

Company No. 823437K



**Standard Chartered Saadiq Berhad**

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

**Financial statements for the three months  
ended 31 March 2019**

**STANDARD CHARTERED SAADIQ BERHAD**  
(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019**

	Note	31 March 2019 RM'000	31 December 2018 RM'000
<b>Assets</b>			
Cash and short term funds		2,177,350	1,852,990
Investment securities	11	406,241	100,375
Financing and advances - investment account placements	12	2,408,491	2,431,916
Financing and advances - others	12	3,142,670	2,876,828
Derivative financial assets		177,621	184,650
Other assets	14	30,740	351,621
Current tax assets		6,362	7,337
Statutory deposits with Bank Negara Malaysia	15	54,999	47,980
Property, plant and equipment		2,265	108
Deferred tax assets		5,890	6,050
<b>Total assets</b>		<b><u>8,412,629</u></b>	<b><u>7,859,855</u></b>
<b>Liabilities</b>			
Deposits from customers	16	2,988,003	2,603,930
Structured deposits		3,612	3,642
Investment accounts of customers	17	624,191	726,594
Deposits and placements of banks and other financial institutions	18	255,432	428,586
Restricted investment accounts due to designated financial institutions	19	3,190,926	3,004,937
Derivative financial liabilities		181,083	189,413
Other liabilities	20	387,660	129,828
Provision for credit commitments and contingencies	21	582	5,059
Subordinated sukuk		100,000	100,000
<b>Total liabilities</b>		<b><u>7,731,489</u></b>	<b><u>7,191,989</u></b>
<b>Equity</b>			
Share capital		411,000	411,000
Reserves		270,140	256,866
<b>Total equity attributable to equity holder of the Bank</b>		<b><u>681,140</u></b>	<b><u>667,866</u></b>
<b>Total liabilities and equity</b>		<b><u>8,412,629</u></b>	<b><u>7,859,855</u></b>
<b>Commitments and contingencies</b>	29	<b><u>9,508,319</u></b>	<b><u>9,081,138</u></b>

*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**  
(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE 1ST QUARTER AND THREE MONTHS ENDED 31 MARCH 2019**

	Note	1st quarter ended		Three months ended	
		31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Income derived from investment of depositors' funds	22	38,474	36,238	38,474	36,238
Income derived from investment of investment account funds	23	43,305	38,988	43,305	38,988
Income derived from investment of shareholder's funds	24	8,462	9,875	8,462	9,875
Provisions for credit losses	25	3,069	7,113	3,069	7,113
<b>Total distributable income</b>		<b>93,310</b>	92,214	<b>93,310</b>	92,214
Profit/hibah distributed to depositors	26	(17,233)	(17,249)	(17,233)	(17,249)
Profit distributed to investment account holders	27	(34,952)	(31,737)	(34,952)	(31,737)
<b>Total net income</b>		<b>41,125</b>	43,228	<b>41,125</b>	43,228
Other operating expenses	28	(25,325)	(22,948)	(25,325)	(22,948)
<b>Profit before taxation</b>		<b>15,800</b>	20,280	<b>15,800</b>	20,280
Tax expense		(3,849)	(5,273)	(3,849)	(5,273)
<b>Profit for the period</b>		<b>11,951</b>	15,007	<b>11,951</b>	15,007
<b>Other comprehensive income/(expense) for the period, net of income tax</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Fair value reserve:					
Net change in fair value					
- debt securities		-	(84)	-	(84)
- investment securities measured at fair value through other comprehensive income ("FVOCI")		1,292	-	1,292	-
Net changes in expected credit losses transferred to profit or loss		31	-	31	-
<b>Other comprehensive income/(expense) for the period, net of income tax</b>		<b>1,323</b>	(84)	<b>1,323</b>	(84)
<b>Total comprehensive income for the period</b>		<b>13,274</b>	14,923	<b>13,274</b>	14,923

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

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED 31 MARCH 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	
<b>At 31 December 2018</b>	411,000	-	13,622	75	243,169	667,866
Fair value reserve (FVOCI)						
- Net changes in fair value	-	-	-	1,292	-	1,292
- Net changes in credit losses	-	-	-	31	-	31
Total other comprehensive income for the period	-	-	-	1,323	-	1,323
Profit for the period					11,951	11,951
Total other comprehensive income for the period	-	-	-	1,323	11,951	13,274
<b>At 31 March 2019</b>	<b>411,000</b>	<b>-</b>	<b>13,622</b>	<b>1,398</b>	<b>255,120</b>	<b>681,140</b>

*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

(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS ENDED 31 MARCH 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	
<b>At 31 December 2017</b>	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)	-
<b>Restated balance as at 1 January 2018</b>	102,750	308,250	13,622	58	199,565	624,245
Fair value reserve (FVOCI)						
Net changes in fair value	-	-	-	(84)	-	(84)
Total other comprehensive income for the period	-	-	-	(84)	-	(84)
Profit for the period	-	-	-	-	15,007	15,007
Total comprehensive (expense)/income for the period	-	-	-	(84)	15,007	14,923
<b>At 31 March 2018</b>	<b>102,750</b>	<b>308,250</b>	<b>13,622</b>	<b>(26)</b>	<b>214,572</b>	<b>639,168</b>

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 THREE MONTHS ENDED 31 MARCH 2019**

	<b>31 March 2019 RM'000</b>	<b>31 March 2018 RM'000</b>
Profit before taxation	15,800	20,280
Adjustment for non-cash items	(2,717)	(7,057)
Operating before working capital changes	<u>13,083</u>	<u>13,223</u>
Changes in working capital		
Net changes in operating assets	68,762	26,649
Net changes in operating liabilities	549,896	21,866
Income taxes	(3,034)	(3,114)
Net cash operating activities	<u>628,707</u>	<u>58,624</u>
Net cash investing activities	<u>(304,347)</u>	<u>-</u>
Net in cash and cash equivalents	324,360	58,624
Cash and cash equivalent at beginning of the year	<u>1,852,990</u>	<u>1,612,916</u>
Cash and cash equivalent at end of the period	<u><u>2,177,350</u></u>	<u><u>1,671,540</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.*

**STANDARD CHARTERED SAADIQ BERHAD**  
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**REVIEW OF PERFORMANCE**

The Bank registered a pre-tax profit of RM 15.8 million, a 22.1 % decline against the corresponding period last year. Net income declined marginally by RM 2.1 million or 4.9%, while operating expenses increased by 10.36% year on year. However, provisions for credit losses recorded a net release of RM 3.07 million, reflecting continued discipline in our credit risk management.

Total financing and advances achieved growth of 4.57 % over the quarter to reach RM 5.55 billion while customer deposits showed even stronger momentum over the period, growing by 14.75 % to RM 2.99 billion. The Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 24.901% and 29.308%, respectively.

**PROSPECTS**

The global economy remains uncertain in the first quarter of 2019 with Brexit negotiations failing to reach a conclusion before the 31 March 2019 deadline and a possible delay to October. Meanwhile, the US federal reserve has put on hold further rate hikes in anticipation of a possible slowdown globally.

On the domestic front, the Malaysian economy expanded at a slower pace in the first quarter of 2019, compelling Bank Negara Malaysia to adjust downward its economic growth forecast to 4.3%-4.8 % from 4.9% projected by the Malaysian Government in November 2018. The Ringgit has weakened to above 4.1 levels against the US dollar from 4.065 in February 2019. While overnight policy rate ("OPR") was maintained at 3.25%, the possibility of a cut in interest rate has not been ruled out should the global economy show further signs of slowing down. Meanwhile, there has been positive traction in the Malaysian Government's re-negotiation of infrastructure projects with China which should provide some upside potential to the construction industry.

Amidst this challenging economic backdrop, the Bank will continue to drive its strategic agenda to deliver sustainable returns across all client segments and aspire to be the best International Islamic Bank in Malaysia by 2021. The Bank continues to be active in the key economic 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 country's SMEs and Halal industry and providing relevant Islamic solutions to Malaysians to grow and protect their wealth are a few of the key focus areas of Standard Chartered Saadiq Berhad for taking the business forward in the country.

**STANDARD CHARTERED SAADIQ BERHAD**  
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**Notes to the financial statements for the three months ended 31 March 2019**

**1. Basis of preparation of the financial statements**

The unaudited condensed interim financial statements for the first quarter and the three months ended 31 March 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 impacts 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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**STANDARD CHARTERED SAADIQ BERHAD**  
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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 first quarter and three months ended 31 March 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 first quarter and three months ended 31 March 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 first quarter and three months ended 31 March 2019 .

**8. Proposed Dividend**

No dividend has been proposed for the first quarter and the three months ended 31 March 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 three months ended 31 March 2019 .

**11. Investment securities**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Investment securities measured at FVOCI - debt instruments	<u>406,241</u>	<u>100,375</u>

**i) By type**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>Investment securities measured at FVOCI - debt instruments</b>		
Government Islamic bonds	406,241	100,375
	<u>406,241</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**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Balance as at 1 January	25	18
Net remeasurement of loss allowance	25	7
At end of reporting period/year	<u>50</u>	<u>25</u>

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

As at 31 March 2019

	Bai <sup>^</sup>	Ijarah <sup>#&gt;</sup>	Ijarah Thumma Al- Bai <sup>#</sup>	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
<b>At amortised cost</b>								
Term financing								
- House financing	353,041	-	-	-	-	2,199,435	-	2,552,476
- Hire purchase receivables	-	-	16,245	-	-	-	-	16,245
- Lease receivables	-	16,622	-	-	-	-	-	16,622
- Other term financing	22,738	-	-	-	1,301,082	693,428	66,638	2,083,886
Bills receivable	222,763	-	-	42,747	171,662	-	-	437,172
Trust receipts	-	-	-	143,534	-	-	-	143,534
Staff financing	-	-	-	-	9,627	-	177	9,804
Revolving credit	-	-	-	-	793,808	-	-	793,808
	598,542	16,622	16,245	186,281	2,276,179	2,892,863	66,815	6,053,547
Less: Unearned income								(434,133)
Gross financing and advances								5,619,414
Less: Allowances for credit losses financing and advances:-								
- 12-month ECL (Stage 1)								(3,559)
- Lifetime ECL not credit-impaired (Stage 2)								(11,591)
- Lifetime ECL credit-impaired (Stage 3)								(53,103)
Total net financing and advances								5,551,161
Less: Financing and advances funded by investment account placements *								(2,408,491)
Total net financing and advances - others								3,142,670

<sup>^</sup> Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn.

<sup>#</sup> 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 to Restricted Profit Sharing Investment Account ("RPSIA"), as part of an arrangement between the Bank and Standard Chartered Bank Malaysia Berhad is exposed to risk and reward of RPSIA financing and will account for all the expected credit losses for financing arising thereon.

**STANDARD CHARTERED SAADIQ BERHAD**  
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**12. Financing and advances (continued)**

**(i) By type and by contract (continued)**

As at 31 December 2018	Bai <sup>^</sup>	Ijarah <sup>#&gt;</sup>	Ijarah Thumma Al- Bai <sup>#</sup>	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	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 not 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

<sup>^</sup> Bai' comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn.

<sup>#</sup> 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 to Restricted Profit Sharing Investment Account ("RPSIA"), as part of an arrangement between the Bank and Standard Chartered Bank Malaysia Berhad is exposed to risk and reward of RPSIA financing and will account for all the expected credit losses for financing arising thereon.

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

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Domestic non-bank financial institutions	100,286	80,304
Domestic business enterprises	1,957,218	2,023,623
<i>Small medium enterprises</i>	800,649	795,122
<i>Others</i>	1,156,569	1,228,501
Individuals	2,254,628	2,330,546
Foreign entities	1,307,282	944,222
	5,619,414	5,378,695

**(iii) By profit rate sensitivity**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Fixed rate		
- House financing	473	956
- Hire purchase receivables	16,245	20,204
- Other financing	488,389	534,647
Variable rate		
- House financing	2,366,402	2,755,164
- Revolving credit	790,550	342,900
- Other financing	1,957,355	1,724,824
	5,619,414	5,378,695

**(iv) By sector**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Agriculture	164,311	193,365
Mining and quarrying	8,573	8,681
Manufacturing	553,566	565,140
Electricity, gas and water	828	838
Construction	133,432	125,051
Real estate	297,826	263,674
Wholesale & retail trade and restaurants & hotels	410,862	503,447
Transportation, storage and communication	36,507	39,244
Finance, insurance and business services	352,988	304,029
Household	2,661,940	2,746,340
Others	998,581	628,886
	5,619,414	5,378,695

**STANDARD CHARTERED SAADIQ BERHAD**  
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**12. Financing and advances (continued)****(v) By purpose**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Purchase of landed property		
- Residential	2,366,881	2,431,467
- Non-residential	715,227	734,867
Fixed assets excluding land and building	13,286	16,980
Personal Use	108,391	125,277
Working Capital	2,415,629	2,070,104
	<u>5,619,414</u>	<u>5,378,695</u>

**(vi) By maturity structure**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Maturing within one year	1,413,710	1,092,971
One year to three years	176,498	319,932
Three years to five years	510,680	693,947
Over five years	3,518,526	3,271,845
	<u>5,619,414</u>	<u>5,378,695</u>

**(vii) By geographical distribution**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Within Malaysia	4,732,174	4,871,815
Outside Malaysia	887,240	506,880
	<u>5,619,414</u>	<u>5,378,695</u>

**(viii) Analysis of foreign currency exposure**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
USD	597,003	577,595
EUR	1,500	-
GBP	346,564	-
	<u>346,564</u>	<u>-</u>

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

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
At 1 January	63,010	43,181
Classified as impaired during the financial period/year	13,136	101,974
Reclassified as performing during the financial period/year	(17,625)	(63,041)
Amount recovered during the financial period/year	(1,058)	(2,380)
Amount written off during the financial period/year	(6,351)	(16,724)
At end of reporting period/year	51,112	63,010
Impairment provision	(37,701)	(37,666)
Net impaired financing and advances	<u>13,411</u>	<u>25,344</u>

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## 13. Impaired financing and advances

## (ii) Movements in allowances for credit losses/impairment provisions 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	2,371	(2,371)	-	-	27,453	(26,969)	(484)	-
Transfer to lifetime ECL not credit-impaired	(557)	1,404	(847)	-	(4,977)	6,529	(1,552)	-
Transfer to lifetime ECL credit-impaired	-	(1,564)	1,564	-	(31)	(10,316)	10,347	-
Net remeasurement of loss allowance	(1,622)	1,747	3,972	4,097	(32,047)	10,334	16,736	(4,977)
Write-offs	-	-	(5,798)	(5,798)	-	-	(28,063)	(28,063)
Foreign exchange and other movements	3	-	-	3	30	-	-	30
At end of reporting period/year *	<u>3,559</u>	<u>11,591</u>	<u>53,103</u>	<u>68,253</u>	<u>3,364</u>	<u>12,375</u>	<u>54,212</u>	<u>69,951</u>

Per the Revised Policy Document, the Bank is required to maintain, in aggregate, loss allowances for non-credit-impaired exposures and regulatory reserves of no less than 1.00% of total credit exposures, net of loss allowance for credit-impaired exposures. As of 31 March 2019, the loss allowance for non-credit-impaired exposures and regulatory reserves, as a percentage of credit exposures less loss allowance for credit-impaired exposures is above 1.00% 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.

\* Included in this balance is a transfer to SCBMB under PSIA arrangement amounting to RM11.6 million (2018:RM10.95 million).

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

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Agriculture	-	664
Mining and quarrying	46	45
Manufacturing	1,805	1,497
Construction	1,927	1,643
Real estate	4,731	4,731
Wholesale & retail trade and restaurants & hotels	6,904	6,207
Transportation, storage and communication	3,232	2,176
Finance, insurance and business services	773	3,781
Household	31,440	42,019
Others	254	247
	<u>51,112</u>	<u>63,010</u>

**(iv) Impaired financing and advances by purpose**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Purchase of landed property	30,823	42,471
- Residential	20,139	29,263
- Non-residential	10,684	13,208
Fixed assets excluding land and building	2,703	2,541
Personal use	5,348	6,916
Working capital	12,238	11,082
	<u>51,112</u>	<u>63,010</u>

**(v) Impaired financing and advances by geographical distribution**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Within Malaysia	<u>51,112</u>	<u>63,010</u>

**14. Other assets**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Income receivable	6,323	1,472
Other receivables, deposits and prepayments	24,417	350,149
	<u>30,740</u>	<u>351,621</u>

**15. Statutory deposits with Bank Negara Malaysia**

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



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

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Demand deposits	1,050,120	828,431
- Qard	1,034,727	816,203
- Commodity Murabahah *	15,393	12,228
Saving deposits	413,407	243,775
- Qard	63,343	59,207
- Commodity Murabahah *	350,064	184,568
Term deposits	1,524,476	1,531,724
- Commodity Murabahah *	1,510,849	1,518,206
- Mudharabah	13,627	13,518
	<u>2,988,003</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:-

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Due within six months	1,125,959	1,100,779
Six months to one year	386,391	427,408
One year to three years	12,126	3,537
	<u>1,524,476</u>	<u>1,531,724</u>

**(ii) By type of customers**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Government and statutory bodies	658,481	651,918
Business enterprises	683,786	814,458
Individuals	1,043,022	918,949
Others	602,714	218,605
	<u>2,988,003</u>	<u>2,603,930</u>

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**17. Investment accounts of customers**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>Unrestricted investment accounts</b>		
Without maturity Mudharabah	<u>624,191</u>	<u>726,594</u>

**18. Deposits and placements of banks and other financial institutions**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>Qard</b>		
Licensed banks	63,794	198,034
<b>Commodity Murabahah</b>		
Other financial institutions	<u>191,638</u>	<u>230,552</u>
	<u>255,432</u>	<u>428,586</u>

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

<b>Restricted investment accounts</b>		
Mudharabah	<u>3,190,926</u>	<u>3,004,937</u>
<b>By type of counterparties</b>		
Licensed banks	<u>3,190,926</u>	<u>3,004,937</u>

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

**20. Other liabilities**

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Lease liabilities	2,194	-
Income payable	20,742	22,909
Other payables and accruals	<u>364,724</u>	<u>106,919</u>
	<u>387,660</u>	<u>129,828</u>

**21. Provision for credit commitments and contingencies**

	<b>31 March 2019 ECL RM'000</b>	<b>31 December 2018 Impairment provisions RM'000</b>
<b>Loan commitments and financial guarantee contracts</b>		
Balance as at 1 January	5,059	1,009
Net remeasurement of loss allowance	(4,476)	4,047
Foreign exchange and other movements	(1)	3
At end of reporting period/year	<u>582</u>	<u>5,059</u>

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**22. Income derived from investment of depositors' funds**

	1st quarter ended		Three months ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Income derived from investment of:-				
(i) Term deposits	24,887	23,941	24,887	23,941
(ii) Other deposits	13,587	12,297	13,587	12,297
	38,474	36,238	38,474	36,238

**(i) Income derived from investment of term deposits**

	1st Quarter ended		Three months ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
<b>Finance income and hibah</b>				
Financing and advances	13,819	16,889	13,819	16,889
Investment securities	920	485	920	485
Money at call and deposits with financial institutions	6,120	4,538	6,120	4,538
Total finance income and hibah	20,859	21,912	20,859	21,912
<b>Other operating income</b>				
Fees and commission income	4,288	2,889	4,288	2,889
Fees and commission expense	(260)	(860)	(260)	(860)
	4,028	2,029	4,028	2,029
	24,887	23,941	24,887	23,941

**(ii) Income derived from investment of other deposits**

	1st quarter ended		Three months ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
<b>Finance income and hibah</b>				
Financing and advances	7,544	8,676	7,544	8,676
Investment securities	503	249	503	249
Money at call and deposits with financial institutions	3,341	2,331	3,341	2,331
Total finance income and hibah	11,388	11,256	11,388	11,256
<b>Other operating income</b>				
Fees and commission income	2,341	1,483	2,341	1,483
Fees and commission expense	(142)	(442)	(142)	(442)
	2,199	1,041	2,199	1,041
	13,587	12,297	13,587	12,297

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**23. Income derived from investment of investment account funds**

	1st quarter ended		Three months ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
<b>Finance income and hibah</b>				
Financing and advances	37,954	32,284	37,954	32,284
Money at call and deposits with financial institutions	5,351	6,704	5,351	6,704
	<u>43,305</u>	<u>38,988</u>	<u>43,305</u>	<u>38,988</u>

**24. Income derived from investment of shareholder's funds**

	1st quarter ended		Three months ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
<b>Finance income and hibah</b>				
Financing and advances	4,699	6,967	4,699	6,967
Investment securities	312	200	312	200
Money at call and deposits with financial institutions	2,081	1,872	2,081	1,872
Total finance income and hibah	7,092	9,039	7,092	9,039
<b>Other operating income</b>				
Fees and commission income	1,458	1,191	1,458	1,191
Fees and commission expense	(88)	(355)	(88)	(355)
	1,370	836	1,370	836
	<u>8,462</u>	<u>9,875</u>	<u>8,462</u>	<u>9,875</u>

**25. Provisions for credit losses**

	1st quarter ended		Three months ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Net (release)/allowances for credit losses	(354)	(4,155)	(354)	(4,155)
- Financing and advances	4,097	(3,923)	4,097	(3,923)
- Credit commitments and contingencies	(4,476)	(232)	(4,476)	(232)
- Financial assets held at FVOCI - investment securities	25	-	25	-
Amount recovered from impaired financing and advances	(2,715)	(2,958)	(2,715)	(2,958)
Release allowances for credit losses	<u>(3,069)</u>	<u>(7,113)</u>	<u>(3,069)</u>	<u>(7,113)</u>

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**26. Profit/hibah distributed to depositors**

	1st quarter ended		Three months ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Deposits from customers				
- Non-Mudharabah fund	15,912	15,915	15,912	15,915
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	1,321	1,334	1,321	1,334
	<u>17,233</u>	<u>17,249</u>	<u>17,233</u>	<u>17,249</u>

**27. Profit/hibah distributed to investment account holders**

	1st quarter ended		Three months ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
Investment accounts of customers	5,894	6,137	5,894	6,137
Investment accounts due to designated financial institutions	29,058	25,600	29,058	25,600
	<u>34,952</u>	<u>31,737</u>	<u>34,952</u>	<u>31,737</u>

**28. Other operating expenses**

	1st quarter ended		Three months ended	
	31 March 2019 RM'000	31 March 2018 RM'000	31 March 2019 RM'000	31 March 2018 RM'000
<b>Personnel costs</b>				
- Salaries, bonus, wages and allowances	1,787	1,944	1,787	1,944
- Pension fund contributions	360	348	360	348
- Other staff related cost	190	490	190	490
	<u>2,337</u>	<u>2,782</u>	<u>2,337</u>	<u>2,782</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	18	17	18	17
- Depreciation of right-of-use assets	235	-	235	-
- Rental	31	275	31	275
- Information technology expenses	189	102	189	102
- Utilities and maintenance	294	329	294	329
	<u>767</u>	<u>723</u>	<u>767</u>	<u>723</u>
<b>Marketing expenses</b>				
- Advertisement and publicity	12	-	12	-
- Others	55	71	55	71
	<u>67</u>	<u>71</u>	<u>67</u>	<u>71</u>
<b>Administration and general expenses</b>				
- Communication expenses	33	53	33	53
- Group administration fees and business support expenses	1,971	1,631	1,971	1,631
- Management fee	19,680	16,250	19,680	16,250
- Others	470	1,438	470	1,438
	<u>22,154</u>	<u>19,372</u>	<u>22,154</u>	<u>19,372</u>
<b>Total other operating expenses</b>	<u>25,325</u>	<u>22,948</u>	<u>25,325</u>	<u>22,948</u>

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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 31 March 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	32,037	32,037	12,779	24,122	24,122	10,057
Transaction-related contingent items	126,122	108,922	23,514	119,615	113,905	16,410
Short-term self liquidating trade-related contingencies	6,772	6,772	2,851	22,492	22,492	8,363
Obligations under underwriting agreement						
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	4,198,426	125,392	74,912	3,966,252	194,900	159,287
- maturity exceeding one year	392,514	10,528	11,020	523,718	25,403	43,448
Foreign exchange related contracts:-						
- less than one year	2,447,540	65,965	38,491	1,847,247	39,092	18,076
- one year to less than five years	902,539	82,272	26,609	1,188,073	120,406	54,853
Profit rate related contracts:-						
- one year to less than five years	1,402,369	23,429	5,507	1,389,619	21,807	5,539
	<u>9,508,319</u>	<u>455,317</u>	<u>195,683</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 158.2 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 6.8 million (2018: RM22.5 million).

\*\* Excluded in the credit equivalent and risk weighted amount of the Bank are RM149.7 million (2018: RM189.6 million) and RM116.3 million (2018: RM152.7 million) respectively relating to exposures funded by PSIA placements from SCBMB as provided by BNM's guidelines on the Booking of General and Specific Provisions for Financing Asset Funded by Specific Investment Account ("SIA"). The related credit risk and exposure of facilities funded by the SIA are allowed to be transferred to SCBMB as the fund provider.

Foreign exchange and profit rate related contracts are subject to market risk and credit risk.

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**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
<b>31 March 2019</b>				
<b>Assets</b>				
Investment securities at FVOCI				
- Government Islamic bonds	-	406,241	-	406,241
Derivative financial instruments	-	177,621	-	177,621
	-	583,862	-	583,862
<b>Liabilities</b>				
Structured deposits	-	3,612	-	3,612
Derivative financial instruments	-	181,083	-	181,083
	-	184,695	-	184,695
<b>31 December 2018</b>				
<b>Assets</b>				
Investment securities at FVOCI				
- Government Islamic bonds	-	100,375	-	100,375
Derivative financial instruments	-	184,650	-	184,650
	-	285,025	-	285,025
<b>Liabilities</b>				
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 31 March 2019.

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**31. Capital adequacy**

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

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>Tier 1 Capital</b>		
Paid-up ordinary share capital	411,000	411,000
Other reserves	243,169	243,169
Less: Deferred tax assets	(6,133)	(6,063)
Unrealised (gains)/losses on investment securities	630	34
Common Equity Tier ("CET") 1 and Eligible Tier 1 capital	<u>648,666</u>	<u>648,140</u>
<b>Tier 2 Capital</b>		
Subordinated sukuk	100,000	100,000
General provisions*	1,237	1,472
Surplus of total Eligible Provisions over total Expected		
Loss under AIRB approach	13,589	14,259
Eligible Tier 2 capital	<u>114,826</u>	<u>115,731</u>
Total Capital Base	<u>763,492</u>	<u>763,871</u>

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

	<b>31 March 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Total risk-weighted assets:-		
- credit risk	2,303,553	2,449,970
- operational risk	301,469	309,136
	<u>2,605,022</u>	<u>2,759,106</u>
CET 1 capital ratio	24.901%	23.491%
Tier 1 capital ratio	24.901%	23.491%
Risk-weighted capital ratio	29.308%	27.685%

\* General provision refers to loss allowances measured at an amount equal to 12-month and life time expected credit losses as defined under MFRS 9, *Financial Instruments*, to the extent they are ascribed to non-credit-impaired exposures, determined under standardised approach for credit risk.