

Company No. 823437K



Standard Chartered Saadiq Berhad

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

**Financial statements for the financial half
year ended 30 June 2010**

Domiciled in Malaysia
Principal place of business
Level 16, Menara Standard Chartered
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

STANDARD CHARTERED SAADIQ BERHAD

(Incorporated in Malaysia)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010**

	Note	30 June 2010 RM'000	31 December 2009 RM'000
Assets			
Cash and short term funds		711,352	2,592,117
Deposits and placements with banks and other financial institutions	10	-	-
Investment securities available-for-sale	11	1,344,801	185,866
Financing and advances	12	2,644,678	1,911,270
Other assets	14	128,125	75,918
Tax recoverable		-	334
Statutory deposits with Bank Negara Malaysia		18,481	14,322
Deferred tax assets		4,011	1,424
Total assets		4,851,448	4,781,251
Liabilities			
Deposits from customers	15	1,318,925	1,459,537
Deposits and placements of banks and other financial institutions	16	3,015,020	2,766,514
Other liabilities	17	176,756	238,708
Tax payable		5,513	-
Total liabilities		4,516,214	4,464,759
Equity			
Share capital		75,000	75,000
Reserves		260,234	241,492
Total equity attributable to equity holder of the Bank		335,234	316,492
Total liabilities and equity		4,851,448	4,781,251
Commitments and contingencies	23	12,018,890	2,383,585

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 2009.

STANDARD CHARTERED SAADIQ BERHAD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

	Note	2nd Quarter ended		Six months ended	
		30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Income derived from investment of depositors' funds and others	18	25,337	28,555	58,554	57,391
Income derived from investment of shareholder's funds	20	38,924	29,502	72,552	55,669
Impairment provisions for financing	22	(15,110)	(11,445)	(30,282)	(20,619)
Transfer to profit equalisation reserves	17	-	-	-	(804)
Total distributable income		49,151	46,612	100,824	91,637
Income attributable to depositors	19	(17,769)	(23,848)	(30,100)	(56,561)
Total net income		31,382	22,764	70,724	35,076
Other operating expenses	21	(19,535)	(13,826)	(35,417)	(23,541)
Profit before taxation		11,847	8,938	35,307	11,535
Tax expense		(2,736)	(2,270)	(8,835)	(2,943)
Profit for the period		9,111	6,668	26,472	8,592
Other comprehensive income, net of income tax					
Fair value reserve (investment securities available for sale):					
Net change in fair value		(22)	569	(395)	1,710
Net amount transferred to profit or loss		-	(340)	-	(303)
Other comprehensive income/(loss) for the period, net of income tax		(22)	229	(395)	1,407
Total comprehensive income for the period		9,089	6,897	26,077	9,999
Profit for the period attributable to:-					
Equity holder of the Bank		9,111	6,668	26,472	8,592
Total comprehensive income attributable to:-					
Equity holder of the Bank		9,089	6,897	26,077	9,999

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 2009.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010

Note	← 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 2010, as previously stated	75,000	225,000	7,960	571	7,961	316,492
Effect of adoption of FRS 139	27	-	-	-	(7,335)	(7,335)
	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
At 30 June 2010	75,000	225,000	7,960	176	27,098	335,234

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 2009.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2009**

	← <i>Non Distributable Reserves</i> →				<i>Distributable Reserves Retained profits</i> RM'000	Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000		
At 1 January 2009	50,000	150,000	1,539	(901)	1,539	202,177
Profit for the period	-	-	-	-	8,592	8,592
Other comprehensive income for the period	-	-	-	1,407	-	1,407
	-	-	-	1,407	8,592	9,999
At 30 June 2009	50,000	150,000	1,539	506	10,131	212,176

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 2008.

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

	30 June 2010 RM'000	30 June 2009 RM'000
Profit before taxation	35,307	11,535
Adjustment for non-cash items	<u>(9,497)</u>	<u>182</u>
Operating profit before working capital changes	25,810	11,717
Changes in working capital		
Net changes in operating assets	(789,775)	826,306
Net changes in operating liabilities	45,942	(317,116)
Income taxes paid	<u>(2,988)</u>	<u>(1,116)</u>
Net cash (used in)/generated from operating activities	(721,011)	519,791
Net cash used in investing activities	(1,159,754)	(32,396)
Net cash used in financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	<u>(1,880,765)</u>	<u>487,395</u>
Cash and cash equivalent at beginning of the year	2,592,117	2,585,476
Cash and cash equivalent at end of the period	<u>711,352</u>	<u>3,072,871</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 2009.

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REVIEW OF PERFORMANCE

The Bank's profit before taxation for the financial half year ended 30 June 2010 was RM35.31 million which is RM 23.77 million higher than the corresponding period last year. Income derived from investment of depositors' funds and others was RM58.55 million while income derived from investment of shareholder's funds was RM72.55 million. Impairment provisions for financing was higher by RM9.66 million while overheads increased by RM11.88 million. Total assets registered an increase of RM70.20 million to RM4.85 billion compared to the last financial year ended 31 December 2009. The Bank's core capital ratio and risk-weighted capital ratio remained strong at 14.65% and 16.14% respectively.

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 bank, leading the way in Asia, Africa and the Middle East. The Bank has built significant momentum to lead the way in product innovation, service, performance culture, corporate governance and enhancing shareholder value. The strategic agenda for 2010 is set out below:-

- Deliver superior financial performance, in line with the market
- Continuously improve the way we work, to make things simpler, faster and better
- Massively multiply our leadership capability, attracting and retaining more talent and turning managers into true leaders
- Reinforce the brand, making it even more powerful and well-known across our footprint

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Notes to the financial statements for the financial half year ended 30 June 2010

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 2010 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 new/revised Financial Reporting Standards ("FRSs") issued by the MASB which have impact on the accounting policies and financial results of the Bank for the financial period beginning on 1 January 2010:-

- (i) FRS 7, *Financial Instruments: Disclosures*
- (ii) FRS 101, *Presentation of Financial Statements*
- (iii) FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of the above FRSs did not have any material impact on the results of the Bank as the changes are presentation in nature except for FRS 139. The principal effect of changes to the accounting policies arising from the adoption of FRS 139 are disclosed in Note 27 to the financial statements.

Pursuant to the adoption of FRS 101, the Bank's income statement for the financial half year ended 30 June 2010 has been presented as statement of comprehensive income. The changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income.

The adoption of FRS 7 has resulted in changes to the disclosure of financial instruments, whereby the disclosures are now made by categories of financial assets and liabilities. Since these changes only affect the presentation of disclosure items, there is no impact on the financial results of the Bank for the comparative period.

The unaudited interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009. 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 2009.

2. Auditor's report on preceding annual financial statements

The auditor's report on the financial statements for the financial year ended 31 December 2009 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 second quarter and the financial half year ended 30 June 2010.

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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 2010.

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 financial half year ended 30 June 2010.

7. Proposed Dividend

No dividend has been proposed for the second quarter and period ended 30 June 2010.

8. Subsequent events

In the third quarter of 2010, the Bank will be increasing its capital as follows:-

- (i) Increase in the authorised share capital from RM 100,000,000 to RM 1,000,000,000.
- (ii) Increase in the issued and paid up share capital by the issuance of 21,500,000 ordinary shares of RM 1.00 each, at a premium of RM 3.00 per share, to its holding company, Standard Chartered Bank Malaysia Berhad. Upon completion, the issued and paid-up share capital of the Bank will increase from RM 75,000,000 to RM 96,500,000.

9. Changes in the composition of the Bank

There were no significant changes in the composition of the Bank in the financial half year ended 30 June 2010.

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10. Deposits and placements with banks and other financial institutions

	30 June 2010 RM'000	31 December 2009 RM'000
Bank Negara Malaysia	-	-

11. Investment securities available-for-sale

	30 June 2010 RM'000	31 December 2009 RM'000
<u>At fair value</u>		
Bank Negara Malaysia bills	1,224,415	-
Cagamas bonds	25,081	65,250
Islamic negotiable instruments of deposit	35,000	34,992
Government Islamic bonds	-	25,072
Islamic private debt securities	60,305	60,552
	<u>1,344,801</u>	<u>185,866</u>

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

	30 June 2010 RM'000	31 December 2009 RM'000
<u>At amortised cost</u>		
Term financing		
- House financing	495,177	279,564
- Hire purchase receivables	62,489	36,972
- Lease receivables	293,434	218,873
- Other term financing	1,594,764	1,331,143
Bills receivable	1,747	4,364
Trust receipts	348,688	40,020
Claims on customers under acceptance credits	-	-
Staff financing (of which advances to Directors - Nil)	3,382	3,514
Revolving credit	624,962	544,787
	<u>3,424,643</u>	<u>2,459,237</u>
Less: Unearned income	<u>(736,072)</u>	<u>(522,922)</u>
Gross financing and advances	2,688,571	1,936,315
Less: Impairment provisions on financing and advances:-		
- Individual impairment provisions (2009: Specific allowance)	(10,324)	(1,304)
- Collective impairment provisions (2009: General allowance)	<u>(33,569)</u>	<u>(23,741)</u>
Total net financing and advances	<u>2,644,678</u>	<u>1,911,270</u>

(ii) By contract

	30 June 2010 RM'000	31 December 2009 RM'000
Bai Bithaman Ajil (<i>deferred payment sale</i>)	270,065	213,580
Ijarah Thumma Al-Bai (<i>finance lease</i>)	338,119	246,145
Murabahah (<i>cost plus</i>)	345,000	39,687
Bai'Al Inah (<i>sale and buy-back</i>)	1,681,373	1,379,721
Others	54,014	57,182
	<u>2,688,571</u>	<u>1,936,315</u>

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

	30 June 2010 RM'000	31 December 2009 RM'000
Domestic non-bank financial institutions	233,974	262,237
<i>Stockbroking companies</i>	-	-
<i>Others</i>	233,974	262,237
Domestic business enterprises	1,211,343	720,221
<i>Small medium enterprises</i>	68,870	107,782
<i>Others</i>	1,142,473	612,439
Individuals	1,220,428	942,075
Foreign entities	22,826	11,782
	<u>2,688,571</u>	<u>1,936,315</u>

(iv) By profit rate sensitivity

	30 June 2010 RM'000	31 December 2009 RM'000
Fixed rate		
- House financing	4,896	5,471
- Hire purchase receivables	62,489	36,972
- Other financing	1,456,406	928,279
Variable rate		
- House financing	297,014	241,302
- Revolving credit	620,691	535,393
- Other financing	247,075	188,898
	<u>2,688,571</u>	<u>1,936,315</u>

(v) By sector

	30 June 2010 RM'000	31 December 2009 RM'000
Agriculture	26,282	20,005
Mining and quarrying	2,938	1,722
Manufacturing	210,987	117,420
Electricity, gas and water	3,346	-
Construction	89,500	84,504
Real estate	140,070	91,828
Purchase of landed property	231,425	168,140
- <i>Residential</i>	194,120	127,155
- <i>Non-residential</i>	37,305	40,985
Wholesale & retail trade and restaurants & hotels	434,587	134,510
Transport, storage and communication	211,078	202,895
Finance, insurance and business services	296,541	303,896
Consumption credit	1,011,829	785,728
Others	29,988	25,667
	<u>2,688,571</u>	<u>1,936,315</u>

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12. Financing and advances (continued)**(vi) By maturity structure**

	30 June 2010 RM'000	31 December 2009 RM'000
Maturing within one year	1,265,620	799,311
One year to three years	322,141	280,050
Three years to five years	752,297	588,778
Over five years	348,513	268,176
	<u>2,688,571</u>	<u>1,936,315</u>

(vii) By geographical distribution

	30 June 2010 RM'000	31 December 2009 RM'000
Within Malaysia	<u>2,688,571</u>	<u>1,936,315</u>

(viii) Analysis of foreign currency exposure

Financing and advances denominated in currencies other than the functional currency comprise RM259,039,361 (2009: RM30,715,046) of financing, advances and other loans denominated in U.S. Dollar and RM263,707 (2009: RMNil) denominated in other currencies.

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

	30 June 2010 RM'000	31 December 2009 RM'000
At 1 January as previously stated	13,969	9,254
Effect of adoption of FRS 139 (Note 27)	158	-
At 1 January, as restated	<u>14,127</u>	<u>9,254</u>
Classified as impaired during the financial period/year	24,956	47,732
Reclassified as performing during the financial period/year	(556)	(1,415)
Amount recovered during the financial period/year	(3,900)	(3,338)
Amount written off	<u>(21,303)</u>	<u>(38,264)</u>
At end of reporting period/year	13,324	13,969
Individual impairment provisions (2009: Specific allowance)	<u>(10,324)</u>	<u>(1,304)</u>
Net impaired financing and advances	<u><u>3,000</u></u>	<u><u>12,665</u></u>
Ratio of net impaired financing and advances to net financing and advances	<u>0.11%</u>	<u>0.65%</u>

(ii) Movements in impairment provisions for financing and advances

	30 June 2010 RM'000	31 December 2009 RM'000
Collective Impairment Provisions (2009: General allowance)		
At 1 January	23,741	20,881
Impairment provisions made during the financial period/year	<u>9,828</u>	<u>2,860</u>
At end of reporting period/year	<u><u>33,569</u></u>	<u><u>23,741</u></u>
As a percentage of gross financing and advances less impairment provisions	<u>1.3%*</u>	<u>1.2%</u>

* Under Bank Negara Malaysia's ("BNM") Guidelines on Classification and Impairment Provision for Loans/ Financing issued on 8 January 2010, banking institutions are required to maintain collective impairment provisions of at least 1.5% of total outstanding financing and advances, net of individual impairment provisions.

Included in the gross financing and advances of the Bank are RM454,247,000 (2009: RM358,904,000) worth of financing funded by Specific Investment Account ("SIA") placements from 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, Standard Chartered Bank Malaysia Berhad ("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% (2009: 1.5%).

Individual Impairment Provisions (2009: Specific allowance)

At 1 January, as previously stated	1,304	848
Effect of adoption of FRS 139 (Note 27)	<u>9,938</u>	<u>-</u>
	11,242	848
Impairment provisions made during the financial period	21,010	38,990
Amount written back in respect of recoveries	(556)	(270)
Amount written off	<u>(21,372)</u>	<u>(38,264)</u>
At end of reporting period/year	<u><u>10,324</u></u>	<u><u>1,304</u></u>

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

	30 June 2010 RM'000	31 December 2009 RM'000
Purchase of landed property	4,114	4,046
Wholesale & retail trade and restaurants & hotels	168	-
Manufacturing	119	-
Consumption credit	8,923	9,923
	<u>13,324</u>	<u>13,969</u>

(iv) Impaired financing and advances by geographical distribution

	30 June 2010 RM'000	31 December 2009 RM'000
Within Malaysia	<u>13,324</u>	<u>13,969</u>

14. Other assets

	30 June 2010 RM'000	31 December 2009 RM'000
Derivative financial instruments	46,708	24,481
Income receivable	794	2,290
Other receivables, deposit and prepayments	80,623	49,147
	<u>128,125</u>	<u>75,918</u>

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

	30 June 2010 RM'000	31 December 2009 RM'000
Non-Mudharabah		
Demand deposits	459,103	496,521
Savings deposits	105,176	69,250
Negotiable instruments of deposits	323,790	435,776
	<u>888,069</u>	<u>1,001,547</u>
Mudharabah		
General investment deposits	430,856	457,990
	<u>1,318,925</u>	<u>1,459,537</u>

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15. Deposits from customers (continued)

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

	30 June 2010 RM'000	31 December 2009 RM'000
Due within six months	546,237	503,147
Six months to one year	49,278	200,064
One year to three years	75,205	89,539
Three years to five years	-	18,898
Over five years	83,926	82,118
	<u>544,446</u>	<u>833,766</u>

(ii) By type of customers

	30 June 2010 RM'000	31 December 2009 RM'000
Business enterprises	530,828	549,539
Individuals	431,175	451,582
Others	356,922	458,416
	<u>1,318,925</u>	<u>1,459,537</u>

16. Deposits and placements of banks and other financial institutions

	30 June 2010 RM'000	31 December 2009 RM'000
Non-Mudharabah		
Licensed banks	7,407	7,269
Other financial institutions	50,879	187,245
	<u>58,286</u>	<u>194,514</u>
Mudharabah		
Licensed banks	2,956,734	2,572,000
	<u>3,015,020</u>	<u>2,766,514</u>

17. Other liabilities

	30 June 2010 RM'000	31 December 2009 RM'000
Derivative financial instruments	45,724	24,248
Income payable	9,459	4,847
Profit equalisation reserve	7,478	7,478
Other payables and accruals	114,095	202,135
	<u>176,756</u>	<u>238,708</u>
 Profit equalisation reserves:-		
At 1 January	7,478	5,744
Amount provided during the financial period/year	-	1,734
At end of reporting period/year	<u>7,478</u>	<u>7,478</u>

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18. Income derived from investment of depositors' funds and others

	2nd Quarter ended		Six months ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Income derived from investment of:-				
(i) General investment deposits	11,513	16,768	19,128	38,504
(ii) Other deposits	13,824	11,787	39,426	18,887
	<u>25,337</u>	<u>28,555</u>	<u>58,554</u>	<u>57,391</u>

(i) Income derived from investment of general investment deposits

	2nd Quarter ended		Six months ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Finance income and hibah				
Financing and advances	6,658	5,761	10,054	12,764
Investment securities available-for-sale	318	496	505	1,129
Money at call and deposits with financial institutions	3,268	9,257	5,359	26,920
	10,244	15,514	15,918	40,813
Amortisation of premium less accretion of discount	(2,222)	(3,233)	(3,698)	(7,850)
Total finance income and hibah	8,022	12,281	12,220	32,963
Other operating income				
Fees and commission	3,491	4,487	6,908	5,541
	<u>11,513</u>	<u>16,768</u>	<u>19,128</u>	<u>38,504</u>

(ii) Income derived from investment of other deposits

	2nd Quarter ended		Six months ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Finance income and hibah				
Financing and advances	9,306	3,973	20,723	6,261
Investment securities available-for-sale	412	347	1,040	554
Money at call and deposits with financial institutions	4,014	7,436	11,046	13,205
	13,732	11,756	32,809	20,020
Amortisation of premium less accretion of discount	(2,657)	(2,343)	(7,621)	(3,851)
Total finance income and hibah	11,075	9,413	25,188	16,169
Other operating income				
Fees and commission	2,749	2,374	14,238	2,718
	<u>13,824</u>	<u>11,787</u>	<u>39,426</u>	<u>18,887</u>

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19. Income attributable to depositors

	2nd Quarter ended		Six months ended	
	30 June 2010	30 June 2009	30 June 2010 RM'000	30 June 2009 RM'000
Deposits from customers				
- Mudharabah fund	1,701	16,402	3,649	39,206
- Non-Mudharabah fund	1,853	3,041	3,497	5,829
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	13,804	4,158	22,500	10,543
- Non-Mudharabah fund	411	247	454	983
	<u>17,769</u>	<u>23,848</u>	<u>30,100</u>	<u>56,561</u>

20. Income derived from investment of shareholder's funds

	2nd Quarter ended		Six months ended	
	30 June 2010 RM'000	30 June 2009	30 June 2010 RM'000	30 June 2009 RM'000
Finance income and hibah				
Financing and advances	38,315	28,172	71,183	52,811
Investment securities available-for-sale	609	1,330	1,369	2,858
	<u>38,924</u>	<u>29,502</u>	<u>72,552</u>	<u>55,669</u>

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21. Other operating expenses

	2nd Quarter ended		Six months ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Personnel costs				
- Salaries, bonus, wages and allowances	473	247	1,002	459
- Other staff related cost	4	8	103	31
	<u>477</u>	<u>255</u>	<u>1,105</u>	<u>490</u>
Establishment costs				
- Information technology expenses	3	2	9	2
- Utilities and maintenance	4	23	15	59
	<u>7</u>	<u>25</u>	<u>24</u>	<u>61</u>
Marketing expenses				
- Advertisement and publicity	383	961	453	1,023
- Others	10	31	3	46
	<u>393</u>	<u>992</u>	<u>456</u>	<u>1,069</u>
Administration and general expenses				
- Communication expenses	10	6	21	22
- Group administration fees and business support expenses	1,927	1,105	3,056	1,683
- Management fee	15,293	10,807	28,255	19,234
- Others	1,428	636	2,500	982
	<u>18,658</u>	<u>12,554</u>	<u>33,832</u>	<u>21,921</u>
Total other operating expenses	<u>19,535</u>	<u>13,826</u>	<u>35,417</u>	<u>23,541</u>

22. Impairment provisions for financing

	2nd Quarter ended		Six months ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Impairment provisions for financing:-				
Individual impairment provisions (2009: Specific allowance)	10,082	9,245	20,454	16,769
- Made in the financial period	10,501	9,340	21,010	16,900
- Written back in respect of recoveries	(419)	(95)	(556)	(131)
Collective impairment provisions (2009: General allowance)				
- Made in the financial period	11,666	2,200	16,466	4,000
- Written back	(6,638)	-	(6,638)	(150)
	<u>15,110</u>	<u>11,445</u>	<u>30,282</u>	<u>20,619</u>

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23. 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 2010			As at 31 December 2009		
	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	18,788	18,788	17,539	36,203	36,203	35,316
Transaction-related contingent items	20,174	10,087	8,419	17,841	8,921	7,504
Short-term self liquidating trade-related contingencies	10,259	2,052	2,302	54,103	10,820	10,889
Irrevocable commitments to extend credit:-						
- maturity not exceeding one year	585,894	-	-	717,341	-	-
- maturity exceeding one year	59,341	28,532 **	21,062 **	52,347	19,635 **	14,471 **
Foreign exchange related contracts:-						
- less than one year	176,018	2,874	1,128	444,625	11,340	2,489
- one year to less than five years	223,194	24,034	5,585	231,347	20,793	5,042
Profit rate related contracts:-						
- one year to less than five years	10,300,000	232,100	21,857	200,000	6,747	1,349
- five years and above	625,222	52,632	19,818	629,778	61,425	22,615
	<u>12,018,890</u>	<u>371,099</u>	<u>97,710</u>	<u>2,383,585</u>	<u>175,884</u>	<u>99,675</u>

* The credit equivalent amount and the risk weighted amount are arrived at using the credit conversion factor and risk weights respectively, as per Bank Negara Malaysia guidelines.

** Excluded in the credit equivalent and risk weighted amount of the Bank are RM1.1 million (2009: RM6.5 million) and RM1.1 million (2009: RM6.5million) 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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24. 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:-

	30 June 2010 RM'000	31 December 2009 RM'000
Aggregate value of outstanding credit exposures to connected parties	142,976	48,858
As a percentage of total credit exposures	3.9%	1.7%

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

25. Capital adequacy

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

	30 June 2010 RM'000	31 December 2009 RM'000
Tier 1 Capital		
Paid-up ordinary share capital	75,000	75,000
Share premium	225,000	225,000
Other reserves	35,058	15,921
Less: Deferred tax assets	(4,070)	(1,613)
Total Tier 1 Capital	<u>330,988</u>	<u>314,308</u>
Tier 2 Capital		
Collective impairment provisions	<u>33,569</u>	<u>23,741</u>
Total Tier 2 Capital	<u>33,569</u>	<u>23,741</u>
Total Capital Base	<u>364,557</u>	<u>338,049</u>

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

	30 June 2010		31 December 2009	
	Principal amount RM'000	Risk weight amount RM'000	Principal amount RM'000	Risk weight amount RM'000
0%	2,094,511	-	2,617,634	-
10%	-	-	-	-
20%	309,618	61,924	213,792	42,758
50%	277,956	138,978	194,794	97,397
100%	2,057,714	2,057,714	1,550,289	1,550,289
	<u>4,739,799</u>	<u>2,258,616</u>	<u>4,576,509</u>	<u>1,690,444</u>
			30 June 2010 RM'000	31 December 2009 RM'000
Total risk-weighted assets:-				
- credit risk (as above)			2,258,616	1,690,444
- market risk			<u>-</u>	<u>-</u>
			<u>2,258,616</u>	<u>1,690,444</u>
Capital Ratios				
Core capital ratio			14.65%	18.59%
Risk-weighted capital ratio			16.14%	20.00%

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26. Rate of return risk

As at 30 June 2010	Non Trading books								Total RM'000	Effective Profit Rate (%)	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Over 5 years RM'000			Non profit sensitive RM'000
Assets											
Cash and short term funds	698,650	-	-	-	-	-	-	-	12,702	711,352	2.29
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-	-	-
Investment securities available-for-sale	94,570	1,021,067	188,944	30,100	5,046	-	5,074	-	-	1,344,801	2.70
Financing and advances											
- Performing	368,426	206,802	300,716	184,168	346,045	537,471	614,053	82,587	1,410	2,641,678	8.92
- Non-performing	-	-	-	-	-	-	-	-	3,000	3,000	-
Other balances	-	-	-	-	-	-	-	-	150,617	150,617	-
Total assets	1,161,646	1,227,869	489,660	214,268	351,091	537,471	619,127	82,587	167,729	4,851,448	
Liabilities and shareholders' equity											
Deposits from customers	853,826	120,557	186,038	47,965	26,615	-	-	83,924	-	1,318,925	1.23
Deposits and placements of banks and other financial institutions	660,017	207,960	857,171	-	7,407	-	-	1,282,465	-	3,015,020	2.34
Other balances	-	-	-	-	-	-	-	-	182,269	182,269	-
Total liabilities	1,513,843	328,517	1,043,209	47,965	34,022	-	-	1,366,389	182,269	4,516,214	
Shareholder's equity	-	-	-	-	-	-	-	-	335,234	335,234	
Total liabilities and shareholder's equity	1,513,843	328,517	1,043,209	47,965	34,022	-	-	1,366,389	517,503	4,851,448	
On-balance sheet profit sensitivity gap	(352,197)	899,352	(553,549)	166,303	317,069	537,471	619,127	(1,283,802)	(349,774)		
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-		
Total profit sensitivity gap	(352,197)	899,352	(553,549)	166,303	317,069	537,471	619,127	(1,283,802)	(349,774)		

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26. Rate of return risk (continued)

As at 31 December 2009	Non Trading books								Total RM'000	Effective Profit Rate (%)	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	Over 5 years RM'000			Non profit sensitive RM'000
Assets											
Cash and short term funds	2,580,300	-	-	-	-	-	-	-	11,817	2,592,117	2.01
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-	-	-
Investment securities available-for-sale	34,992	25,072	110,693	5,032	5,046	-	5,031	-	-	185,866	2.84
Financing and advances											
- Performing	477,714	91,198	245,955	108,105	156,252	228,066	360,666	229,239	1,410	1,898,605	8.75
- Non performing	-	-	-	-	-	-	-	-	12,665	12,665	-
Other balances	-	-	-	-	-	-	-	-	91,998	91,998	-
Total assets	3,093,006	116,270	356,648	113,137	161,298	228,066	365,697	229,239	117,890	4,781,251	
Liabilities and shareholder's equity											
Deposits from customers	707,557	207,931	353,437	82,407	7,188	18,899	-	82,118	-	1,459,537	1.95
Deposits and placements of banks and other financial institutions	1,495,320	600,000	500,000	-	-	-	7,270	163,924	-	2,766,514	1.86
Other balances	-	-	-	-	-	-	-	-	238,708	238,708	-
Total liabilities	2,202,877	807,931	853,437	82,407	7,188	18,899	7,270	246,042	238,708	4,464,759	
Shareholder's equity	-	-	-	-	-	-	-	-	316,492	316,492	
Total liabilities and shareholder's equity	2,202,877	807,931	853,437	82,407	7,188	18,899	7,270	246,042	555,200	4,781,251	
On-balance sheet profit sensitivity gap	890,129	(691,661)	(496,789)	30,730	154,110	209,167	358,427	(16,803)	(437,310)		
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-		
Total profit sensitivity gap	890,129	(691,661)	(496,789)	30,730	154,110	209,167	358,427	(16,803)	(437,310)		

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27. Significant changes in accounting policies

BNM's revised Guidelines on Financial Reporting for Licensed Institutions issued on 1 January 2005 adopted certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting that are in line FRS 139 principles, which has already been adopted by the Bank. With effect from 1 January 2010, the full adoption of FRS 139, Financial Instruments: Recognition and Measurement ("FRS 139") have resulted in several changes to accounting policies relating to the recognition of income for impaired financings and impairment provisions.

Prior to FRS 139, income accrued and recognised as income prior to the date the financings are classified as impaired are reversed out of income. Thereafter, income on impaired financings were only recognised as income upon recovery. Impairment provisions is made on principal outstanding.

With the adoption of FRS 139, such reversal of income accrued are no longer required. When financings are impaired, impairment provisions is made on principal outstanding and income/fee accrued. Upon impairment, subsequent contractual income due will not be recognised as income as income accrued will be suspended in the balance sheet.

As for collective impairment provisions (previously known as general allowance), BNM's "Guidelines on Classification and Impairment Provisions for Loans/Financing" issued on 8 January 2010 prescribes that banking institutions are required to maintain collective impairment provisions of at least 1.5% of total outstanding financing and advances, net of individual impairment provisions. This is similar to the previous regulatory requirement whereby banking institutions are required to maintain general allowance of at least 1.5% of total outstanding financing and advances, net of specific allowance. The determination of individual impairment provisions is required to be based on reasonable and well documented estimates of the net present value of the future cash flows that the banking institutions expect to recover. Previously, BNM allowed specific allowance to be made based on number of days in arrears of the financing and advances.

	RM'000
Retained earnings	
At 31 December 2009, as previously stated	7,961
Change in treatment of income accrued on impaired financing	
- Impact on impaired loans, advances and financing	158
- Impact on impairment provisions on financing and advances	(36)
Additional impairment provisions on financing and advances required due to financing impairment classification	(9,902)
	(1,819)
Tax effect at 25%	2,445
At 31 December 2009, as restated	626