

Registration No. 200801022118 (823437K)



Standard Chartered Saadiq Berhad

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

**Financial statements for the financial period
ended 31 March 2020**

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	31 March 2020 RM'000	31 December 2019 RM'000
Assets			
Cash and short term funds		1,196,199	1,488,152
Investment securities	10	901,753	898,250
Financing and advances - investment account placements	11	1,606,077	1,383,925
Financing and advances - others	11	2,795,412	2,962,632
Derivative financial assets		90,246	78,476
Other assets	13	616,589	242,303
Current tax assets		4,723	14,340
Statutory deposits with Bank Negara Malaysia	14	40,545	77,024
Property, plant and equipment		1,437	1,638
Deferred tax assets		2,440	2,613
Total assets		<u>7,255,421</u>	<u>7,149,353</u>
Liabilities			
Deposits from customers	15	3,068,129	2,859,327
Structured deposits		3,118	3,143
Investment accounts of customers	16	499,781	519,052
Deposits and placements of banks and other financial institutions	17	317,121	106,345
Restricted investment accounts due to designated financial institutions	18	2,296,945	2,328,737
Derivative financial liabilities		90,661	78,792
Other liabilities	19	142,988	432,455
Provision for credit commitments and contingencies	20	221	216
Subordinated sukuk		100,000	100,000
Total liabilities		<u>6,518,964</u>	<u>6,428,067</u>
Share capital		411,000	411,000
Reserves		325,457	310,286
Total equity attributable to equity holder of the Bank		<u>736,457</u>	<u>721,286</u>
Total liabilities and equity		<u>7,255,421</u>	<u>7,149,353</u>
Commitments and contingencies	28	<u>9,530,887</u>	<u>9,830,799</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 1ST QUARTER AND THREE MONTHS ENDED 31 MARCH 2020

	Note	1st quarter ended		Three months ended	
		31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Income derived from investment of depositors' funds	21	38,758	38,474	38,758	38,474
Income derived from investment of investment account funds	22	27,410	43,305	27,410	43,305
Income derived from investment of shareholder's funds	23	8,473	8,462	8,473	8,462
Net release of credit loss allowance	24	4,021	3,069	4,021	3,069
Total distributable income		78,662	93,310	78,662	93,310
Profit/hibah distributed to depositors	25	(18,487)	(17,233)	(18,487)	(17,233)
Profit/hibah distributed to investment account holders	26	(22,463)	(34,952)	(22,463)	(34,952)
Total net income		37,712	41,125	37,712	41,125
Other operating expenses	27	(21,986)	(25,325)	(21,986)	(25,325)
Profit before taxation		15,726	15,800	15,726	15,800
Tax expense		(3,821)	(3,849)	(3,821)	(3,849)
Profit for the period		11,905	11,951	11,905	11,951
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")					
		3,280	1,292	3,280	1,292
Net changes in expected credit losses transferred to profit or loss					
		(14)	31	(14)	31
Other comprehensive income for the period, net of income tax		3,266	1,323	3,266	1,323
Total comprehensive income for the period		15,171	13,274	15,171	13,274

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 THREE MONTHS ENDED 31 MARCH 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	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	-	-	3,280	-	3,280
- Net changes in credit losses	-	-	(14)	-	(14)
Total other comprehensive income for the period	-	-	3,266	-	3,266
Profit for the period	-	-	-	11,905	11,905
Total other comprehensive income for the period	-	-	3,266	11,905	15,171
At 31 March 2020	411,000	31,622	10,210	283,625	736,457

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 THREE MONTHS ENDED 31 MARCH 2020

	← Attributable to owner of the Bank →				Total RM'000
	Share capital RM'000	← Non-Distributable Reserves →		Distributable Reserves Retained profits RM'000	
	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	-	-	6,690	-	6,690
- Net changes in credit losses	-	-	179	-	179
Total other comprehensive income for the period	-	-	6,869	-	6,869
Profit for the period				46,551	46,551
Total other comprehensive income for the period	-	-	6,869	46,551	53,420
Transfer between reserves	-	18,000	-	(18,000)	-
At 31 December 2019	411,000	31,622	6,944	271,720	721,286

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 CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2020

	31 March 2020 RM'000	31 March 2019 RM'000
Profit before taxation	15,726	15,800
Adjustment for non-cash items	<u>(2,957)</u>	<u>(2,717)</u>
Operating profit before working capital changes	12,769	13,083
Changes in working capital		
Net changes in operating assets	(388,635)	68,762
Net changes in operating liabilities	79,277	549,905
Income taxes refund/(paid)	<u>4,934</u>	<u>(3,034)</u>
Net cash (used in)/generated from operating activities	(291,655)	628,716
Net cash used in investing activities	(73)	(304,347)
Net cash used in financing activities	<u>(225)</u>	<u>(9)</u>
Net (decrease)/increase in cash and cash equivalents	(291,953)	324,360
Cash and cash equivalent at beginning of the year	1,488,152	1,852,990
Cash and cash equivalent at end of the period	<u><u>1,196,199</u></u>	<u><u>2,177,350</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 15.7 million, a slight 0.5% decline against the corresponding period last year. Net income declined by RM 3.4 million or 8.3% attributable to weaker macroeconomic sentiments while operating expenses were kept under control, reducing by 13.2% year-on-year.

Total financing and advances increased marginally by 1.3 % over the period to RM 4.4 billion while customer deposits continued its strong momentum, growing by 7.3% to RM 3.1 billion. The Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 25.102% and 29.330%, respectively.

PROSPECTS

The global economy is facing unprecedented challenges following a sharp escalation in the COVID-19 pandemic crisis, with the epicentre shifting from China and East Asia towards the United States and Europe.

Multiple countries have been faced with prolonged lockdowns and movement restrictions, with only essential businesses being operational. The repercussions on the world economy will be severe, with growth forecasted at 0.3% for 2020, down from 3.3% forecasted previously. The situation is exacerbated by a sharp reduction in oil prices following tensions between Russia and Saudi Arabia.

Major central banks have generally responded to the crisis in tandem by slashing benchmark rates and introducing relief measures to mitigate the impact of pandemic, with the US Federal Reserve cutting rates down to 0%-0.25%.

On the domestic front, the government has implemented a Movement Control Order ("MCO") since 16 March 2020, and allowing only essential business services to operate, including banks. The country is now faced with the real prospect of an economic downturn, with Bank Negara revising its forecast of economic growth downwards to a range of -2.0% to 0.5%. Overnight policy rate ("OPR") now stands at 2.0% following three rounds of cuts in January, March and May 2020, while the Statutory Reserve Requirement ("SRR") was reduced from 3.0% to 2.0% to ensure ample liquidity in the market. A range of relief measures have been introduced to assist the segments hardest hit by the pandemic, including automatic 6 months loan payment moratoriums for individuals and SMEs and Special Relief Facility loans ("SRF").

Amidst this extremely challenging economic backdrop and challenges of operating under the MCO, the Bank has continued to serve 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. In the near term, we are fully committed to support the government's economic recovery efforts by implementing all relief measures in the shortest time possible and proactively 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.

We will continue financial inclusivity through supporting women entrepreneurs, while Sustainable Financing is one of the fast developing area of focus across our global footprint.

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Notes to the financial statements for the financial period ended 31 March 2020

1. Basis of preparation of the financial statements

The unaudited condensed interim financial statements for the financial period ended 31 March 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, MFRS 16 and MFRS 141 | <i>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> |
|----|------------------------------------|---|

The Bank do 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.

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

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

Other than those disclosed in Current Year Prospect, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the first quarter and three months ended 31 March 2020 .

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 first quarter and three months ended 31 March 2020 .

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 first quarter and three months ended 31 March 2020 .

7. Proposed Dividend

No dividend has been proposed for the first quarter and the three months ended 31 March 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 three months ended 31 March 2020 .

10. Investment securities

	31 March 2020 RM'000	31 December 2019 RM'000
Investment securities measured at FVOCI - debt instruments	<u>901,753</u>	<u>898,250</u>

i) By type

	31 March 2020 RM'000	31 December 2019 RM'000
Investment securities measured at FVOCI - debt instruments		
Malaysian Government Investment Issues	<u>901,753</u>	<u>898,250</u>
	<u>901,753</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 credit losses

	31 March 2020	31 December 2019
Balance as at 1 January	198	25
Net remeasurement of loss allowance	<u>(14)</u>	<u>173</u>
At end of reporting period/year	<u>184</u>	<u>198</u>

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

As at 31 March 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	310,917	-	-	-	-	1,974,626	-	2,285,543
- Hire purchase receivables	-	-	6,729	-	-	-	-	6,729
- Lease receivables	-	13,498	-	-	-	-	-	13,498
- Other term financing	18,024	-	-	-	1,482,626	620,315	37,492	2,158,457
Bills receivable	178,571	-	-	24,575	96,692	-	-	299,838
Trust receipts	-	-	-	44,503	-	-	-	44,503
Staff financing	-	-	-	-	6,724	-	122	6,846
Revolving credit	-	-	-	-	49,938	-	-	49,938
	507,512	13,498	6,729	69,078	1,635,980	2,594,941	37,614	4,865,352
Less: Unearned income								(416,422)
Gross financing and advances								4,448,930
Less: Allowances for credit losses financing and advances:-								
- 12-month ECL (Stage 1)								(2,528)
- Lifetime ECL non-credit-impaired (Stage 2)								(4,937)
- Lifetime ECL credit-impaired (Stage 3)								(39,976)
Total net financing and advances								4,401,489
Less: Financing and advances funded by investment account placements *								(1,606,077)
Total net financing and advances - others								2,795,412

[^] 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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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 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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11. Financing and advances (continued)

(ii) By type of customer

	31 March 2020 RM'000	31 December 2019 RM'000
Domestic non-bank financial institutions	218	229
Domestic business enterprises	1,492,733	1,427,911
<i>Small medium enterprises</i>	864,408	879,693
<i>Others</i>	628,325	548,218
Individuals	1,985,562	2,043,807
Other domestic entities	21,485	2,437
Foreign entities	948,932	924,423
	4,448,930	4,398,807

(iii) By profit rate sensitivity

	31 March 2020 RM'000	31 December 2019 RM'000
Fixed rate		
Housing financing	210	229
Hire purchase receivables	6,729	8,038
Other fixed rate financing	566,005	557,959
Variable rate		
Base lending rate ("BLR") plus/ Base rate plus	602,985	613,707
Cost plus	1,021,207	914,629
Other variable rates	2,251,794	2,304,245
	4,448,930	4,398,807

(iv) By sector

	31 March 2020 RM'000	31 December 2019 RM'000
Agriculture	66,739	70,179
Mining and quarrying	9,460	9,652
Manufacturing	427,955	251,480
Electricity, gas and water	1,106	1,139
Construction	155,066	164,296
Real estate	204,862	211,329
Wholesale & retail trade and restaurants & hotels	327,857	397,568
Transportation, storage and communication	39,220	38,860
Finance, insurance and business services	215,742	205,820
Household	2,352,452	2,414,818
Others	648,471	633,666
	4,448,930	4,398,807

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

	31 March 2020 RM'000	31 December 2019 RM'000
Purchase of property		
- Residential	2,125,192	2,170,956
- Non-residential	639,461	658,289
Fixed assets excluding land and building	4,893	5,914
Personal Use	67,039	75,697
Working Capital	1,612,345	1,487,951
	<u>4,448,930</u>	<u>4,398,807</u>

(vi) By maturity structure

	31 March 2020 RM'000	31 December 2019 RM'000
Maturing within one year	553,509	409,099
One year to three years	774,344	719,648
Three years to five years	390,386	320,312
Over five years	2,730,691	2,949,748
	<u>4,448,930</u>	<u>4,398,807</u>

(vii) By geographical distribution

	31 March 2020 RM'000	31 December 2019 RM'000
Within Malaysia	3,915,343	3,863,163
Outside Malaysia	533,587	535,644
	<u>4,448,930</u>	<u>4,398,807</u>

(viii) Analysis of foreign currency exposure

	31 March 2020 RM'000	31 December 2019 RM'000
JPY	4,468	-
USD	259,864	117,778
	<u>264,332</u>	<u>117,778</u>

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

	31 March 2020 RM'000	31 December 2019 RM'000
At 1 January	70,924	63,010
Classified as non-performing during the financial period/year	31,105	98,836
Reclassified as performing during the financial period/year	(29,274)	(55,907)
Amount recovered during the financial period/year	(2,369)	(6,393)
Amount written off during the financial period/year	(3,667)	(28,622)
At end of reporting period/year	66,719	70,924
Impairment provision	(28,578)	(30,865)
Net impaired financing and advances	<u>38,141</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	702	(677)	(25)	-	12,668	(7,648)	(5,020)	-
Transfer to lifetime ECL non-credit-impaired	(394)	1,064	(670)	-	(2,027)	4,492	(2,465)	-
Transfer to lifetime ECL credit-impaired	(4)	(950)	954	-	(18)	(4,828)	4,846	-
Net remeasurement of loss allowance	(177)	(843)	175	(845)	(11,127)	1,952	17,740	8,565
Write-offs	-	-	(3,292)	(3,292)	-	-	(23,380)	(23,380)
Unwinding of discount	-	-	(646)	(646)	-	-	(2,711)	(2,711)
Foreign exchange and other movements	(26)	-	-	(26)	(433)	-	258	(175)
At end of reporting period/year *	<u>2,528</u>	<u>4,937</u>	<u>39,976</u>	<u>47,441</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 RM5.5million (2019: RM5.7 million).

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12. Impaired financing and advances (continued)

(iii) Impaired financing and advances by sector

	31 March 2020 RM'000	31 December 2019 RM'000
Manufacturing	707	1,794
Construction	2,307	15,633
Real estate	5,272	2,672
Wholesale & retail trade and restaurants & hotels	19,296	1,450
Transportation, storage and communication	1,841	8,340
Finance, insurance and business services	3,389	4,935
Household	31,852	34,029
Others	2,055	2,071
	<u>66,719</u>	<u>70,924</u>

(iv) Impaired financing and advances by purpose

	31 March 2020 RM'000	31 December 2019 RM'000
Purchase of property	41,512	47,817
- Residential	25,643	25,668
- Non-residential	15,869	22,149
Fixed assets excluding land and building	171	214
Personal use	3,356	3,706
Working capital	21,680	19,187
	<u>66,719</u>	<u>70,924</u>

(v) Impaired financing and advances by geographical distribution

	31 March 2020 RM'000	31 December 2019 RM'000
Within Malaysia	<u>66,719</u>	<u>70,924</u>

13. Other assets

	31 March 2020 RM'000	31 December 2019 RM'000
Income receivable	11,268	8,952
Other receivables, deposits and prepayments	605,321	233,351
	<u>616,589</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

	31 March 2020 RM'000	31 December 2019 RM'000
Demand deposits	1,421,822	1,312,841
- Qard	1,234,507	1,080,055
- Commodity Murabahah *	187,315	232,786
Saving deposits	570,781	514,583
- Qard	60,977	70,515
- Commodity Murabahah *	509,804	444,068
Term deposits	1,075,526	1,031,903
- Commodity Murabahah *	1,062,834	1,018,233
- Mudharabah	12,692	13,670
	3,068,129	2,859,327

* 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:-

	31 March 2020 RM'000	31 December 2019 RM'000
Due within six months	866,509	866,748
Six months to one year	203,522	151,807
One year to three years	5,495	13,348
	1,075,526	1,031,903

(ii) By type of customers

	31 March 2020 RM'000	31 December 2019 RM'000
Government and statutory bodies	72,048	72,020
Business enterprises	1,261,027	1,063,132
Individuals	1,222,637	960,268
Others	512,417	763,907
	3,068,129	2,859,327

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16. Investment accounts of customers

	31 March 2020 RM'000	31 December 2019 RM'000
Unrestricted investment accounts		
Without maturity		
Mudharabah	499,781	519,052

17. Deposits and placements of banks and other financial institutions

	31 March 2020 RM'000	31 December 2019 RM'000
Qard		
Licensed banks	45,532	74,006
Commodity Murabahah		
Other financial institutions	271,589	32,339
	<u>317,121</u>	<u>106,345</u>

18. Restricted investment accounts due to designated financial institutions

Restricted investment accounts		
Mudharabah	<u>2,296,945</u>	<u>2,328,737</u>
By type of counterparties		
Licensed banks	<u>2,296,945</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

	31 March 2020 RM'000	31 December 2019 RM'000
Lease liabilities	1,378	1,605
Income payable	13,446	12,616
Other payables and accruals	128,164	418,234
	<u>142,988</u>	<u>432,455</u>

20. Provision for credit commitments and contingencies

	31 March 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)	(4,849)
Foreign exchange and other movements	6	6
At end of reporting period/year	<u>221</u>	<u>216</u>

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21. Income derived from investment of depositors' funds

	1st quarter ended		Three months ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Income derived from investment of:-				
(i) Term deposits	17,403	24,887	17,403	24,887
(ii) Other deposits	21,355	13,587	21,355	13,587
	<u>38,758</u>	<u>38,474</u>	<u>38,758</u>	<u>38,474</u>

(i) Income derived from investment of term deposits

	1st quarter ended		Three months ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Finance income and hibah				
Financing and advances	10,962	13,819	10,962	13,819
Investment securities	2,864	920	2,864	920
Money at call and deposits with financial institutions	1,286	6,120	1,286	6,120
Total finance income and hibah	15,112	20,859	15,112	20,859
Other operating income				
Fees and commission income	2,331	4,288	2,331	4,288
Fees and commission expense	(40)	(260)	(40)	(260)
	2,291	4,028	2,291	4,028
	<u>17,403</u>	<u>24,887</u>	<u>17,403</u>	<u>24,887</u>

(ii) Income derived from investment of other deposits

	1st quarter ended		Three months ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Finance income and hibah				
Financing and advances	13,452	7,544	13,452	7,544
Investment securities	3,515	503	3,515	503
Money at call and deposits with financial institutions	1,578	3,341	1,578	3,341
Total finance income and hibah	18,545	11,388	18,545	11,388
Other operating income				
Fees and commission income	2,860	2,341	2,860	2,341
Fees and commission expense	(50)	(142)	(50)	(142)
	2,810	2,199	2,810	2,199
	<u>21,355</u>	<u>13,587</u>	<u>21,355</u>	<u>13,587</u>

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22. Income derived from investment of investment account funds

	1st quarter ended		Three months ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Finance income and hibah				
Financing and advances	22,045	37,954	22,045	37,954
Money at call and deposits with financial institutions	5,365	5,351	5,365	5,351
	<u>27,410</u>	<u>43,305</u>	<u>27,410</u>	<u>43,305</u>

23. Income derived from investment of shareholder's funds

	1st quarter ended		Three months ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Finance income and hibah				
Financing and advances	5,337	4,699	5,337	4,699
Investment securities	1,395	312	1,395	312
Money at call and deposits with financial institutions	626	2,081	626	2,081
Total finance income and hibah	7,358	7,092	7,358	7,092
Other operating income				
Fees and commission income	1,135	1,458	1,135	1,458
Fees and commission expense	(20)	(88)	(20)	(88)
	<u>1,115</u>	<u>1,370</u>	<u>1,115</u>	<u>1,370</u>
	<u>8,473</u>	<u>8,462</u>	<u>8,473</u>	<u>8,462</u>

24. Net release of credit loss allowance

	1st quarter ended		Three months ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
(Release)/charge for credit loss allowance	(860)	(354)	(860)	(354)
- Financing and advances	(845)	4,097	(845)	4,097
- Credit commitments and contingencies	(1)	(4,476)	(1)	(4,476)
- Financial assets held at FVOCI - investment securities	(14)	25	(14)	25
Amount recovered from impaired financing and advances	(3,161)	(2,715)	(3,161)	(2,715)
	<u>(4,021)</u>	<u>(3,069)</u>	<u>(4,021)</u>	<u>(3,069)</u>

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25. Profit/hibah distributed to depositors

	1st quarter ended		Three months ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Deposits from customers				
- Mudharabah fund	90	97	90	97
- Non-Mudharabah fund	16,231	15,815	16,231	15,815
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	2,166	1,321	2,166	1,321
	18,487	17,233	18,487	17,233

26. Profit/hibah distributed to investment account holders

	1st quarter ended		Three months ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Investment accounts of customers	4,527	5,894	4,527	5,894
Investment accounts due to designated financial institutions	17,936	29,058	17,936	29,058
	22,463	34,952	22,463	34,952

27. Other operating expenses

	1st quarter ended		Three months ended	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	2,210	1,787	2,210	1,787
- Pension fund contributions	304	360	304	360
- Other staff related cost	526	190	526	190
	3,040	2,337	3,040	2,337
Establishment costs				
- Depreciation of property, plant and equipment	23	18	23	18
- Depreciation of right-of-use assets	228	235	228	235
- Rental	21	31	21	31
- Information technology expenses	16	189	16	189
- Utilities and maintenance	287	294	287	294
	575	767	575	767
Marketing expenses				
- Advertisement and publicity	176	12	176	12
- Others	119	55	119	55
	295	67	295	67
Administration and general expenses				
- Communication expenses	32	33	32	33
- Group administration fees and business support expenses	1,724	1,971	1,724	1,971
- Management fee	15,002	19,680	15,002	19,680
- Others	1,318	470	1,318	470
	18,076	22,154	18,076	22,154
Total other operating expenses	21,986	25,325	21,986	25,325

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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 31 March 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	64,454	47,254	64,620	66,269	49,069	57,783
Transaction-related contingent items	147,546	138,462	33,176	128,863	128,863	38,851
Short-term self liquidating trade-related contingencies	43,143	43,143	20,810	19,737	19,737	8,278
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	4,729,120	231,239	183,781	4,560,174	275,208	267,336
- maturity exceeding one year	442,791	50,539	76,818	623,716	61,394	97,612
Foreign exchange related contracts:-						
- less than one year	1,935,990	111,173	36,447	2,238,741	113,429	46,762
Profit rate related contracts:-						
- one year to less than five years	765,247	34,181	12,618	774,234	33,735	13,946
	<u>9,530,887</u>	<u>664,774</u>	<u>429,694</u>	<u>9,830,799</u>	<u>690,816</u>	<u>532,057</u>

** Excluded from the credit equivalent and risk weighted amounts of the Bank are RM 74.1 million (2019: RM69.7 million) and RM 80.0 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
31 March 2020				
Assets				
Investment securities at FVOCI				
- Malaysian Government Investment Issues	-	901,753	-	901,753
Derivative financial instruments	-	90,246	-	90,246
	-	991,999	-	991,999
Liabilities				
Structured deposits	-	3,118	-	3,118
Derivative financial instruments	-	90,661	-	90,661
	-	93,779	-	93,779
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 31 March 2020.

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30. Capital adequacy

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

	31 March 2020 RM'000	31 December 2019 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	411,000	411,000
Other reserves	271,720	271,720
Less: Deferred tax assets	(4,213)	(3,819)
Unrealised gains on investment securities	4,595	3,125
Common Equity Tier ("CET") 1 and Eligible Tier 1 capital	<u>683,102</u>	<u>682,026</u>
Tier 2 Capital		
Subordinated sukuk	100,000	100,000
General provisions under standardised approach*	800	929
Surplus of total Eligible Provisions over total Expected Loss under AIRB approach	14,259	15,693
Eligible Tier 2 capital	<u>115,059</u>	<u>116,622</u>
Total Capital Base	<u><u>798,161</u></u>	<u><u>798,648</u></u>

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

	31 March 2020 RM'000	31 December 2019 RM'000
Total risk-weighted assets:-		
- credit risk	2,443,551	2,692,359
- operational risk	277,723	281,851
	<u><u>2,721,274</u></u>	<u><u>2,974,210</u></u>
CET 1 capital ratio	25.102%	22.931%
Tier 1 capital ratio	25.102%	22.931%
Risk-weighted capital ratio	29.330%	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.