<u>3,191,625</u>	<u>2,759,106</u>
CET 1 capital ratio	19.837%	23.491%
Tier 1 capital ratio	19.837%	23.491%
Risk-weighted capital ratio	23.533%	27.685%

* 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.