

Company No. 823437K



Standard Chartered Saadiq Berhad

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

**Financial statements for the three months
ended 31 March 2017**

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

		31 March 2017 RM'000	31 December 2016 RM'000
	Note		
Assets			
Cash and short term funds		1,705,744	1,392,350
Investment securities available-for-sale	10	99,900	99,576
Financing and advances	11	5,829,567	6,600,489
Derivative financial assets		308,390	294,900
Other assets	13	781,679	627,453
Current tax assets		3,598	4,707
Statutory deposits with Bank Negara Malaysia	14	140,673	143,150
Property, plant and equipment		118	151
Deferred tax assets		3,735	5,803
Total assets		<u>8,873,404</u>	<u>9,168,579</u>
Liabilities			
Deposits from customers	15	2,574,873	2,389,883
Investment account of customers	16	771,125	668,677
Deposits and placements of banks and other financial institutions	17	2,241,827	2,590,008
Investment account due to designated financial institutions	18	1,813,287	1,937,198
Derivative financial liabilities		316,959	308,333
Other liabilities	19	437,732	568,696
Subordinated sukuk		100,000	100,000
Total liabilities		<u>8,255,803</u>	<u>8,562,795</u>
Equity			
Share capital		102,750	102,750
Reserves		514,851	503,034
Total equity attributable to equity holder of the Bank		<u>617,601</u>	<u>605,784</u>
Total liabilities and equity		<u>8,873,404</u>	<u>9,168,579</u>
Commitments and contingencies	27	<u>8,267,521</u>	<u>8,365,793</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 2016.

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 2017

	Note	1st quarter ended		Three months ended	
		31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Income derived from investment of depositors' funds	20	79,481	83,547	79,481	83,547
Income derived from investment of investment account funds	21	24,824	27,350	24,824	27,350
Income derived from investment of shareholder's funds	22	16,503	20,058	16,503	20,058
Allowances for impairment on financing and advances	23	(203)	(4,856)	(203)	(4,856)
Total distributable income		120,605	126,099	120,605	126,099
Profit/hibah distributed to depositors	24	(54,004)	(59,271)	(54,004)	(59,271)
Profit distributed to investment account holders	25	(20,724)	(21,585)	(20,724)	(21,585)
Total net income		45,877	45,243	45,877	45,243
Other operating expenses	26	(30,280)	(35,027)	(30,280)	(35,027)
Profit before taxation		15,597	10,216	15,597	10,216
Tax expense		(4,054)	(2,523)	(4,054)	(2,523)
Profit for the period		11,543	7,693	11,543	7,693
Other comprehensive (expense)/income, net of income tax					
Items that may be reclassified subsequently to profit or loss					
Fair value reserve (investment securities available for sale):					
Net change in fair value		274	(1,299)	274	(1,299)
Other comprehensive (expense)/income for the period, net of income tax		274	(1,299)	274	(1,299)
Total comprehensive income for the period		11,817	6,394	11,817	6,394

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 2016.

STANDARD CHARTERED SAADIQ BERHAD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	← <i>Non-Distributable Reserves</i> →				<i>Distributable Reserves Retained profits</i>	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	RM'000	
At 1 January 2017	102,750	308,250	102,750	(805)	92,839	605,784
Fair value reserve (investment securities available-for-sale):- Net changes in fair value	-	-	-	274	-	274
Total other comprehensive expense for the period	-	-	-	274	-	274
Profit for the period	-	-	-	-	11,543	11,543
Total comprehensive income for the period	-	-	-	274	11,543	11,817
At 31 March 2017	102,750	308,250	102,750	(531)	104,382	617,601

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 2016.

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

	← <i>Non-Distributable Reserves</i> →				<i>Distributable Reserves</i>	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
At 1 January 2016	102,750	308,250	102,750	1,863	60,737	576,350
Fair value reserve (investment securities available for-sale):-						
Net changes in fair value	-	-	-	(1,299)	-	(1,299)
Total other comprehensive income for the period	-	-	-	(1,299)	-	(1,299)
Profit for the period	-	-	-	-	7,693	7,693
Total comprehensive income for the period	-	-	-	(1,299)	7,693	6,394
At 31 March 2016	102,750	308,250	102,750	564	68,430	582,744

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 2016.

STANDARD CHARTERED SAADIQ BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2017

	31 March 2017 RM'000	31 March 2016 RM'000
Profit before taxation	15,597	10,216
Adjustment for non-operating items		-
Adjustment for non-cash items	254	(587)
Operating profit before working capital changes	<u>15,851</u>	<u>9,629</u>
Changes in working capital		
Net changes in operating assets	614,102	1,542,044
Net changes in operating liabilities	(315,617)	(1,046,630)
Income taxes paid	(963)	(1,918)
Net cash generated from operating activities	<u>313,373</u>	<u>503,125</u>
Net cash generated from investing activities	21	429,817
Net increase in cash and cash equivalents	<u>313,394</u>	<u>932,942</u>
Cash and cash equivalent at beginning of the year	<u>1,392,350</u>	<u>1,404,220</u>
Cash and cash equivalent at end of the period	<u><u>1,705,744</u></u>	<u><u>2,337,162</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 2016.

STANDARD CHARTERED SAADIQ BERHAD
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REVIEW OF PERFORMANCE

The Bank registered a pre-tax profit of RM 15.60 million, a 52.67% increase against the corresponding period last year as operating expenses reduced by 13.56% year on year. In addition, provision for financing improved by RM 4.65 million against the corresponding period.

Financing and advances decreased by 11.68% to RM 5.83 billion while there was an increase in deposit from customers of 7.74% to RM 2.57 billion. The Bank's Common Equity Tier 1 capital ratio and Total Capital Ratio remained strong at 18.49% and 21.76%, respectively.

PROSPECTS

Our Retail business will continue enhancing customer value propositions while investing in technology and people and expanding our partnerships and alliances while the focus of Commercial Banking business will be to ensure a balanced and healthy portfolio supporting high growth sectors. Meanwhile, our Corporate and Institutional Banking segment will continue to align with the Standard Chartered PLC Global Banking agenda, with emphasis on elevating our client relationships through resourcing of coverage teams.

STANDARD CHARTERED SAADIQ BERHAD
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Notes to the financial statements for the three months ended 31 March 2017

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 2017 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting in Malaysia.

The accounting policies and methods of computation in the unaudited condensed interim financial statements are consistent with those adopted in the last audited financial statements, except for the adoption of the following MFRS and Amendments to MFRSs during the current financial period:

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

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

The adoption of the above MFRS and Amendments to MFRSs do not have any material impacts on the financial statements of the Group and the Bank.

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

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

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

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

- i) MFRS 16 *Leases*

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

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

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

MFRS 15, Revenue from Contracts with Customers

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

The Bank are currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, Financial Instruments

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

The adoption of MFRS 9 will result in a change in accounting policy. The Bank are currently assessing the financial impact of adopting MFRS 9.

STANDARD CHARTERED SAADIQ BERHAD
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1. Basis of preparation of the financial statements (continued)

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. 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 2016.

2. Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2016 was not qualified.

3. Seasonal or cyclical factors

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the first quarter and three months ended 31 March 2017 .

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 2017 .

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 2017 .

7. Proposed Dividend

No dividend has been proposed for the first quarter and the three months ended 31 March 2017 .

8. Subsequent events

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

9. Changes in the composition of the Bank

There were no changes in the composition of the Bank during the three months ended 31 March 2017 .

10. Investment securities available-for-sale

	31 March 2017 RM'000	31 December 2016 RM'000
<u>At fair value</u>		
Government Islamic bonds	99,900	99,576
	99,900	99,576

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

As at 31 March 2017	Bai'^	Ijarah	Ijarah Thumma Al- Bai	Murabahah	Tawarruq	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	471,892	-	-	-	-	2,536,096	-	3,007,988
- Hire purchase receivables	-	-	87,830	-	-	-	-	87,830
- Lease receivables	-	138,185	-	-	-	-	41,444	179,629
- Other term financing	402,240	-	-	-	889,769	833,927	47,886	2,173,822
Bills receivable	211,262	-	-	10,430	242,874	-	-	464,566
Trust receipts	-	-	-	108,376	-	-	-	108,376
Staff financing	762	-	-	-	4,016	-	-	4,778
Revolving credit	-	-	-	-	373,090	-	-	373,090
	1,086,156	138,185	87,830	118,806	1,509,749	3,370,023	89,330	6,400,079
Less: Unearned income								(472,502)
Gross financing and advances								5,927,577
Less: Impairment provisions on financing and advances:-								
- Individual impairment provisions								(30,060)
- Collective impairment provisions								(67,950)
Total net financing and advances								5,829,567

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

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

As at 31 December 2016	Bai'^	Ijarah	Ijarah Thumma Al- Bai	Murabahah	Tawarruq	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	488,088	-	-	-	-	2,580,078	-	3,068,166
- Hire purchase receivables	-	-	101,619	-	-	-	-	101,619
- Lease receivables	-	256,026	-	-	-	-	-	256,026
- Other term financing	185,758	-	-	-	989,561	856,075	99,207	2,130,601
Bills receivable	224,856	-	-	30,208	379,362	-	-	634,426
Trust receipts	-	-	-	295,550	-	-	-	295,550
Staff financing	801	-	-	-	3,760	-	-	4,561
Revolving credit	-	-	-	-	725,355	-	-	725,355
	899,503	256,026	101,619	325,758	2,098,038	3,436,153	99,207	7,216,304
Less: Unearned income								(508,989)
Gross financing and advances								6,707,315
Less: Impairment provisions on financing and advances:-								
- Individual impairment provisions								(26,162)
- Collective impairment provisions								(80,664)
Total net financing and advances								<u>6,600,489</u>

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

STANDARD CHARTERED SAADIQ BERHAD

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

	31 March 2017 RM'000	31 December 2016 RM'000
Domestic non-bank financial institutions	88,080	298,625
Domestic business enterprises	2,540,746	2,957,681
<i>Small medium enterprises</i>	915,579	1,001,368
<i>Others</i>	1,625,167	1,956,313
Individuals	2,754,247	2,842,028
Foreign entities	544,504	608,981
	5,927,577	6,707,315

(iii) By profit rate sensitivity

	31 March 2017 RM'000	31 December 2016 RM'000
Fixed rate		
- House financing	1,291	1,363
- Hire purchase receivables	87,830	101,619
- Other financing	885,134	1,091,654
Variable rate		
- House financing	3,006,697	3,066,795
- Revolving credit	373,090	725,355
- Other financing	1,573,535	1,720,529
	5,927,577	6,707,315

(iv) By sector

	31 March 2017 RM'000	31 December 2016 RM'000
Agriculture	133,164	130,240
Mining and quarrying	93,118	239,849
Manufacturing	719,646	685,188
Electricity, gas and water	1,655	1,694
Construction	148,535	168,784
Real estate	338,657	339,622
Wholesale & retail trade and restaurants & hotels	473,335	815,775
Transportation, storage and communication	66,552	73,754
Finance, insurance and business services	510,833	665,412
Household	3,251,978	3,344,557
Others	190,104	242,440
	5,927,577	6,707,315

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

	31 March 2017 RM'000	31 December 2016 RM'000
Purchase of landed property		
- Residential	2,770,793	2,821,086
- Non-residential	852,219	875,003
Fixed assets excluding land and building	82,476	95,725
Personal Use	273,938	308,380
Working Capital	1,948,151	2,607,121
	<u>5,927,577</u>	<u>6,707,315</u>

(vi) By maturity structure

	31 March 2017 RM'000	31 December 2016 RM'000
Maturing within one year	1,033,055	1,708,542
One year to three years	492,691	466,481
Three years to five years	718,571	589,916
Over five years	3,683,260	3,942,376
	<u>5,927,577</u>	<u>6,707,315</u>

(vii) By geographical distribution

	31 March 2017 RM'000	31 December 2016 RM'000
Within Malaysia	5,880,804	6,600,863
Outside Malaysia	46,773	106,452
	<u>5,927,577</u>	<u>6,707,315</u>

(viii) Analysis of foreign currency exposure

	31 March 2017 RM'000	31 December 2016 RM'000
USD	962,117	1,051,860
Other foreign currencies	2,361	9,976
	<u>964,478</u>	<u>1,061,836</u>

STANDARD CHARTERED SAADIQ BERHAD
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12. Impaired financing and advances**(i) Movements in impaired financing and advances**

	31 March 2017 RM'000	31 December 2016 RM'000
At 1 January	56,883	36,817
Classified as impaired during the financial period/year	24,997	120,084
Reclassified as performing during the financial period/year	(23,558)	(54,623)
Amount recovered during the financial period/year	(987)	(3,408)
Amount written off during the financial period/year	(9,401)	(41,987)
At end of reporting period/year	<u>47,934</u>	<u>56,883</u>
Individual impairment provisions	<u>(30,060)</u>	<u>(26,162)</u>
Net impaired financing and advances	<u><u>17,874</u></u>	<u><u>30,721</u></u>

(ii) Movements in impairment provisions for financing and advances

	31 March 2017 RM'000	31 December 2016 RM'000
Collective impairment provisions		
At 1 January	80,664	93,350
Impairments made during the financial period/year	1,022	20,459
Amount written back	(13,736)	(33,145)
At end of reporting period/year	<u>67,950</u>	<u>80,664</u>
As a percentage of gross financing and advances less individual impairment provisions	<u>1.15%</u>	<u>1.21%</u>

	31 March 2017 RM'000	31 December 2016 RM'000
Individual impairment provisions		
At 1 January	26,162	28,622
Impairments made during the financial period/year	20,373	74,205
Amount written back	(4,093)	(13,948)
Amount written off	(12,382)	(62,717)
At end of reporting period/year	<u>30,060</u>	<u>26,162</u>

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

	31 March 2017 RM'000	31 December 2016 RM'000
Manufacturing	438	839
Construction	1,166	455
Wholesale & retail trade and restaurants & hotels	4,986	6,272
Transportation, storage and communication	3,085	3,537
Finance, insurance and business services	1,177	1,086
Household	32,325	41,212
Others	4,757	3,482
	<u>47,934</u>	<u>56,883</u>

(iv) Impaired financing and advances by purpose

	31 March 2017 RM'000	31 December 2016 RM'000
Purchase of landed property	21,447	30,427
- Residential	20,837	25,262
- Non-residential	610	5,165
Fixed assets excluding land and building	2,967	2,743
Personal use	16,402	15,550
Working capital	7,118	8,163
	<u>47,934</u>	<u>56,883</u>

(v) Impaired financing and advances by geographical distribution

	31 March 2017 RM'000	31 December 2016 RM'000
Within Malaysia	<u>47,934</u>	<u>56,883</u>

13. Other assets

	31 March 2017 RM'000	31 December 2016 RM'000
Income receivable	782	1,544
Other receivables, deposits and prepayments	780,897	625,909
	<u>781,679</u>	<u>627,453</u>

14. Statutory deposits with Bank Negara Malaysia

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

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

	31 March 2017 RM'000	31 December 2016 RM'000
Demand deposits		
- Wadiah	809,263	758,035
Saving deposits		
- Wadiah	82,725	86,787
Term deposits	1,682,885	1,545,061
- Tawarruq	1,524,126	1,388,369
- Mudharabah	21,150	21,084
Negotiable instruments of deposits		
- Bai-Inah	119,853	118,009
Structured deposits		
- Tawarruq	17,756	17,599
	<u>2,574,873</u>	<u>2,389,883</u>

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

	31 March 2017 RM'000	31 December 2016 RM'000
Due within six months	1,261,256	1,271,162
Six months to one year	230,424	155,890
One year to three years	71,352	-
Three years to five years	119,853	118,009
	<u>1,682,885</u>	<u>1,545,061</u>

(ii) By type of customers

	31 March 2017 RM'000	31 December 2016 RM'000
Government and statutory bodies	660,071	667,230
Business enterprises	902,446	616,513
Individuals	624,611	644,093
Others	387,745	462,047
	<u>2,574,873</u>	<u>2,389,883</u>

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16. Investment account of customers

	31 March 2017 RM'000	31 December 2016 RM'000
Unrestricted investment accounts		
Without maturity Mudharabah	<u>771,125</u>	<u>668,677</u>
By type of customers		
Business enterprises	140,326	42,976
Individuals	586,830	581,538
Others	43,969	44,163
	<u>771,125</u>	<u>668,677</u>

17. Deposits and placements of banks and other financial institutions

	31 March 2017 RM'000	31 December 2016 RM'000
Non-Mudharabah		
Licensed banks	2,166,872	2,528,988
Other financial institutions	74,955	61,020
	<u>2,241,827</u>	<u>2,590,008</u>

18. Investment accounts due to designated financial institutions

Restricted investment accounts		
Mudharabah	<u>1,813,287</u>	<u>1,937,198</u>
By type of counterparties		
Licensed bank	<u>1,813,287</u>	<u>1,937,198</u>

Mudharabah deposit placement of licensed bank is a placement under the Profit Sharing Investment Account ("PSIA") concept by the Bank's immediate holding company .

19. Other liabilities

	31 March 2017 RM'000	31 December 2016 RM'000
Income payable	19,097	22,587
Other payables and accruals	418,635	546,109
	<u>437,732</u>	<u>568,696</u>

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20. Income derived from investment of depositors' funds

	1st quarter ended		Three months ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Income derived from investment of:-				
(i) Term deposits	58,518	55,150	58,518	55,150
(ii) Other deposits	20,963	28,397	20,963	28,397
	<u>79,481</u>	<u>83,547</u>	<u>79,481</u>	<u>83,547</u>

(i) Income derived from investment of term deposits

	1st Quarter ended		Three months ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Finance income and hibah				
Financing and advances	47,090	46,677	47,090	46,677
Investment securities available-for-sale	570	361	570	361
Money at call and deposits with financial institutions	7,604	5,525	7,604	5,525
	55,264	52,563	55,264	52,563
Amortisation of premium less accretion of discount	(1,844)	(1,400)	(1,844)	(1,400)
Total finance income and hibah	<u>53,420</u>	<u>51,163</u>	<u>53,420</u>	<u>51,163</u>
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	5,955	5,842	5,955	5,842
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(857)	(1,855)	(857)	(1,855)
	5,098	3,987	5,098	3,987
	<u>58,518</u>	<u>55,150</u>	<u>58,518</u>	<u>55,150</u>

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20. Income derived from investment of depositors' funds (continued)**(ii) Income derived from investment of other deposits**

	1st quarter ended		Three months ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Finance income and hibah				
Financing and advances	16,869	24,034	16,869	24,034
Investment securities available-for-sale	204	186	204	186
Money at call and deposits with financial institutions	2,724	2,845	2,724	2,845
	19,797	27,065	19,797	27,065
Amortisation of premium less accretion of discount	(660)	(721)	(660)	(721)
Total finance income and hibah	19,137	26,344	19,137	26,344
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	2,133	3,008	2,133	3,008
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(307)	(955)	(307)	(955)
	1,826	2,053	1,826	2,053
	20,963	28,397	20,963	28,397

21. Income derived from investment of investment account funds

	1st quarter ended		Three months ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Finance income and hibah				
Financing and advances	17,662	17,828	17,662	17,828
Investment securities available-for-sale	-	2,597	-	2,597
Money at call and deposits with financial institutions	7,162	6,925	7,162	6,925
	24,824	27,350	24,824	27,350

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22. Income derived from investment of shareholder's funds

	1st quarter ended		Three months ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Finance income and hibah				
Financing and advances	13,280	16,977	13,280	16,977
Investment securities available-for-sale	161	131	161	131
Money at call and deposits with financial institutions	2,145	2,009	2,145	2,009
	15,586	19,117	15,586	19,117
Amortisation of premium less accretion of discount	(520)	(509)	(520)	(509)
Total finance income and hibah	15,066	18,608	15,066	18,608
Other operating income				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	1,679	2,125	1,679	2,125
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(242)	(675)	(242)	(675)
	1,437	1,450	1,437	1,450
	16,503	20,058	16,503	20,058

23. Allowances for impairment on financing and advances

	1st quarter ended		Three months ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Provisions for financing:-				
- Individual impairment provisions	16,280	14,679	16,280	14,679
- Made in the financial period	20,373	17,877	20,373	17,877
- Written back in respect of recoveries	(4,093)	(3,198)	(4,093)	(3,198)
- Collective impairment provisions	(12,714)	(6,723)	(12,714)	(6,723)
- Made in the financial period	1,022	1,829	1,022	1,829
- Written back	(13,736)	(8,552)	(13,736)	(8,552)
Bad and doubtful debts on financing and advances:-				
- Recovered	(3,363)	(3,100)	(3,363)	(3,100)
	203	4,856	203	4,856

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24. Profit/hibah distributed to depositors

	1st quarter ended		Three months ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Deposits from customers				
- Mudharabah fund	234	746	234	746
- Non-Mudharabah fund	13,932	17,002	13,932	17,002
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah fund	39,838	41,523	39,838	41,523
	<u>54,004</u>	<u>59,271</u>	<u>54,004</u>	<u>59,271</u>

25. Profit/hibah distributed to investment account holders

	1st quarter ended		Three months ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Investment accounts of customers	5,596	5,901	5,596	5,901
Investment accounts due to designated financial institutions	15,128	15,684	15,128	15,684
	<u>20,724</u>	<u>21,585</u>	<u>20,724</u>	<u>21,585</u>

26. Other operating expenses

	1st quarter ended		Three months ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	3,021	2,035	3,021	2,035
- Other staff related cost	660	267	660	267
	<u>3,681</u>	<u>2,302</u>	<u>3,681</u>	<u>2,302</u>
Establishment costs				
- Depreciation of property, plant and equipment	11	132	11	132
- Rental	291	402	291	402
- Information technology expenses	855	8	855	8
- Utilities and maintenance	357	482	357	482
	<u>1,514</u>	<u>1,024</u>	<u>1,514</u>	<u>1,024</u>
Marketing expenses				
- Advertisement and publicity	-	2	-	2
- Others	16	26	16	26
	<u>16</u>	<u>28</u>	<u>16</u>	<u>28</u>
Administration and general expenses				
- Communication expenses	23	42	23	42
- Group administration fees and business support expenses	3,612	10,581	3,612	10,581
- Management fee	20,553	20,262	20,553	20,262
- Others	881	788	881	788
	<u>25,069</u>	<u>31,673</u>	<u>25,069</u>	<u>31,673</u>
Total other operating expenses	<u>30,280</u>	<u>35,027</u>	<u>30,280</u>	<u>35,027</u>

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27. 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 2017			As at 31 December 2016		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,948	1,495 **	559 **	2,817	1,463 **	536 **
Transaction-related contingent items	212,396	157,036 **	31,962 **	212,675	157,604 **	22,114 *
Short-term self liquidating trade-related contingencies	128,656	56,695	14,515	41,190	37,581 **	8,987 **
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	3,086,031	250,448 **	64,256 **	3,255,162	339,491 **	163,784 **
- maturity exceeding one year	438,473	104,820	184,655	404,986	93,936	80,683
Foreign exchange related contracts:-						
- less than one year	713,868	18,174	4,337	610,656	12,109	5,844 **
- one year to less than five years	2,182,557	159,268 **	54,768 **	2,335,014	193,823 **	80,677
Profit rate related contracts:-						
- one year to less than five years	1,502,592	70,154	11,968	1,503,293	72,086	12,718
	<u>8,267,521</u>	<u>818,090</u>	<u>367,020</u>	<u>8,365,793</u>	<u>908,093</u>	<u>375,343</u>

** Excluded in the credit equivalent and risk weighted amount of the Bank are RM474.7million (2016: RM411.0million) and RM355.4million (2016: RM272.2million) respectively relating to exposures funded by PSIA placements from SCBMB as provided by BNM's guidelines on the Booking of General and Specific Provisions for Financing Asset Funded by Specific Investment Account. The related credit risk and exposure of facilities funded by the SIA are allowed to be transferred to SCBMB as the fund provider.

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

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28. Fair values of financial assets and liabilities**Methods and assumptions****Fair value hierarchy**

The valuation hierarchy, and the types of instruments classified into each level within that hierarchy, is set out below:

	Level 1	Level 2	Level 3
Fair value determined using	Unadjusted quoted prices in an active market for identical assets and liabilities.	Valuation models with directly or indirectly market observable inputs.	Valuation models using significant non-market observable inputs.
Type of financial assets	Actively traded government and agency securities.	Corporate and other government bonds and financing and advances. Over-the-counter (OTC) derivatives.	-
Type of financial liabilities	-	OTC derivatives	-

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2017				
Assets				
Investment securities available-for-sale				
- Government Islamic bonds	-	99,900	-	99,900
Derivative financial instruments	-	308,390	-	308,390
	-	408,290	-	408,290
Liabilities				
Deposits from customers	-	17,756	-	17,756
Deposits and placements of banks and other financial institutions	-	3,614	-	3,614
Derivative financial instruments	-	316,959	-	316,959
	-	338,329	-	338,329
31 December 2016				
Assets				
Investment securities available-for-sale				
- Government Islamic bonds	-	99,576	-	99,576
Derivative financial instruments	-	294,900	-	294,900
	-	394,476	-	394,476
Liabilities				
Deposits from customers	-	17,599	-	17,599
Deposits and placements of banks and other financial institutions	-	3,630	-	3,630
Derivative financial instruments	-	308,333	-	308,333
	-	329,562	-	329,562

There were no transfers between Level 1 and Level 2 during the period ended 31 March 2017.

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29. Capital adequacy

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

	31 March 2017 RM'000	31 December 2016 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	102,750	102,750
Share premium	308,250	308,250
Other reserves	207,132	195,589
Less: Deferred tax assets	(3,643)	(5,663)
Unrealised gains and losses on 'available-for-sale' financial instruments	(531)	(805)
CET 1 and Eligible Tier 1 capital	<u>613,958</u>	<u>600,121</u>
Tier 2 Capital		
Islamic subordinated sukuk	100,000	100,000
Collective impairment provisions	4,141	4,169
Surplus of total eligible provisions over total expected loss under AIRB approach	4,422	7,187
Eligible Tier 2 capital	<u>108,563</u>	<u>111,356</u>
Total capital base	<u><u>722,521</u></u>	<u><u>711,477</u></u>

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

	31 March 2017 RM'000	31 December 2016 RM'000
Total risk-weighted assets:-		
Credit risk	2,975,141	3,446,093
Operational risk	345,638	350,763
	<u><u>3,320,779</u></u>	<u><u>3,796,856</u></u>
CET 1 capital ratio	18.488%	15.806%
Tier 1 capital ratio	18.488%	15.806%
Risk-weighted capital ratio	21.758%	18.739%