

Company No. 823437K



**Standard Chartered Saadiq Berhad**

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

**Financial statements for the financial half  
year ended 30 June 2011**

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011**

	Note	30 June 2011 RM'000	31 December 2010 RM'000
<b>Assets</b>			
Cash and short term funds		1,131,577	940,388
Deposits and placements with banks and other financial institutions	11	-	-
Investment securities available-for-sale	12	70,095	623,326
Financing and advances	13	2,695,267	2,342,145
Derivative financial assets		53,208	59,781
Other assets	15	136,784	74,421
Tax recoverable		4,610	3,271
Statutory deposits with Bank Negara Malaysia		62,528	24,760
Property, plant and equipment		6,314	-
Deferred tax assets		4,091	3,486
<b>Total assets</b>		<b><u>4,164,474</u></b>	<b><u>4,071,578</u></b>
<b>Liabilities</b>			
Deposits from customers	16	1,542,217	1,321,460
Deposits and placements of banks and other financial institutions	17	1,910,965	2,092,510
Derivatives financial liabilities		52,491	58,863
Other liabilities	18	201,530	156,615
<b>Total liabilities</b>		<b><u>3,707,203</u></b>	<b><u>3,629,448</u></b>
<b>Equity</b>			
Share capital		96,500	96,500
Reserves		360,771	345,630
<b>Total equity attributable to equity holder of the Bank</b>		<b><u>457,271</u></b>	<b><u>442,130</u></b>
<b>Total liabilities and equity</b>		<b><u>4,164,474</u></b>	<b><u>4,071,578</u></b>
<b>Commitments and contingencies</b>	24	<b><u>12,286,851</u></b>	<b><u>12,645,894</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 2010.*

**STANDARD CHARTERED SAADIQ BERHAD**

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

	Note	2nd Quarter ended		Six months ended	
		30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Income derived from investment of depositors' funds and others	19	22,074	16,955	44,333	33,323
Income derived from investment of shareholder's funds	21	37,859	47,306	71,933	97,783
Provisions for financing	23	(10,606)	(15,110)	(14,625)	(30,282)
<b>Total distributable income</b>		<b>49,327</b>	<b>49,151</b>	<b>101,641</b>	<b>100,824</b>
Income attributable to depositors	20	(20,644)	(17,769)	(39,238)	(30,100)
<b>Total net income</b>		<b>28,683</b>	<b>31,382</b>	<b>62,403</b>	<b>70,724</b>
Other operating expenses	22	(20,029)	(19,535)	(42,037)	(35,417)
Profit before taxation		8,654	11,847	20,366	35,307
Tax expense		(2,202)	(2,736)	(5,246)	(8,835)
<b>Profit for the period</b>		<b>6,452</b>	<b>9,111</b>	<b>15,120</b>	<b>26,472</b>
<b>Other comprehensive income, net of income tax</b>					
Fair value reserve (investment securities available for sale):					
Net change in fair value		164	-	21	(395)
<b>Other comprehensive income/(loss) for the period, net of income tax</b>		<b>164</b>	<b>-</b>	<b>21</b>	<b>(395)</b>
<b>Total comprehensive income for the period</b>		<b>6,616</b>	<b>9,111</b>	<b>15,141</b>	<b>26,077</b>
<b>Profit for the period attributable to:-</b>					
Equity holder of the Bank		6,452	9,111	15,120	26,472
<b>Total comprehensive income attributable to:-</b>					
Equity holder of the Bank		6,616	9,111	15,141	26,077

*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 2010.*

**STANDARD CHARTERED SAADIQ BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

	← Non-Distributable Reserves →				Distributable Reserves	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 2011	96,500	289,500	31,706	53	24,371	442,130
Profit for the period	-	-	-	-	15,120	15,120
Other comprehensive income for the period	-	-	-	21	-	21
Total comprehensive income for the period	-	-	-	21	15,120	15,141
<b>At 30 June 2011</b>	<b>96,500</b>	<b>289,500</b>	<b>31,706</b>	<b>74</b>	<b>39,491</b>	<b>457,271</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 2010.*

**STANDARD CHARTERED SAADIQ BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

	←	<i>Non-Distributable Reserves</i>			→	<i>Distributable Reserves</i>	
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	Total RM'000	
At 1 January 2010	75,000	225,000	7,960	571	626	309,157	
Profit for the period	-	-	-	-	26,472	26,472	
Other comprehensive income for the period	-	-	-	(395)	-	(395)	
Total comprehensive income for the period	-	-	-	(395)	26,472	26,077	
<b>At 30 June 2010</b>	<b>75,000</b>	<b>225,000</b>	<b>7,960</b>	<b>176</b>	<b>27,098</b>	<b>335,234</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 2010.*

**STANDARD CHARTERED SAADIQ BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENT OF CASHFLOWS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2011**

	<b>30 June 2011 RM'000</b>	<b>30 June 2010 RM'000</b>
Profit before taxation	20,366	35,307
Adjustment for non-cash items	8,692	(9,497)
Operating profit before working capital changes	<u>29,058</u>	<u>25,810</u>
Changes in working capital		
Net changes in operating assets	(453,052)	(789,775)
Net changes in operating liabilities	84,127	45,942
Income taxes paid	<u>(7,197)</u>	<u>(2,988)</u>
Net cash used in operating activities	<u>(347,064)</u>	<u>(721,011)</u>
Net cash generated from/ (used in) investing activities	<u>538,253</u>	<u>(1,159,754)</u>
Net increase/(decrease) in cash and cash equivalents	191,189	(1,880,765)
Cash and cash equivalent at beginning of the year	<u>940,388</u>	<u>2,592,117</u>
Cash and cash equivalent at end of the period	<u><u>1,131,577</u></u>	<u><u>711,352</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 2010.*

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

The Bank's profit before taxation for the financial half year ended 30 June 2011 was RM20.37 million which is RM14.94 million lower than the corresponding period last year. Income derived from investment of depositors' funds and others was RM44.33 million while income derived from investment of shareholder's funds was RM71.93 million. Impairment provisions for financing was lower by RM15.66 million while overheads increased by RM6.62 million. Total assets registered an increase of RM92.90 million or 2.28% to RM4.16 billion compared to the last financial year ended 31 December 2010. However, the Bank's core capital ratio and risk-weighted capital ratio remained strong at 13.30%.

**PROSPECTS**

The Bank will continue to grow its business in Malaysia in support of a focused strategic agenda to achieve Standard Chartered PLC's ambition to be the best international Islamic bank, leading the way in Asia, Africa and the Middle East. The bank achieved significant income momentum in a dynamic, growing market as Malaysia vies to become the international Islamic Banking hub.

The bank's strategic agenda for 2011 will be to focus on investing to maintain momentum with competitors and maximize its proposition in Malaysia. Our target business model includes full leverage of conventional infrastructure, establishing dedicated organisation structure with clear tracking of Key Performance Indicators ("KPI") and introducing a full range of product suite on par with our conventional banking business and competitors while maintaining friendly, fast and accurate service.

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**Notes to the financial statements for the financial half year ended 30 June 2011**

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

The unaudited condensed interim financial statements for the second quarter and the financial half year ended 30 June 2011 have been prepared in accordance with FRS 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board ("MASB") and Bank Negara Malaysia ("BNM") guidelines.

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 Financial Reporting Standards ("FRSs"), Amendments to FRSs, IC Interpretations and Technical Release ("TR") issued by the MASB:

- i) Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Right Issues*
- ii) FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
- iii) FRS 3, *Business Combinations (revised)*
- iv) FRS 127, *Consolidated and Separate Financial Statements (revised)*
- v) Amendments to FRS 2, *Share-based Payment*
- vi) Amendments to FRS 5, *Non-current assets Held for Sale and Discontinued Operations*
- vii) Amendments to FRS 138, *Intangible assets*
- viii) IC Interpretation 12, *Service Concession Agreements*
- ix) IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- x) IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- xi) Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*
- xii) Amendments to FRS1, *Limited Exemption from Comparative FRS 7 Disclosures for First time Adopters and Additional Exemptions for First-time Adopters*
- xiii) Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- xiv) Amendments to FRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments.*
- xv) IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- xvi) IC Interpretation 18, *Transfers of Assets from Customers*
- xvii) Improvements to FRSs (2010)

The adoption of the above FRSs, Amendments to FRSs, IC Interpretations and TR do not have any material impacts on the financial statements of the Bank.

The following FRS and IC Interpretations have been issued by the MASB but are not yet effective:

- i) IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- ii) Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*
- iii) FRS 124, *Related Party Disclosures (revised)*
- iv) IC Interpretation 15, *Agreements for the Construction of Real Estate*

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010. 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 2010.

**2. Auditor's report on preceding annual financial statements**

The auditor's report on the financial statements for the financial year ended 31 December 2010 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.

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**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 second quarter and the financial half year ended 30 June 2011.

**5. Changes in accounting estimates**

There were no material changes in estimates of amounts reported that have a material effect on the unaudited condensed interim financial statements in the second quarter and the financial half year ended 30 June 2011.

**6. Issuances, cancellations, repurchases, resale and repayments of securities portfolio**

There were no issuance and repayment of debt and equity securities, share-buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares in the second quarter and the financial half year ended 30 June 2011.

**7. Proposed Dividend**

No dividend has been proposed for the second quarter and financial half year ended 30 June 2011.

**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 significant changes in the composition of the Bank in the second quarter and the financial half year ended 30 June 2011.

**10. Significant event**

On 8 February 2011, the Bank had entered into a conditional Sale and Purchase Agreement (“SPA”) for the sale of non-performing financing (“NPF”) to Aiqon Ehsan Sdn. Bhd., a special purpose vehicle (“SPV”) incorporated as a subsidiary of Aiqon Capital Sdn. Bhd. Total consideration for the sale amounted to RM 18 million. Impact to the Bank’s profit before taxation for the financial half year ended 30 June 2011 is RM11 million.

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**11. Deposits and placements with banks and other financial institutions**

There are no deposits and placements with banks and other financial institutions which are of a duration that is greater than one month.

**12. Investment securities available-for-sale**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
<u>At fair value</u>		
Bank Negara Malaysia bills	-	548,105
Cagamas bonds	25,055	25,077
Islamic negotiable instruments of deposit	35,000	35,000
Islamic private debt securities	10,040	15,144
	<u>70,095</u>	<u>623,326</u>

**13. Financing and advances****(i) By type**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
<u>At amortised cost</u>		
Term financing		
- House financing	863,477	834,699
- Hire purchase receivables	161,859	101,845
- Lease receivables	506,147	365,030
- Other term financing	1,558,120	1,389,013
Bills receivable	14,867	1,700
Trust receipts	189,831	184,694
Staff financing	3,086	3,318
Revolving credit	496,262	397,767
	<u>3,793,649</u>	<u>3,278,066</u>
Less: Unearned income	(1,053,107)	(892,266)
Gross financing and advances	2,740,542	2,385,800
Less: Impairment provisions on financing and advances:-		
- Individual impairment provisions	(12,250)	(12,356)
- Collective impairment provisions	(33,025)	(31,299)
Total net financing and advances	<u>2,695,267</u>	<u>2,342,145</u>

**(ii) By contract**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Bai Bithaman Ajil ( <i>deferred payment sale</i> )	384,469	395,010
Ijarah Thumma Al-Bai ( <i>finance lease</i> )	562,014	437,858
Murabahah ( <i>cost plus</i> )	199,414	192,502
Bai'Al Inah ( <i>sale and buy-back</i> )	1,547,750	1,309,606
Others	46,895	50,824
	<u>2,740,542</u>	<u>2,385,800</u>

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**13. Financing and advances (continued)****(iii) By type of customer**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Domestic non-bank financial institutions	126,437	60,133
Domestic business enterprises	1,264,499	1,103,336
<i>Small medium enterprises</i>	129,823	126,366
<i>Others</i>	1,134,676	976,970
Individuals	1,320,224	1,192,503
Foreign entities	29,382	29,828
	2,740,542	2,385,800

**(iv) By profit rate sensitivity**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Fixed rate		
- House financing	4,257	4,694
- Hire purchase receivables	161,859	101,845
- Other financing	1,276,891	1,178,866
Variable rate		
- House financing	301,586	305,619
- Revolving credit	639,206	395,045
- Other financing	356,743	399,731
	2,740,542	2,385,800

**(v) By sector**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Agriculture	131,277	123,635
Mining and quarrying	18,958	8,855
Manufacturing	326,031	254,196
Electricity, gas and water	168	192
Construction	19,992	17,396
Real estate	193,118	175,320
Wholesale & retail trade and restaurants & hotels	276,761	101,745
Transportation, storage and communication	169,329	232,598
Finance, insurance and business services	226,194	212,444
Household	1,349,606	1,222,331
Others	29,108	37,088
	2,740,542	2,385,800

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**13. Financing and advances (continued)****(vi) By purpose**

	<b>30 June 2011</b>	<b>31 December 2010</b>
Purchase of landed property		
- Residential	307,118	311,625
- Non-residential	77,384	83,401
Fixed assets excluding land and building	80,717	53,237
Personal Use	1,009,379	874,854
Working Capital	1,242,053	1,062,683
Others	23,891	-
	<u>2,740,542</u>	<u>2,385,800</u>

**(vi) By maturity structure**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Maturing within one year	678,554	961,806
One year to three years	508,565	386,189
Three years to five years	786,193	607,758
Over five years	767,230	430,047
	<u>2,740,542</u>	<u>2,385,800</u>

**(vii) By geographical distribution**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Within Malaysia	<u>2,740,542</u>	<u>2,385,800</u>

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

Financing and advances denominated in currencies other than the functional currency comprise RM125,415,820 (2010: RM132,014,366) of financing and advances denominated in U.S. Dollar and RM Nil (2010: RM272,128) denominated in other currencies.

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

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
At 1 January	22,430	14,127
Classified as impaired during the financial period/year	26,795	60,849
Reclassified as performing during the financial period/year	(353)	(887)
Amount recovered during the financial period/year	(2,479)	(7,614)
Amount written off	(25,544)	(44,045)
At end of reporting period/year	<u>20,849</u>	<u>22,430</u>
Individual impairment provisions	(12,250)	(12,356)
Net impaired financing and advances	<u>8,599</u>	<u>10,074</u>
Ratio of net impaired financing and advances to net financing and advances	<u>0.32%</u>	<u>0.42%</u>

**(ii) Movements in impairment provisions for financing and advances**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
<b>Collective impairment provisions</b>		
At 1 January	31,299	23,741
Impairments made during the financial period/year	4,153	20,997
Amount written back	(2,427)	(13,439)
At end of reporting period/year	<u>33,025</u>	<u>31,299</u>
As a percentage of gross financing and advances less impairment provisions	<u>* 1.2%</u>	<u>* 1.3%</u>

\* Under Bank Negara Malaysia's ("BNM") Guidelines on Classification and Impairment Provisions for Loans/Financing, banking institutions are required to maintain at least a minimum collective impairment provision of 1.5% on its gross financing and advances.

Included in the gross financing and advances of the Bank are RM527,590,000 (2010: RM291,224,000) worth of financing funded by Specific Investment Account ("SIA") placements from Standard Chartered Bank Malaysia Berhad ("SCBMB"). As stipulated in Note 4.4(i) of Bank Negara Malaysia's Guidelines on the Booking of Provisions for Financing Asset Funded by SIA, the proportion of collective impairment provisions for financing funded by the SIA can be transferred to its immediate holding company, SCBMB as the fund provider. Had the abovementioned gross financing and advances been excluded from the computation, the collective impairment provisions maintained by the Bank would be 1.5% (2010: 1.5%).

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**14. Impaired financing and advances (continued)**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
<b>Individual impairment provisions</b>		
At 1 January	12,356	11,242
Impairments made during the financial period/year	25,712	46,046
Amount written back in respect of recoveries	(311)	(887)
Amount written off	(25,507)	(44,045)
At end of reporting period/year	<u>12,250</u>	<u>12,356</u>

**(iii) Impaired financing and advances by sector**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Manufacturing	-	2,013
Household	20,849	20,417
	<u>20,849</u>	<u>22,430</u>

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

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Purchase of landed property ( <i>Residential</i> )	8,695	9,499
Personal use	12,154	12,896
Working capital	-	35
	<u>20,849</u>	<u>22,430</u>

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

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Within Malaysia	<u>20,849</u>	<u>22,430</u>

**15. Other assets**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Income receivable	692	1,451
Other receivables, deposits and prepayments	136,092	72,970
	<u>136,784</u>	<u>74,421</u>

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

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
<b>Non-Mudharabah</b>		
Demand deposits	402,023	466,223
Savings deposits	98,460	63,768
Negotiable instruments of deposits	161,789	185,851
	<u>662,272</u>	<u>715,842</u>
<b>Mudharabah</b>		
General investment deposits	879,945	605,618
	<u>1,542,217</u>	<u>1,321,460</u>

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

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Due within six months	852,780	591,958
Six months to one year	70,970	87,267
One year to three years	26,549	26,398
Over five years	91,435	85,846

**(ii) By type of customers**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Government and statutory bodies	126,000	100,000
Business enterprises	728,588	545,682
Individuals	489,289	445,076
Others	198,340	230,702
	<u>1,542,217</u>	<u>1,321,460</u>

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

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
<b>Non-Mudharabah</b>		
Licensed banks	26,717	25,574
Other financial institutions	74,812	75,823
	<u>101,529</u>	<u>101,397</u>
<b>Mudharabah</b>		
Licensed banks	1,809,436	1,991,113
	<u>1,910,965</u>	<u>2,092,510</u>

**18. Other liabilities**

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Income payable	13,316	6,840
Profit equalisation reserve	7,478	7,478
Other payables and accruals	180,736	142,297
	<u>201,530</u>	<u>156,615</u>
 Profit equalisation reserves:-		
At 1 January	7,478	7,478
Amount provided during the financial period/year	-	-
At end of reporting period/year	<u>7,478</u>	<u>7,478</u>

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**19. Income derived from investment of depositors' funds and others**

	2nd Quarter ended		Six months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Income derived from investment of:-				
(i) General investment deposits	14,109	7,133	25,295	10,886
(ii) Other deposits	7,965	9,822	19,038	22,437
	<u>22,074</u>	<u>16,955</u>	<u>44,333</u>	<u>33,323</u>

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

	2nd Quarter ended		Six months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
<b>Finance income and hibah</b>				
Financing and advances	11,816	6,658	21,983	10,054
Investment securities available-for-sale	145	318	261	505
Money at call and deposits with financial institutions	4,867	3,268	7,292	5,359
	16,828	10,244	29,536	15,918
Amortisation of premium less accretion of discount	(3,075)	(2,222)	(4,374)	(3,698)
Total finance income and hibah	<u>13,753</u>	<u>8,022</u>	<u>25,162</u>	<u>12,220</u>
<b>Other operating income</b>				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	4,220	4,201	6,291	5,450
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(3,864)	(5,090)	(6,158)	(6,784)
	<u>356</u>	<u>(889)</u>	<u>133</u>	<u>(1,334)</u>
	<u>14,109</u>	<u>7,133</u>	<u>25,295</u>	<u>10,886</u>

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**19. Income derived from investment of depositors' funds and others (continued)**

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

	2nd Quarter ended		Six months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
<b>Finance income and hibah</b>				
Financing and advances	6,595	9,306	16,545	20,723
Investment securities available-for-sale	84	412	197	1,040
Money at call and deposits with financial institutions	3,115	4,014	5,488	11,046
	9,794	13,732	22,230	32,809
Amortisation of premium less accretion of discount	(2,021)	(2,657)	(3,292)	(7,621)
Total finance income and hibah	7,773	11,075	18,938	25,188
<b>Other operating income</b>				
Fees and commission income:-				
- Arising from financial instruments not fair valued through profit or loss	2,581	7,034	4,734	11,233
Fees and commission expense:-				
- Arising from financial instruments not fair valued through profit or loss	(2,389)	(8,287)	(4,634)	(13,984)
	192	(1,253)	100	(2,751)
	7,965	9,822	19,038	22,437

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**20. Income attributable to depositors**

	2nd Quarter ended		Six months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Deposits from customers				
- Mudharabah fund	4,570	1,701	8,558	3,649
- Non-Mudharabah fund	1,484	1,853	2,885	3,497
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	14,053	13,804	26,834	22,500
- Non-Mudharabah fund	537	411	961	454
	<u>20,644</u>	<u>17,769</u>	<u>39,238</u>	<u>30,100</u>

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

	2nd Quarter ended		Six months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
<b>Finance income and hibah</b>				
Financing and advances	37,485	38,315	71,161	71,183
Investment securities available-for-sale	374	609	772	1,369
<b>Other operating income</b>				
Other income	-	8,382	-	25,231
	<u>37,859</u>	<u>47,306</u>	<u>71,933</u>	<u>97,783</u>

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**22. Other operating expenses**

	2nd Quarter ended		Six months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
<b>Personnel costs</b>				
- Salaries, bonus, wages and allowances	1,560	473	3,183	1,002
- Other staff related cost	222	4	457	103
	<u>1,782</u>	<u>477</u>	<u>3,640</u>	<u>1,105</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	515	-	1,027	-
- Rental	275	-	558	-
- Information technology expenses	1	3	34	9
- Utilities and maintenance	602	4	979	15
	<u>1,393</u>	<u>7</u>	<u>2,598</u>	<u>24</u>
<b>Marketing expenses</b>				
- Advertisement and publicity	187	383	291	444
- Others	147	10	193	12
	<u>334</u>	<u>393</u>	<u>484</u>	<u>456</u>
<b>Administration and general expenses</b>				
- Communication expenses	242	10	276	21
- Group administration fees and business support expenses	1,002	1,927	2,226	3,056
- Management fee	13,210	15,293	28,960	28,255
- Others	2,066	1,428	3,853	2,500
	<u>16,520</u>	<u>18,658</u>	<u>35,315</u>	<u>33,832</u>
<b>Total other operating expenses</b>	<u>20,029</u>	<u>19,535</u>	<u>42,037</u>	<u>35,417</u>

**23. Provisions for financing**

	2nd Quarter ended		Six months ended	
	30 June 2011 RM'000	30 June 2010 RM'000	30 June 2011 RM'000	30 June 2010 RM'000
Provisions for financing:-				
Individual impairment provisions	11,071	10,082	25,401	20,454
- Made in the financial period	11,213	10,501	25,712	21,010
- Written back in respect of recoveries	(142)	(419)	(311)	(556)
Collective impairment provisions				
- Made in the financial period	1,191	11,666	4,153	16,466
- Written back	-	(6,638)	(2,427)	(6,638)
Bad and doubtful debts on financing and advances:-				
- Recovered	(1,656)	-	(12,502)	-
	<u>10,606</u>	<u>15,110</u>	<u>14,625</u>	<u>30,282</u>

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**24. Commitments and contingencies**

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

The commitments and contingencies are as follows:-

	As at 30 June 2011			As at 31 December 2010		
	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	5,869	5,869	3,221	33,827	33,827	14,105
Transaction-related contingent items	20,803	19,211	4,665	24,687	24,687	7,273
Short-term self liquidating trade-related contingencies	49,149	47,094	15,241	10,596	10,596	3,312
Obligations under underwriting agreement	-	-	-	30,825	30,825	1,442
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	866,327	69,662 **	49,260 **	966,546	51,351 **	38,176 **
- maturity exceeding one year	217,841	14,966	14,042	371,082	20,780	16,961
Foreign exchange related contracts:-						
- less than one year	1,620	4	-	2,155	32	20
- one year to less than five years	225,570	27,079	4,630	282,837	29,556	6,042
Profit rate related contracts:-						
- one year to less than five years	10,596,222	151,282	51,796	10,300,000	139,031	21,105
- five years and above	303,450	22,356	3,347	623,339	51,939	57,820
	<u>12,286,851</u>	<u>357,523</u>	<u>146,202</u>	<u>12,645,894</u>	<u>392,624</u>	<u>166,256</u>

\*\* Excluded in the credit equivalent and risk weighted amount of the Bank are RM17.9million (2010: RM39.8million) and RM6.1million (2010: RM23.7million) respectively related to undrawn financing facilities funded by Specific Investment Account ("SIA") 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 facilities funded by the SIA is 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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**25. Rate of return risk**

As at 30 June 2011	Non Trading books					Total RM'000	Effective Profit Rate (%)
	3 months or less RM'000	> 3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000		
<b>Financial assets</b>							
Cash and short term funds	957,240	-	-	-	174,337	1,131,577	3.03
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-
Investment securities available-for-sale	35,000	25,055	10,040	-	-	70,095	3.38
Financing and advances							
- Performing	662,332	124,603	1,076,021	822,054	1,658	2,686,668	9.00
- Impaired	-	-	-	-	8,599	8,599	-
Derivative financial assets	4	-	52,234	970	-	53,208	-
Other balances	-	-	-	-	199,311	199,311	-
	<b>1,654,576</b>	<b>149,658</b>	<b>1,138,295</b>	<b>823,024</b>	<b>383,905</b>	<b>4,149,458</b>	
<b>Financial liabilities</b>							
Deposits from customers	980,024	444,151	26,608	91,434	-	1,542,217	2.48
Deposits and placements of banks and other financial institutions	772,803	966,884	7,698	163,580	-	1,910,965	2.83
Derivative financial liabilities	4	-	51,517	970	-	52,491	-
Other balances	-	-	-	-	201,530	201,530	-
	<b>1,752,831</b>	<b>1,411,035</b>	<b>85,823</b>	<b>255,984</b>	<b>201,530</b>	<b>3,707,203</b>	
On-balance sheet profit sensitivity gap	(98,255)	(1,261,377)	1,052,472	567,040	182,375		
Off-balance sheet profit sensitivity gap	-	-	-	-	-		
<b>Total profit sensitivity gap</b>	<b>(98,255)</b>	<b>(1,261,377)</b>	<b>1,052,472</b>	<b>567,040</b>	<b>182,375</b>		

As at 31 December 2010	Non Trading books					Total RM'000	Effective Profit Rate (%)
	3 months or less RM'000	> 3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000		
<b>Financial assets</b>							
Cash and short term funds	720,000	-	-	-	220,388	940,388	2.76
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-
Investment securities available-for-sale	333,633	254,478	35,215	-	-	623,326	2.95
Financing and advances							
- Performing	788,310	104,222	921,570	516,730	1,239	2,332,071	8.34
- Impaired	-	-	-	-	10,074	10,074	-
Derivative financial assets	27	-	48,444	11,310	-	59,781	-
Other balances	-	-	-	-	99,181	99,181	-
	<b>1,841,970</b>	<b>358,700</b>	<b>1,005,229</b>	<b>528,040</b>	<b>330,882</b>	<b>4,064,821</b>	
<b>Financial liabilities</b>							
Deposits from customers	903,748	305,454	26,414	85,844	-	1,321,460	2.11
Deposits and placements of banks and other financial institutions	967,671	936,673	7,551	180,615	-	2,092,510	2.63
Derivative financial liabilities	27	-	47,526	11,310	-	58,863	-
Other balances	-	-	-	-	156,615	156,615	-
	<b>1,871,446</b>	<b>1,242,127</b>	<b>81,491</b>	<b>277,769</b>	<b>156,615</b>	<b>3,629,448</b>	
On-balance sheet profit sensitivity gap	(29,476)	(883,427)	923,738	250,271	174,267		
Off-balance sheet profit sensitivity gap	-	-	-	-	-		
<b>Total profit sensitivity gap</b>	<b>(29,476)</b>	<b>(883,427)</b>	<b>923,738</b>	<b>250,271</b>	<b>174,267</b>		

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**26. Credit exposure to connected parties**

The credit exposures of the Bank to connected parties, as defined by Bank Negara Malaysia's 'Guidelines on Credit Transactions and Exposures with Connected Parties' are as follows:-

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Aggregate value of outstanding credit exposures to connected parties	93,379	100,399
As a percentage of total credit exposures	2.5%	2.7%

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

**27. Capital adequacy**

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

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
<b>Tier 1 Capital</b>		
Paid-up ordinary share capital	96,500	96,500
Share premium	289,500	289,500
Other reserves	56,077	56,077
Less: Deferred tax assets	(3,502)	(3,502)
Deductions in excess of Tier 2 capital	(64,894)	(57,363)
Eligible Tier 1 capital	<u>373,681</u>	<u>381,212</u>
<b>Tier 2 Capital</b>		
Collective impairment provisions under standardised approach	<u>1,016</u>	<u>901</u>
Eligible Tier 2 capital	1,016	901
Less : Excess of expected loss over expected provisions under IRB approach	<u>(1,016)</u>	<u>(901)</u>
Eligible Tier 2 capital	<u>-</u>	<u>-</u>
Total capital base	<u><u>373,681</u></u>	<u><u>381,212</u></u>

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

	<b>30 June 2011 RM'000</b>	<b>31 December 2010 RM'000</b>
Total risk-weighted assets:-		
Credit risk	2,550,703	2,437,694
Operational risk	<u>257,906</u>	<u>209,837</u>
	<u><u>2,808,609</u></u>	<u><u>2,647,531</u></u>
Tier 1 capital ratio	13.30%	14.40%
Risk-weighted capital ratio	13.30%	14.40%