

Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	Notes	Group		Bank	
		As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
<b>ASSETS</b>					
Cash and short-term funds		2,269,806	1,118,904	2,267,127	1,112,694
Financial investments at fair value through other comprehensive income ("FVOCI")	9	1,052,697	1,353,869	1,052,697	1,353,869
Financial investments at amortised cost	10	660,696	818,565	660,696	818,565
Loans, advances and financing	11	6,512,031	5,800,941	6,512,031	5,800,941
Other assets		18,478	13,525	56,514	112,606
Investment in associate		3,338	3,338	-	-
Property, plant and equipment		128,724	135,590	128,716	135,578
Right-of-use assets		12,913	15,474	12,913	15,474
Investment properties		393,563	393,062	393,563	393,062
Intangible assets		16,131	18,298	16,131	18,298
Tax recoverable		11,189	9,215	7,252	7,251
Deferred tax assets		104,454	104,456	104,454	104,456
<b>TOTAL ASSETS</b>		<b>11,184,020</b>	<b>9,785,237</b>	<b>11,212,094</b>	<b>9,872,794</b>
<b>LIABILITIES</b>					
Deposits from customers	12	4,038,586	3,168,209	4,054,603	3,233,536
Islamic medium-term notes		1,862,748	1,768,072	1,862,748	1,768,072
Borrowings	13	2,296,400	1,875,212	2,296,400	1,875,212
Lease liabilities		13,400	15,797	13,400	15,797
Other liabilities		1,081,773	1,099,904	1,107,406	1,120,599
Government funds		370,135	354,053	370,135	354,053
<b>TOTAL LIABILITIES</b>		<b>9,663,042</b>	<b>8,281,247</b>	<b>9,704,692</b>	<b>8,367,269</b>
<b>EQUITY</b>					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses		(397,106)	(384,688)	(410,682)	(383,153)
Other reserves		68,084	38,678	68,084	38,678
<b>TOTAL EQUITY</b>		<b>1,520,978</b>	<b>1,503,990</b>	<b>1,507,402</b>	<b>1,505,525</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,184,020</b>	<b>9,785,237</b>	<b>11,212,094</b>	<b>9,872,794</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	19	<b>2,139,638</b>	<b>1,940,000</b>	<b>2,139,638</b>	<b>1,940,000</b>

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

<b>Group</b>	<b>Notes</b>	<b>Third Quarter Ended</b>		<b>Nine Months Ended</b>	
		<b>30 September 2020</b>	<b>30 September 2019</b>	<b>30 September 2020</b>	<b>30 September 2019</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	14	2,362	3,290	6,068	13,940
Interest expense	15	(12,674)	(13,304)	(38,800)	(40,520)
<b>Net interest expense</b>		<b>(10,312)</b>	<b>(10,014)</b>	<b>(32,732)</b>	<b>(26,580)</b>
Gross income from Islamic banking business	21	82,658	90,390	259,991	288,382
Other operating income	16	818	8,771	2,532	10,186
<b>Net income</b>		<b>73,164</b>	<b>89,147</b>	<b>229,791</b>	<b>271,988</b>
Other operating expenses	17	(62,505)	(57,258)	(185,566)	(138,258)
<b>Operating profit</b>		<b>10,659</b>	<b>31,889</b>	<b>44,225</b>	<b>133,730</b>
Writeback/(Allowances) for impairment losses on :					
- loans, advances and financing	18	10,551	8,032	(11,604)	(45,384)
- commitments and contingencies		(611)	92	(546)	116
- financial investments at FVOCI	9	5	7	(5,861)	(3,317)
- financial investments at amortised cost	10	(2)	(594)	563	(581)
- other assets at amortised cost		583	(305)	192	(868)
<b>Profit before tax expense and zakat</b>		<b>21,185</b>	<b>39,121</b>	<b>26,969</b>	<b>83,696</b>
Tax expense		(248)	(545)	(745)	(1,130)
Zakat		358	1,568	(1,642)	(432)
<b>Profit for the period</b>		<b>21,295</b>	<b>40,144</b>	<b>24,582</b>	<b>82,134</b>
<b>Other comprehensive income/(loss)</b>					
<b>Item that may be reclassified to profit or loss:</b>					
Unrealised gain on revaluation of financial investments at FVOCI		8,030	16,765	23,545	42,365
Changes in expected credit losses on financial investments at FVOCI		(5)	(7)	5,861	3,317
<b>Other comprehensive income for the period, net of tax</b>		<b>8,025</b>	<b>16,758</b>	<b>29,406</b>	<b>45,682</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>29,320</b>	<b>56,902</b>	<b>53,988</b>	<b>127,816</b>
Profit for the period attributable to owner of the Bank		21,295	40,144	24,582	82,134
Total comprehensive income attributable to owner of the Bank		29,320	56,902	53,988	127,816

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)*

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

<b>Bank</b>	<b>Notes</b>	<b>Third Quarter Ended</b>		<b>Nine Months Ended</b>	
		<b>30 September 2020</b>	<b>30 September 2019</b>	<b>30 September 2020</b>	<b>30 September 2019</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	14	2,362	3,290	6,068	13,940
Interest expense	15	(12,674)	(13,304)	(38,800)	(40,520)
<b>Net interest expense</b>		<b>(10,312)</b>	<b>(10,014)</b>	<b>(32,732)</b>	<b>(26,580)</b>
Gross income from Islamic banking business	21	84,071	93,907	265,944	281,619
Other operating income	16	477	1,065	1,184	2,480
<b>Net income</b>		<b>74,236</b>	<b>84,958</b>	<b>234,396</b>	<b>257,519</b>
Other operating expenses	17	(61,616)	(56,660)	(182,564)	(136,274)
<b>Operating profit</b>		<b>12,620</b>	<b>28,298</b>	<b>51,832</b>	<b>121,245</b>
Writeback/(Allowances) for impairment losses on :					
- loans, advances and financing	18	1,530	(12,262)	(24,664)	(66,129)
- commitments and contingencies		(611)	92	(546)	116
- financial investments at FVOCI	9	5	7	(5,861)	(3,317)
- financial investments at amortised cost	10	(2)	(594)	563	(581)
- other assets at amortised cost		583	(305)	192	(868)
- other assets at FVOCI		(3,220)	-	(9,658)	-
<b>Profit before tax expense and zakat</b>		<b>10,905</b>	<b>15,236</b>	<b>11,858</b>	<b>50,466</b>
Tax expense		(248)	(545)	(745)	(1,130)
Zakat		358	1,568	(1,642)	(432)
<b>Profit for the period</b>		<b>11,015</b>	<b>16,259</b>	<b>9,471</b>	<b>48,904</b>
<b>Other comprehensive income/(loss)</b>					
<b>Item that may be reclassified to profit or loss:</b>					
Unrealised gain on revaluation of financial investments at FVOCI		8,030	16,765	23,545	42,365
Changes in expected credit losses on financial investments at FVOCI		(5)	(7)	5,861	3,317
<b>Other comprehensive income for the period, net of tax</b>		<b>8,025</b>	<b>16,758</b>	<b>29,406</b>	<b>45,682</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>19,040</b>	<b>33,017</b>	<b>38,877</b>	<b>94,586</b>
Profit for the period attributable to owner of the Bank		11,015	16,259	9,471	48,904
Total comprehensive income attributable to owner of the Bank		19,040	33,017	38,877	94,586

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)*

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

	<=====Attributable to the Owner of the Bank=====>				
	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	Total RM'000
<b>Group</b>					
<b>At 1 January 2020</b>	1,850,000	28,564	10,114	(384,688)	1,503,990
Unrealised gain on revaluation of financial investments at FVOCI	-	23,545		-	23,545
Changes in expected credit losses of financial investments at FVOCI	-	5,861	-	-	5,861
Profit for the period	-	-	-	24,582	24,582
Total comprehensive income for the period	-	29,406	-	24,582	53,988
Transaction with owners : Dividends	-	-	-	(37,000)	(37,000)
<b>At 30 September 2020</b>	<b>1,850,000</b>	<b>57,970</b>	<b>10,114</b>	<b>(397,106)</b>	<b>1,520,978</b>
<b>At 1 January 2019</b>	1,850,000	(4,698)	10,114	(583,618)	1,271,798
Unrealised gain on revaluation of financial investments at FVOCI	-	30,278	-	-	30,278
Reclassification of gains included in profit or loss	-	8,870	-	-	8,870
Changes in expected credit losses of financial investments at FVOCI	-	3,508	-	-	3,508
Income tax relating to components of other comprehensive income	-	(9,394)	-	-	(9,394)
Profit for the year	-	-	-	198,930	198,930
Total comprehensive income for the year	-	33,262	-	198,930	232,192
<b>At 31 December 2019</b>	<b>1,850,000</b>	<b>28,564</b>	<b>10,114</b>	<b>(384,688)</b>	<b>1,503,990</b>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)*

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

	<=====Attributable to the Owner of the Bank=====>				
	Non-distributable				
	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Accumulated losses RM'000	Total RM'000
<b>Bank</b>					
<b>At 1 January 2020</b>	1,850,000	28,564	10,114	(383,153)	1,505,525
Unrealised gain on revaluation of financial investments at FVOCI	-	23,545	-	-	23,545
Changes in expected credit losses of financial investments at FVOCI	-	5,861	-	-	5,861
Profit for the period	-	-	-	9,471	9,471
Total comprehensive income for the period	-	29,406	-	9,471	38,877
Transaction with owners : Dividends	-	-	-	(37,000)	(37,000)
<b>At 30 September 2020</b>	<b>1,850,000</b>	<b>57,970</b>	<b>10,114</b>	<b>(410,682)</b>	<b>1,507,402</b>
<b>At 1 January 2019</b>	1,850,000	(4,698)	10,114	(589,358)	1,266,058
Unrealised gain on revaluation of financial investments at FVOCI	-	30,278	-	-	30,278
Reclassification of gains included in profit or loss	-	8,870	-	-	8,870
Changes in expected credit losses of financial investments at FVOCI	-	3,508	-	-	3,508
Income tax relating to components of other comprehensive income	-	(9,394)	-	-	(9,394)
Profit for the year	-	-	-	206,205	206,205
Total comprehensive income for the year	-	33,262	-	206,205	239,467
<b>At 31 December 2019</b>	<b>1,850,000</b>	<b>28,564</b>	<b>10,114</b>	<b>(383,153)</b>	<b>1,505,525</b>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)*

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**

	Group		Bank	
	As at 30 September 2020 RM'000	As at 30 September 2019 RM'000	As at 30 September 2020 RM'000	As at 30 September 2019 RM'000
<b>Cash flows from/(used in) operating activities</b>				
Profit before tax expense and zakat	26,969	83,696	11,858	50,466
<b>Adjustments for:</b>				
Net impairment loss on loans, advances and financing	30,440	63,373	43,500	84,118
Net impairment writeback on commitment and contingencies	546	(116)	546	(116)
Net impairment loss on financial investment at FVOCI	5,861	3,317	5,861	3,317
Net impairment writeback on financial investment at AC	(563)	581	(563)	581
Impairment loss on other assets at amortised cost	(192)	516	(192)	868
Impairment loss on other assets at FVOCI	-	-	9,658	-
Depreciation of property, plant and equipment	10,001	10,321	9,997	10,314
Depreciation of right-of-use assets	2,560	-	2,560	-
Amortisation of intangible assets	5,648	5,158	5,648	5,141
Government funds released	(2,465)	(2,636)	(2,465)	(2,636)
Income from financial investments at FVOCI	(36,216)	(56,710)	(36,216)	(56,710)
Income from financial investments at amortised cost	(23,063)	(20,383)	(23,063)	(20,383)
Profit expense on medium-term notes	50,356	55,598	50,356	55,598
Profit expense on borrowings	39,625	41,647	39,625	41,647
Finance cost on lease liabilities	414	-	414	-
Profit income on amount due from a subsidiary company	-	-	(9,658)	-
<b>Operating profit before working capital changes</b>	<b>109,921</b>	<b>184,362</b>	<b>107,866</b>	<b>172,205</b>
Changes in working capital:				
Net changes in operating assets	(746,289)	139,046	(698,302)	252,302
Net changes in operating liabilities	855,954	328,870	811,579	229,162
<b>Cash generated from operating activities</b>	<b>219,586</b>	<b>652,278</b>	<b>221,143</b>	<b>653,669</b>
Interest and profit paid	(90,799)	(177,674)	(90,799)	(177,674)
Interest and profit received	667,429	48,477	667,429	48,477
Tax and zakat paid	(5,070)	(3,523)	(3,096)	(3,523)
Tax refund	-	235	-	235
<b>Net cash generated from operating activities</b>	<b>791,146</b>	<b>519,793</b>	<b>794,677</b>	<b>521,184</b>
<b>Cash flows from/(used in) investing activities</b>				
Net proceeds from financial investment	(125,000)	395,000	(125,000)	395,000
Net purchase of property, plant and equipment	(3,135)	(5,261)	(3,135)	(5,261)
Net purchase of investment properties	(501)	-	(501)	-
Net purchase of intangible assets	(3,480)	(7,463)	(3,480)	(7,463)
<b>Net cash (used in)/generated from investing activities</b>	<b>(132,116)</b>	<b>382,276</b>	<b>(132,116)</b>	<b>382,276</b>
<b>Cash flows from/(used in) financing activities</b>				
Dividend paid	(37,000)	-	(37,000)	-
Net proceeds from Sukuk	100,000	(50,000)	100,000	(50,000)
Net proceeds/(payments) of borrowings	416,682	(33,028)	416,682	(33,028)
Proceed from government funds	15,000	20,000	15,000	20,000
Payment of lease liabilities	(2,810)	-	(2,810)	-
<b>Net cash generated/(used in) from financing activities</b>	<b>491,872</b>	<b>(63,028)</b>	<b>491,872</b>	<b>(63,028)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,150,902</b>	<b>839,041</b>	<b>1,154,433</b>	<b>840,432</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,118,904</b>	<b>485,308</b>	<b>1,112,694</b>	<b>481,615</b>
<b>Cash and cash equivalents at end of year</b>	<b>2,269,806</b>	<b>1,324,349</b>	<b>2,267,127</b>	<b>1,322,047</b>
<b>Cash and cash equivalents comprise:</b>				
- Cash and short term funds	2,269,806	1,324,349	2,267,127	1,322,047

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134")  
Interim Financial Reporting**

**1. Basis of preparation**

The unaudited condensed interim financial statements for the Group and the Bank have been prepared under the historical cost convention except for the following assets that are stated at fair values: investment securities at fair value through other comprehensive income (FVOCI), derivative financial instruments and investment properties.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB").

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2019. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2019.

The unaudited condensed interim financial statements incorporate those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits, granting of financing under the principles of Shariah and providing entrepreneur training.

The accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2019 except for adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRS") and annual improvements to MFRSs, effective for annual periods beginning on or after 1 January 2020:-

- Amendments to References to the Conceptual Framework in MFRS Standards
- Definition of a Business (Amendments to MFRS 3)
- Definition of Material (Amendments to MFRS 101 and MFRS 108)
- Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 107)
- COVID-19 Related Rent Concessions (MFRS 16)

Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak

On 25 March 2020, BNM implemented additional measures to assist borrowers/customers who experience temporary financial constraints due to the COVID-19. Banking institutions granted an automatic moratorium on all loan/financing repayments/payments, principal and interest (except for credit card balances) by individuals and small-medium enterprise ("SME") borrowers/customers for a period of 6 months from 1 April 2020 until 30 September 2020.

For corporate borrowers/customers, banking institutions are strongly encouraged to facilitate requests for a moratorium on loan/financing repayment/payment, additional financing to support immediate cash flows and the rescheduling and restructuring ("R&R") of existing facilities in a way that will enable viable corporations to preserve jobs and swiftly resume economic activities when conditions stabilise and improve.

**2. Summary of Significant Accounting Policies**

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2019 were prepared in accordance with MFRS and International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2019.

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**3. Significant Accounting Estimates and Judgements**

The preparation of unaudited condensed interim financial statements requires management to make judgement, estimates and assumption that affect the application of accounting policies and the reported amounts of income, expenses, assets, liabilities, the accompanying disclosure and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current event and actions, actual results may differ.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the financial year ended 31 December 2019.

**4. Auditors' report on preceding audited annual financial statements**

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2019 was not qualified.

**5. Seasonal or cyclical factors**

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the third quarter ended 30 September 2020.

**6. Unusual items due to their nature, size or incidence**

Other than the impact of COVID-19 outbreak and the measures implemented by BNM to assist borrowers/customers affected by the outbreak, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank in the third quarter ended 30 September 2020.

**7. Changes in estimates**

There were no material changes in estimates that have a material effect in the third quarter ended 30 September 2020.

**8. Dividends**

During the financial period ended 30 September 2020, a final dividend of 2.00 sen per share for the financial year ended 31 December 2019, amounting to RM37,000,000 was paid on 28 July 2020.



**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**9. Financial investments at FVOCI**

	<b>Group and Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	381,493	531,107
<b>Non-money market instruments</b>		
Equity securities		
- Private debt securities	31,203	30,392
- Unquoted shares	8,984	8,984
Debt securities		
- Private debt securities	631,017	783,386
	<u>671,204</u>	<u>822,762</u>
<b>Total financial investment at FVOCI</b>	<u>1,052,697</u>	<u>1,353,869</u>

No loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve.

Movements in allowances for impairment which reflects the expected credit loss ("ECL") model on impairment, recognised in other comprehensive income are as follows:

	<b>Group and Bank</b>			<b>Total RM'000</b>
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	
At 1 January 2020	153	3,656	10,000	13,809
(Writeback)/Allowances made due to changes in credit risk	(133)	6,008	-	5,875
Financial investments derecognised	(14)	-	-	(14)
At 30 September 2020	<u>6</u>	<u>9,664</u>	<u>10,000</u>	<u>19,670</u>
At 1 January 2019	301	-	10,000	10,301
(Writeback)/Allowances made due to changes in credit risk	(125)	3,656	-	3,531
New financial investments originated	1	-	-	1
Financial investments derecognised	(24)	-	-	(24)
At 31 December 2019	<u>153</u>	<u>3,656</u>	<u>10,000</u>	<u>13,809</u>

The impairment losses by external rating grade are as follows:

<i>External rating grade</i>	<b>Group and Bank</b>			<b>Total RM'000</b>
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	
MARC AA-	6	-	-	6
RAM BB	-	9,664	-	9,664
RAM C^	-	-	10,000	10,000
At 30 September 2020	<u>6</u>	<u>9,664</u>	<u>10,000</u>	<u>19,670</u>

^ The nominal amount of certain private debt securities were impaired in full due to qualitative factors.

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**9. Financial investments at FVOCI (cont'd.)**

The impairment losses by external rating grade are as follows (cont'd.):

<i>External rating grade</i>	<b>Group and Bank</b>			<b>Total RM'000</b>
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	
RAM AAA	2	-	-	2
MARC AAA	11	-	-	11
RAM AA	16	-	-	16
MARC AA	3	-	-	3
MARC AA-	121	-	-	121
RAM BB	-	3,656	-	3,656
RAM C^	-	-	10,000	10,000
At 31 December 2019	<u>153</u>	<u>3,656</u>	<u>10,000</u>	<u>13,809</u>

^ The nominal amount of certain private debt securities were impaired in full due to qualitative factors.

**10. Financial investments at amortised cost**

	<b>Group and Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
<b>At amortised cost</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	<u>111,601</u>	<u>111,523</u>
<b>Money market instruments</b>		
Commercial papers	<u>249,602</u>	<u>393,959</u>
<b>Non-money market instruments</b>		
Private debt securities	<u>299,579</u>	<u>313,732</u>
	<u>660,782</u>	<u>819,214</u>
Less: Accumulated impairment losses	<u>(86)</u>	<u>(649)</u>
<b>Total financial investment at amortised cost</b>	<u><b>660,696</b></u>	<u><b>818,565</b></u>

The maturity structure of financial assets at amortised cost are as follows:

	<b>Group and Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Within one year	366,543	433,944
More than one year to three years	233,474	289,374
More than three years to five years	-	35,284
More than five years	<u>60,765</u>	<u>60,612</u>
	<u><b>660,782</b></u>	<u><b>819,214</b></u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**10. Financial investments at amortised cost (cont'd.)**

Movements in allowances for impairment which reflects the expected credit loss ("ECL") model on impairment are as follows:

	<b>Group and Bank</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>Stage 1</b>	<b>Stage 1</b>
At 1 January	649	63
Writeback made due to changes in credit risk	(524)	(20)
New financial investments originated or purchased	5	630
Financial investments derecognised	(44)	(24)
At 30 September / 31 December	86	649

The impairment losses by external rating grade are as follows:

	<b>Group and Bank</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>Stage 1</b>	<b>Stage 1</b>
<i>External rating grade</i>		
RAM AA	1	59
MARC AAA	-	9
MARC AA	4	-
Non-rated	81	581
Total	86	649

The indicative market values of financial investments at amortised cost on government securities, money market instruments and non-money market instruments are as follows:

	<b>Group and Bank</b>	
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian Government Investment Issues	113,711	112,812
Commercial papers	249,602	393,959
Private debt securities	309,719	318,675
	673,032	825,446

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**11. Loans, advances and financing**

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Term loans/ financing				
- Hire purchase	333,872	313,586	296,393	275,898
- Leasing	417	344	75	1
- Other term loans/ financing	5,701,274	5,092,236	5,297,965	4,664,917
Revolving loans/financing	1,548,366	1,435,649	1,525,346	1,423,789
Staff loans/financing	14,632	15,216	14,632	15,216
Gross loans, advances and financing	<u>7,598,561</u>	<u>6,857,031</u>	<u>7,134,411</u>	<u>6,379,821</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 11(ix))	(66,231)	(48,065)	(66,231)	(48,065)
- Stage 2 (Note 11(ix))	(48,262)	(32,696)	(48,262)	(32,696)
- Stage 3 (Note 11(ix))	(972,037)	(975,329)	(507,887)	(498,119)
Net loans, advances and financing	<u>6,512,031</u>	<u>5,800,941</u>	<u>6,512,031</u>	<u>5,800,941</u>
Gross impaired loans, advances and financing (Note 11(vi))	<u>1,672,019</u>	<u>1,716,707</u>	<u>1,207,869</u>	<u>1,239,497</u>
Net impaired loans, advances and financing	<u>699,982</u>	<u>741,378</u>	<u>699,982</u>	<u>741,378</u>

Included in loans, advances and financing for the Group and the Bank are gross loans, advances and financing of RM69,357,000 (2019: RM65,538,000) financed by Government funds.

(i) The maturity structure of gross loans, advances and financing are as follow:

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Within one year	1,599,787	1,312,721	1,259,803	987,769
More than one year to three years	763,886	825,377	715,800	782,827
More than three years to five years	1,025,761	1,039,415	991,884	979,101
More than five years	4,209,127	3,679,518	4,166,924	3,630,124
	<u>7,598,561</u>	<u>6,857,031</u>	<u>7,134,411</u>	<u>6,379,821</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**11. Loans, advances and financing (cont'd.)**

(ii) Gross loans, advances and financing analysed by type of customers are as follows:

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Domestic business enterprise	7,583,929	6,841,815	7,119,779	6,364,605
Individual	14,632	15,216	14,632	15,216
	<u>7,598,561</u>	<u>6,857,031</u>	<u>7,134,411</u>	<u>6,379,821</u>

(iii) Gross loans, advances and financing analysed by industry are as follows:

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Constructions	1,305,943	1,264,185	1,303,212	1,261,329
Education, health and others	635,373	601,421	588,532	553,552
Electricity, gas and water supply	93,487	34,526	93,487	34,526
Financial, insurance, real estate and business services	1,087,575	1,059,269	1,084,629	1,056,332
Manufacturing	1,295,946	1,143,719	1,201,511	1,053,236
Mining and quarrying	124,420	77,883	122,424	75,887
Primary agriculture	6,739	5,980	6,483	5,729
Transportation, storage and communication	917,205	822,351	871,014	776,124
Wholesale, retail trade, restaurants and hotels	2,117,241	1,832,481	1,848,487	1,547,890
Others	14,632	15,216	14,632	15,216
	<u>7,598,561</u>	<u>6,857,031</u>	<u>7,134,411</u>	<u>6,379,821</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**11. Loans, advances and financing (cont'd.)**

(iv) Gross loans, advances and financing analysed by location and sector are as follows:

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	658,636	41,431	271,119	82,978	81,454	170,325	1,305,943
Education, health and others	420,491	27,543	59,176	80,840	24,400	22,923	635,373
Electricity, gas and water supply	82,639	2,227	3,183	2,607	2,831	-	93,487
Financial, insurance, real estate and business services	713,942	65,495	120,114	23,731	79,132	85,161	1,087,575
Manufacturing	675,950	198,797	181,668	146,196	50,663	42,672	1,295,946
Mining and quarrying	65,655	-	17,767	19,138	17,452	4,408	124,420
Primary agriculture	404	2	1,000	-	5,012	321	6,739
Transportation, storage and communication	481,405	152,037	62,547	96,368	45,738	79,110	917,205
Wholesale, retail trade, restaurants and hotels	1,030,740	276,267	135,760	258,842	267,007	148,625	2,117,241
Others	14,632	-	-	-	-	-	14,632
<b>At 30 September 2020</b>	<b>4,144,494</b>	<b>763,799</b>	<b>852,334</b>	<b>710,700</b>	<b>573,689</b>	<b>553,545</b>	<b>7,598,561</b>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**11. Loans, advances and financing (cont'd.)**

(iv) Gross loans, advances and financing analysed by location and sector are as follows: (cont'd.)

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	650,601	34,214	284,171	70,984	75,610	148,605	1,264,185
Education, health and others	401,814	24,755	59,578	72,439	21,438	21,397	601,421
Electricity, gas and water supply	30,106	-	-	2,505	1,915	-	34,526
Financial, insurance, real estate and business services	735,698	91,266	95,078	15,557	75,866	45,804	1,059,269
Manufacturing	609,498	149,848	162,168	139,752	43,341	39,112	1,143,719
Mining and quarrying	35,042	-	7,428	14,413	17,874	3,126	77,883
Primary agriculture	725	-	504	22	4,651	78	5,980
Transportation, storage and communication	436,132	101,616	61,265	107,320	38,324	77,694	822,351
Wholesale, retail trade, restaurants and hotels	942,862	196,724	108,558	214,691	242,985	126,661	1,832,481
Others	15,216	-	-	-	-	-	15,216
At 31 December 2019	<b>3,857,694</b>	<b>598,423</b>	<b>778,750</b>	<b>637,683</b>	<b>522,004</b>	<b>462,477</b>	<b>6,857,031</b>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**11. Loans, advances and financing (cont'd.)**

(iv) Gross loans, advances and financing analysed by location and sector are as follows: (cont'd.)

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	655,905	41,431	271,119	82,978	81,454	170,325	1,303,212
Education, health and others	373,650	27,543	59,176	80,840	24,400	22,923	588,532
Electricity, gas and water supply	82,639	2,227	3,183	2,607	2,831	-	93,487
Financial, insurance, real estate and business services	710,996	65,495	120,114	23,731	79,132	85,161	1,084,629
Manufacturing	581,515	198,797	181,668	146,196	50,663	42,672	1,201,511
Mining and quarrying	63,659	-	17,767	19,138	17,452	4,408	122,424
Primary agriculture	148	2	1,000	-	5,012	321	6,483
Transportation, storage and communication	435,214	152,037	62,547	96,368	45,738	79,110	871,014
Wholesale, retail trade, restaurants and hotels	761,986	276,267	135,760	258,842	267,007	148,625	1,848,487
Others	14,632	-	-	-	-	-	14,632
At 30 September 2020	<b>3,680,344</b>	<b>763,799</b>	<b>852,334</b>	<b>710,700</b>	<b>573,689</b>	<b>553,545</b>	<b>7,134,411</b>



**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**11. Loans, advances and financing (cont'd.)**

(iv) Gross loans, advances and financing analysed by location and sector are as follows: (cont'd.)

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	647,745	34,214	284,171	70,984	75,610	148,605	1,261,329
Education, health and others	353,945	24,755	59,578	72,439	21,438	21,397	553,552
Electricity, gas and water supply	30,106	-	-	2,505	1,915	-	34,526
Financial, insurance, real estate and business services	732,761	91,266	95,078	15,557	75,866	45,804	1,056,332
Manufacturing	519,015	149,848	162,168	139,752	43,341	39,112	1,053,236
Mining and quarrying	33,046	-	7,428	14,413	17,874	3,126	75,887
Primary agriculture	474	-	504	22	4,651	78	5,729
Transportation, storage and communication	389,905	101,616	61,265	107,320	38,324	77,694	776,124
Wholesale, retail trade, restaurants and hotels	658,271	196,724	108,558	214,691	242,985	126,661	1,547,890
Others	15,216	-	-	-	-	-	15,216
At 31 December 2019	<b>3,380,484</b>	<b>598,423</b>	<b>778,750</b>	<b>637,683</b>	<b>522,004</b>	<b>462,477</b>	<b>6,379,821</b>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**11. Loans, advances and financing (cont'd.)**

(v) Gross loans, advances and financing analysed by interest/profit rate sensitivity as follows:

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Fixed rate:				
- Staff loan/financing	14,632	15,216	14,632	15,216
- Hire purchase	206,209	212,519	169,607	175,708
- Leasing	417	344	75	1
- Other term loans/financing	1,807,845	1,451,579	1,542,520	1,166,844
- Revolving loans/financing	465,652	213,649	442,690	201,847
Variable rate				
- Hire purchase receivables	127,663	101,067	126,786	100,190
- Other term loans/financing	3,893,429	3,640,657	3,755,445	3,498,073
- Revolving loans/financing	1,082,714	1,222,000	1,082,656	1,221,942
	<u>7,598,561</u>	<u>6,857,031</u>	<u>7,134,411</u>	<u>6,379,821</u>

(vi) Gross impaired loans, advances and financing by industry as follows:

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Constructions	125,593	178,370	122,862	175,514
Education, health and others	157,433	156,718	110,592	108,849
Financial, insurance, real estate and business services	255,504	231,441	252,558	228,504
Manufacturing	330,703	336,485	236,268	246,002
Mining and quarrying	5,730	4,140	3,734	2,144
Primary agriculture	534	523	278	272
Transportation, storage and communication	175,807	185,204	129,616	138,977
Wholesale, retail trade, restaurants and hotels	620,715	623,826	351,961	339,235
	<u>1,672,019</u>	<u>1,716,707</u>	<u>1,207,869</u>	<u>1,239,497</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**11. Loans, advances and financing (cont'd.)**

(vii) Gross impaired loans, advances and financing analysed by location and sector are as follows:

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	98,344	2,121	7,991	8,680	6,219	2,238	125,593
Education, health and others	107,543	3,066	18,868	19,823	7,252	881	157,433
Financial, insurance, real estate and business services	207,772	7,824	8,125	3,411	4,556	23,816	255,504
Manufacturing	224,332	13,116	38,964	42,539	6,485	5,267	330,703
Mining and quarrying	5,475	-	-	255	-	-	5,730
Primary agriculture	256	-	66	-	212	-	534
Transportation, storage and communication	127,228	7,018	10,108	12,529	9,112	9,812	175,807
Wholesale, retail trade, restaurants and hotels	429,635	30,243	27,864	48,399	79,287	5,287	620,715
At 30 September 2020	<u>1,200,585</u>	<u>63,388</u>	<u>111,986</u>	<u>135,636</u>	<u>113,123</u>	<u>47,301</u>	<u>1,672,019</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**11. Loans, advances and financing (cont'd.)**

(vii) Gross impaired loans, advances and financing analysed by location and sector are as follows (cont'd.):

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	103,271	2,084	30,418	9,310	8,441	24,846	178,370
Education, health and others	108,138	3,150	17,947	19,628	7,001	854	156,718
Financial, insurance, real estate and business services	206,230	7,487	8,859	3,291	5,426	148	231,441
Manufacturing	225,413	14,059	44,255	41,363	6,294	5,101	336,485
Mining and quarrying	3,846	-	-	294	-	-	4,140
Primary agriculture	251	-	65	-	207	-	523
Transportation, storage and communication	131,952	6,490	15,325	12,471	9,660	9,306	185,204
Wholesale, retail trade, restaurants and hotels	426,486	29,996	27,457	53,479	80,941	5,467	623,826
At 31 December 2019	<u>1,205,587</u>	<u>63,266</u>	<u>144,326</u>	<u>139,836</u>	<u>117,970</u>	<u>45,722</u>	<u>1,716,707</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**11. Loans, advances and financing (cont'd.)**

(vii) Gross impaired loans, advances and financing analysed by location and sector are as follows (cont'd.):

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	95,613	2,121	7,991	8,680	6,219	2,238	122,862
Education, health and others	60,702	3,066	18,868	19,823	7,252	881	110,592
Financial, insurance, real estate and business services	204,826	7,824	8,125	3,411	4,556	23,816	252,558
Manufacturing	129,897	13,116	38,964	42,539	6,485	5,267	236,268
Mining and quarrying	3,479	-	-	255	-	-	3,734
Primary agriculture	-	-	66	-	212	-	278
Transportation, storage and communication	81,037	7,018	10,108	12,529	9,112	9,812	129,616
Wholesale, retail trade, restaurants and hotels	160,881	30,243	27,864	48,399	79,287	5,287	351,961
<b>At 30 September 2020</b>	<b>736,435</b>	<b>63,388</b>	<b>111,986</b>	<b>135,636</b>	<b>113,123</b>	<b>47,301</b>	<b>1,207,869</b>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**11. Loans, advances and financing (cont'd.)**

(vii) Gross impaired loans, advances and financing analysed by location and sector are as follows (cont'd.):

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	100,415	2,084	30,418	9,310	8,441	24,846	175,514
Education, health and others	60,269	3,150	17,947	19,628	7,001	854	108,849
Financial, insurance, real estate and business services	203,293	7,487	8,859	3,291	5,426	148	228,504
Manufacturing	134,930	14,059	44,255	41,363	6,294	5,101	246,002
Mining and quarrying	1,850	-	-	294	-	-	2,144
Primary agriculture	-	-	65	-	207	-	272
Transportation, storage and communication	85,725	6,490	15,325	12,471	9,660	9,306	138,977
Wholesale, retail trade, restaurants and hotels	141,895	29,996	27,457	53,479	80,941	5,467	339,235
At 31 December 2019	<u>728,377</u>	<u>63,266</u>	<u>144,326</u>	<u>139,836</u>	<u>117,970</u>	<u>45,722</u>	<u>1,239,497</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**
**11. Loans, advances and financing (cont'd.)**

(viii) Movements in impaired loans, advances and financing are as follows:

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
At 1 January	1,716,707	2,005,646	1,239,497	1,482,802
-Transfers to Stage 1	(7,607)	(68,261)	(7,607)	(68,261)
-Transfers to Stage 2	(342)	(27,161)	(342)	(27,161)
-Transfers to Stage 3	30,475	198,176	30,475	198,176
	<u>1,739,233</u>	<u>2,108,400</u>	<u>1,262,023</u>	<u>1,585,556</u>
Settlement/additional drawdown	(9,466)	119,103	3,594	119,103
New financial assets originated	1,579	88,913	1,579	88,913
Financial assets derecognised	(59,327)	(291,848)	(59,327)	(246,214)
Write-off/Write-down	-	(307,861)	-	(307,861)
	<u>1,672,019</u>	<u>1,716,707</u>	<u>1,207,869</u>	<u>1,239,497</u>

(ix) Movement in loss allowances which reflect the ECL model on impairment are as follows:

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2020	48,065	32,696	975,329	1,056,090
-Transfers to Stage 1	7,436	(4,261)	(3,175)	-
-Transfers to Stage 2	(1,895)	1,944	(49)	-
-Transfers to Stage 3	(73)	(2,742)	2,815	-
	<u>5,468</u>	<u>(5,059)</u>	<u>(409)</u>	<u>-</u>
Net remeasurement of allowances	1,393	21,039	7,122	29,554
New financial assets originated	19,059	62	55	19,176
Financial assets derecognised	(7,754)	(476)	(10,060)	(18,290)
At 30 September 2020	<u>66,231</u>	<u>48,262</u>	<u>972,037</u>	<u>1,086,530</u>
At 1 January 2019	42,799	55,642	1,246,237	1,344,678
-Transfers to Stage 1	39,963	(22,361)	(17,602)	-
-Transfers to Stage 2	(1,780)	14,452	(12,672)	-
-Transfers to Stage 3	(885)	(11,501)	12,386	-
	<u>37,298</u>	<u>(19,410)</u>	<u>(17,888)</u>	<u>-</u>
Net remeasurement of allowances	(39,039)	618	68,482	30,061
New financial assets originated	15,575	2,442	63,635	81,652
Financial assets derecognised	(8,568)	(6,596)	(77,276)	(92,440)
Amount written off	-	-	(307,861)	(307,861)
At 31 December 2019	<u>48,065</u>	<u>32,696</u>	<u>975,329</u>	<u>1,056,090</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**11. Loans, advances and financing (cont'd.)**

(ix) Movement in loss allowances which reflect the ECL model on impairment are as follows (cont'd.):

<b>Bank</b>	<b>Stage1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
At 1 January 2020	48,065	32,696	498,119	578,880
-Transfers to Stage 1	7,436	(4,261)	(3,175)	-
-Transfers to Stage 2	(1,895)	1,944	(49)	-
-Transfers to Stage 3	(73)	(2,742)	2,815	-
	5,468	(5,059)	(409)	-
Net remeasurement of allowances	1,393	21,039	20,182	42,614
New financial assets originated	19,059	62	55	19,176
Financial assets derecognised	(7,754)	(476)	(10,060)	(18,290)
At 30 September 2020	66,231	48,262	507,887	622,380
At 1 January 2019	42,799	55,642	723,393	821,834
-Transfers to Stage 1	39,963	(22,361)	(17,602)	-
-Transfers to Stage 2	(1,780)	14,452	(12,672)	-
-Transfers to Stage 3	(885)	(11,501)	12,386	-
	37,298	(19,410)	(17,888)	-
Net remeasurement of allowances	(39,039)	618	114,116	75,695
New financial assets originated	15,575	2,442	63,635	81,652
Financial assets derecognised	(8,568)	(6,596)	(77,276)	(92,440)
Amount written off	-	-	(307,861)	(307,861)
At 31 December 2019	48,065	32,696	498,119	578,880

(x) Net impaired loans, advances and financing as percentage of net loans, advances and financing are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Net impaired loans, advances and financing as a percentage	10.56%	12.60%	10.56%	12.60%



**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**12. Deposits from customers**

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Term deposit:				
- Commodity Murabahah/Tawarruq	4,038,586	3,168,209	4,054,603	3,233,536

(i) The deposits are sourced from the following types of customers:

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Government and statutory bodies	2,176,913	1,600,048	2,176,913	1,600,048
Business enterprise	1,861,673	1,568,161	1,877,690	1,633,488
	4,038,586	3,168,209	4,054,603	3,233,536

(ii) The maturity structure of deposits is as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Less than three months	2,742,209	2,450,807	2,758,226	2,466,105
Three months to six months	741,144	256,697	741,144	304,519
Six months to one year	555,233	460,705	555,233	462,912
	4,038,586	3,168,209	4,054,603	3,233,536

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**13. Borrowings**

	<b>Group and Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Unsecured borrowings	2,296,400	1,875,212

The maturity structure of the borrowings is as follows:

	<b>Group and Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Within one year	772,544	112,477
More than one year to five years	1,197,633	996,584
More than five years	326,223	766,151
	<u>2,296,400</u>	<u>1,875,212</u>

The unsecured borrowings denominated in RM are sourced from the following:

	<b>Group and Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Borrowings from:		
- Government of Malaysia	(i) 1,001,836	1,029,800
- Other institutions	(ii) 1,294,564	845,412
	<u>2,296,400</u>	<u>1,875,212</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**13. Borrowings (cont'd.)**

**(i) Borrowings from Government of Malaysia**

The borrowings from the Government of Malaysia are repayable as follows:

	<b>Group and Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Maturity structure:		
Within one year	39,209	41,266
More than one year to five years	636,404	622,383
More than five years	326,223	366,151
	<u>1,001,836</u>	<u>1,029,800</u>

The weighted average profit/interest rates on the borrowings from the Government of Malaysia range from 0% to 3% (2019: 0% to 4%) per annum.

**(ii) Borrowings from other institutions**

	<b>Group and Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Bank Negara Malaysia	579,893	89,305
Employee Provident Fund	714,671	756,107
	<u>1,294,564</u>	<u>845,412</u>

The borrowings from other institutions are repayable as follows:

	<b>Group and Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Maturity structure:		
Within one year	733,335	71,211
More than one year to five years	561,229	374,201
More than five years	-	400,000
	<u>1,294,564</u>	<u>845,412</u>

The weighted average profit/interest rates on the borrowings from other institutions range from 0% to 5% (2019: 0% to 5%) per annum.

Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)

## 14. Interest income

Group and Bank	Third Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Interest income from:				
- Loans, advances and financing	2,362	3,266	6,068	10,716
- Debt instruments at FVOCI	-	24	-	3,224
	<u>2,362</u>	<u>3,290</u>	<u>6,068</u>	<u>13,940</u>

## 15. Interest expense

Group and Bank	Third Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Term loans	12,674	13,304	38,800	40,520

## 16. Other operating income

Group	Third Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Fee income	19	105	53	175
<b>Investment in unquoted shares:</b>				
Gross dividend income	-	349	-	349
<b>Other income:</b>				
Recovery income	341	7,706	1,348	7,706
Compensation on late payment charges	359	483	1,024	1,291
Others	99	128	107	665
	<u>799</u>	<u>8,317</u>	<u>2,479</u>	<u>9,662</u>
<b>Total other operating income</b>	<u>818</u>	<u>8,771</u>	<u>2,532</u>	<u>10,186</u>
<b>Bank</b>				
Fee income	19	105	53	175
<b>Investment in unquoted shares:</b>				
Gross dividend income	-	349	-	349
<b>Other income:</b>				
Compensation on late payment charges	359	483	1,024	1,291
Others	99	128	107	665
	<u>458</u>	<u>611</u>	<u>1,131</u>	<u>1,956</u>
<b>Total other operating income</b>	<u>477</u>	<u>1,065</u>	<u>1,184</u>	<u>2,480</u>

**Small Medium Enterprise Development Bank Malaysia Berhad**  
(Incorporated in Malaysia)

**17. Other operating expenses**

Group	Note	Third Quarter Ended		Nine Months Ended	
		30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Personnel expenses	(i)	42,989	40,334	129,742	89,666
Establishment related expenses	(ii)	10,333	10,186	30,737	30,948
Promotion and marketing expenses	(iii)	858	1,023	2,527	2,763
Administration and general expenses	(iv)	8,325	5,715	22,560	14,881
		<u>62,505</u>	<u>57,258</u>	<u>185,566</u>	<u>138,258</u>
<b>(i) Personnel expenses</b>					
Salaries, allowances and bonuses		34,266	31,844	102,855	65,488
Group President/ Chief Executive Officer and Directors' fees and remuneration		474	423	1,297	1,025
Social security cost		246	225	740	589
Contribution to Employee Provident Fund		4,093	3,546	12,573	10,545
Other staff related expenses		3,910	4,296	12,277	12,019
		<u>42,989</u>	<u>40,334</u>	<u>129,742</u>	<u>89,666</u>
<b>(ii) Establishment related expenses</b>					
Depreciation of property, plant and equipment		3,237	3,494	10,001	10,321
Depreciation of right-of-use assets		853	-	2,560	-
Amortisation of intangible assets		1,722	1,721	5,648	5,158
Rental expenses		22	(1,433)	68	2,699
Repairs and maintenance of property, plant and equipment		4,499	6,404	12,460	12,770
		<u>10,333</u>	<u>10,186</u>	<u>30,737</u>	<u>30,948</u>
<b>(iii) Promotion and marketing expenses</b>					
Advertisement and publicity		858	1,023	2,527	2,763
<b>(iv) Administration and general expenses</b>					
Administrative expenses		1,761	1,610	5,614	5,055
Auditors' remuneration		237	242	714	666
General expenses		6,327	3,863	16,232	9,160
		<u>8,325</u>	<u>5,715</u>	<u>22,560</u>	<u>14,881</u>

**Small Medium Enterprise Development Bank Malaysia Berhad**  
**(Incorporated in Malaysia)**

**17. Other operating expenses (cont'd.)**

Bank	Note	Third Quarter Ended		Nine Months Ended	
		30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Personnel expenses	(i)	42,251	39,394	127,541	87,307
Establishment related expenses	(ii)	10,322	10,165	30,701	30,888
Promotion and marketing expenses	(iii)	870	1,089	2,666	2,963
Administration and general expenses	(iv)	8,173	6,012	21,656	15,116
		<u>61,616</u>	<u>56,660</u>	<u>182,564</u>	<u>136,274</u>
<b>(i) Personnel expenses</b>					
Salaries, allowances and bonuses		33,671	31,144	101,203	63,690
Group President/ Chief Executive Officer and Directors' fees and remuneration		474	423	1,297	1,025
Social security cost		242	219	726	572
Contribution to Employee Provident Fund		4,023	3,466	12,275	10,279
Other staff related expenses		3,841	4,142	12,040	11,741
		<u>42,251</u>	<u>39,394</u>	<u>127,541</u>	<u>87,307</u>
<b>(ii) Establishment related expenses</b>					
Depreciation of property, plant and equipment		3,236	3,492	9,997	10,314
Depreciation of right-of-use assets		853	-	2,560	-
Amortisation of intangible assets		1,722	1,714	5,648	5,141
Rental expenses		22	(1,433)	68	2,699
Repairs and maintenance of property, plant and equipment		4,489	6,392	12,428	12,734
		<u>10,322</u>	<u>10,165</u>	<u>30,701</u>	<u>30,888</u>
<b>(iii) Promotion and marketing expenses</b>					
Advertisement and publicity		870	1,089	2,666	2,963
<b>(iv) Administration and general expenses</b>					
Administrative expenses		1,758	1,516	5,598	5,045
Auditors' remuneration		225	217	675	617
General expenses		6,190	4,279	15,383	9,454
		<u>8,173</u>	<u>6,012</u>	<u>21,656</u>	<u>15,116</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**18. Allowances for impairment on loans, advances and financing**

Group	Third Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Allowance for/(writeback of) impairment losses on loans, advances and financing made during the period:				
- Stage 1, net (Note 11(ix))	8,273	3,227	18,166	305
- Stage 2, net (Note 11(ix))	(7,308)	(15,462)	15,566	(7,329)
- Stage 3, net (Note 11(ix))	(6,642)	14,767	(3,292)	70,397
	<u>(5,677)</u>	<u>2,532</u>	<u>30,440</u>	<u>63,373</u>
Impaired loans, advances and financing recovered	<u>(4,874)</u>	<u>(10,564)</u>	<u>(18,836)</u>	<u>(17,989)</u>
<b>Total allowances for impairment on loans, advances and financing</b>	<b><u>(10,551)</u></b>	<b><u>(8,032)</u></b>	<b><u>11,604</u></b>	<b><u>45,384</u></b>
<b>Bank</b>				
Allowance for/(writeback of) impairment losses on loans, advances and financing made during the period:				
- Stage 1, net (Note 11(ix))	8,273	3,227	18,166	305
- Stage 2, net (Note 11(ix))	(7,308)	(15,462)	15,566	(7,329)
- Stage 3, net (Note 11(ix))	2,379	35,061	9,768	91,142
	<u>3,344</u>	<u>22,826</u>	<u>43,500</u>	<u>84,118</u>
Impaired loan, advances and financing recovered	<u>(4,874)</u>	<u>(10,564)</u>	<u>(18,836)</u>	<u>(17,989)</u>
<b>Total allowances for impairment on loans, advances and financing</b>	<b><u>(1,530)</u></b>	<b><u>12,262</u></b>	<b><u>24,664</u></b>	<b><u>66,129</u></b>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**19. Commitment and contingencies**

- (i) Loans, advances and financing related commitments and contingencies of the Group and of the Bank are as follows:

	<b>Group and Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Direct credit substitutes	189,164	160,753
Transaction-related-contingent items	87,251	106,581
Undrawn financing/loans with original maturity more than one year	1,859,596	1,670,833
	<u>2,136,011</u>	<u>1,938,167</u>

- (ii) Capital expenditure commitments of the Group and of the Bank are as follows:

	<b>Group and Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Approved and contracted for Information technology system	3,627	1,833
	<u>3,627</u>	<u>1,833</u>
<b>Total commitments and contingencies</b>	<u>2,139,638</u>	<u>1,940,000</u>

**20. Capital adequacy**

**Capital management**

Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and be able to provide cushion for any potential losses. In line with this objective, the Bank views its capital position as an important key barometer of financial health.



**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**20. Capital adequacy (cont'd.)**

Regulatory capital

In order to support its mandated roles, the Bank has strong and adequate capital to support its business activities on an on-going basis. Bank Negara Malaysia ("BNM") has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital of RM300,000,000 and a minimum Risk Weighted Capital Ratio ("RWCR") of 8% at all times. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

The capital adequacy ratios of the Group and of the Bank are computed in accordance with the requirements of the BNM's Capital Framework for Development Financial Institutions, which is based on the Basel I capital adequacy framework requirements.

The following table set forth capital resources and capital adequacy for the Group and the Bank as at the end of the reporting period:

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
<b><u>Tier I Capital</u></b>				
Paid-up share capital	1,850,000	1,850,000	1,850,000	1,850,000
Accumulated losses	(421,688)	(384,688)	(420,153)	(383,153)
General reserves	10,114	10,114	10,114	10,114
Less: Deferred tax assets	(104,454)	(104,456)	(104,454)	(104,456)
Less: Property revaluation reserve	(232,381)	(232,381)	(232,381)	(232,381)
<b>Total Tier I capital</b>	<b>1,101,591</b>	<b>1,138,589</b>	<b>1,103,126</b>	<b>1,140,124</b>
<b><u>Tier II Capital</u></b>				
General provision for loans, advances and financing*	121,421	87,163	121,421	87,163
Property revaluation reserve <sup>^</sup>	116,191	116,191	116,191	116,191
Government funds <sup>#</sup>	406,587	392,980	406,587	392,980
<b>Total Tier II capital</b>	<b>644,199</b>	<b>596,334</b>	<b>644,199</b>	<b>596,334</b>
<b>Total capital</b>	<b>1,745,790</b>	<b>1,734,923</b>	<b>1,747,325</b>	<b>1,736,458</b>
Less: Investment in subsidiaries	-	-	-	-
<b>Total capital base</b>	<b>1,745,790</b>	<b>1,734,923</b>	<b>1,747,325</b>	<b>1,736,458</b>

\* General provision refers to loss allowance measured at an amount equal to 12mECLs and LTECLs commonly known as Stage 1 and Stage 2 provisions respectively; and regulatory reserves, to the extent they are ascribed to non-credit impaired exposures.

<sup>^</sup> The eligible amount for Tier II Capital is only limited to 50% of property revaluation reserves.

<sup>#</sup> An amount of RM36,452,000 (2019: RM38,927,000) for Teraju Facilitation fund was channelled as placement with profit sharing of 30:70 between the Group and the Bank; and Teraju.

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**20. Capital adequacy (cont'd.)**

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

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
20%	454,676	239,011	454,676	239,011
50%	7,219	425,057	7,219	425,057
100%	9,101,806	7,770,823	9,132,558	7,864,591
	<u>9,563,701</u>	<u>8,434,891</u>	<u>9,594,453</u>	<u>8,528,659</u>

Before deducting dividends:

Core capital ratio	11.518%	13.499%	11.498%	13.368%
Risk-weighted capital ratio	<u>18.254%</u>	<u>20.568%</u>	<u>18.212%</u>	<u>20.360%</u>

After deducting dividends:

Core capital ratio	11.518%	13.060%	11.498%	12.934%
Risk-weighted capital ratio	<u>18.254%</u>	<u>20.130%</u>	<u>18.212%</u>	<u>19.926%</u>

Capital monitoring

The Group's and the Bank's capital are closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Group and the Bank adhere to an internal capital limit that would act as a trigger to the regulatory capital and also as an indicator that allows the Group and the Bank to have the "well capitalised" status. Internal capital limit and regulatory capital requirement are closely monitored, regularly reviewed and reported to senior management and the Board of Directors.

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business**

The state of affairs as at 30 September 2020 and results for the financial period then ended under the Islamic Banking business of the Bank and included in the Group's and the Bank's financial statements are summarised as follows:-

**Unaudited Statements of Financial Position  
As at 30 September 2020**

		Group		Bank	
		As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
<b>Assets</b>					
Cash and short-term funds		2,269,007	1,118,166	2,266,812	1,111,978
Financial investments at FVOCI	21(a)	1,043,713	1,344,885	1,043,713	1,344,885
Financial investments at amortised cost	10	660,696	818,565	660,696	818,565
Advances and financing	21(b)	6,303,877	5,554,595	6,303,877	5,554,595
Other assets		16,121	5,525	55,983	104,444
Property, plant and equipment		128,724	63,199	128,716	63,161
Right-of-use assets		12,913	15,474	12,913	15,474
Investment properties		393,563	393,062	393,563	393,062
Intangible assets		16,131	-	16,131	-
Tax recoverable		3,005	-	-	-
Deferred tax assets		104,454	104,456	104,454	104,456
<b>Total assets</b>		<b>10,952,204</b>	<b>9,417,927</b>	<b>10,986,858</b>	<b>9,510,620</b>
<b>Liabilities</b>					
Deposits from customers	12	4,038,586	3,168,209	4,054,603	3,233,536
Islamic medium-term notes		1,862,748	1,768,072	1,862,748	1,768,072
Term financing	21(c)	737,164	246,867	737,164	246,867
Lease liabilities		13,400	15,797	13,400	15,797
Other liabilities		1,083,427	1,034,300	1,106,144	1,041,486
Amount due to conventional operations		1,399,936	1,552,877	1,650,203	1,818,567
Government funds		370,135	228,220	370,135	228,220
<b>Total liabilities</b>		<b>9,505,396</b>	<b>8,014,342</b>	<b>9,794,397</b>	<b>8,352,545</b>
Islamic general funds		1,446,808	1,403,585	1,192,461	1,158,075
<b>Total liabilities and Islamic banking funds</b>		<b>10,952,204</b>	<b>9,417,927</b>	<b>10,986,858</b>	<b>9,510,620</b>
<b>Commitments</b>		<b>2,122,268</b>	<b>1,927,435</b>	<b>2,122,268</b>	<b>1,927,435</b>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)*

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business**

**Unaudited Statements of Comprehensive Income  
For the third quarter ended 30 September 2020**

Group	Note	Third Quarter Ended		Nine Months Ended	
		30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Income from Islamic banking business	21(d)	119,251	132,522	370,823	398,161
Profit expense attributable to Islamic banking business	21(e)	(42,936)	(49,903)	(135,070)	(145,055)
<b>Gross income from Islamic banking business</b>		76,315	82,619	235,753	253,106
Other operating income	21(f)	6,343	7,771	24,238	35,276
Other operating expenses	21(g)	(60,372)	(55,062)	(178,873)	(131,426)
<b>Operating profit</b>		22,286	35,328	81,118	156,956
Writeback/(Allowances) for impairment losses on :					
- advances and financing	21(h)	4,760	(18,660)	(23,036)	(63,385)
- commitments and contingencies		(589)	81	(521)	108
- financial investments at FVOCI	9	5	7	(5,861)	(3,317)
- financial investments at amortised cost	10	(2)	(594)	563	(581)
- other assets at amortised cost		583	(305)	192	(868)
<b>Profit before tax expense and zakat</b>		27,043	15,857	52,455	88,913
Zakat		358	1,568	(1,642)	(432)
<b>Net profit for the period</b>		27,401	17,425	50,813	88,481
<b>Other comprehensive income</b>					
<b>Item that may be reclassified to profit or loss:</b>					
Unrealised gain on revaluation of financial investments at FVOCI		8,034	-	23,549	21,781
Changes in expected credit losses on financial investments at FVOCI		(5)	(7)	5,861	3,317
<b>Other comprehensive income for the period, net of tax</b>		8,029	(7)	29,410	25,098
<b>Total comprehensive income for the period, net of tax</b>		35,430	17,418	80,223	113,579

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)*

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**Unaudited Statements of Comprehensive Income  
For the third quarter ended 30 September 2020 (cont'd.)**

Bank	Note	Third Quarter Ended		Nine Months Ended	
		30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Income from Islamic banking business	21(d)	119,251	132,522	370,823	398,161
Profit expense attributable to Islamic banking business	21(e)	(42,993)	(50,133)	(135,247)	(146,178)
<b>Gross income from Islamic banking business</b>		<b>76,258</b>	<b>82,389</b>	<b>235,576</b>	<b>251,983</b>
Other operating income	21(f)	7,813	11,518	30,368	29,636
Other operating expenses	21(g)	(59,770)	(54,464)	(176,803)	(129,442)
<b>Operating profit</b>		<b>24,301</b>	<b>39,443</b>	<b>89,141</b>	<b>152,177</b>
(Allowances)/Writeback for impairment losses on :					
- advances and financing		(1,021)	(20,673)	(30,236)	(77,699)
- commitments and contingencies		(589)	81	(521)	108
- financial investments at FVOCI	9	5	7	(5,861)	(3,317)
- financial investments at amortised cost	10	(2)	(594)	563	(581)
- other assets at amortised cost		583	(305)	192	(868)
- other assets at FVOCI		(3,220)	-	(9,658)	-
<b>Profit before tax expense and zakat</b>		<b>20,057</b>	<b>17,959</b>	<b>43,620</b>	<b>69,820</b>
Zakat		358	1,568	(1,642)	(432)
<b>Net profit for the period</b>		<b>20,415</b>	<b>19,527</b>	<b>41,978</b>	<b>69,388</b>
<b>Other comprehensive income</b>					
<b>Item that may be reclassified to profit or loss:</b>					
Unrealised gain on revaluation of financial investments at FVOCI		8,032	-	23,547	21,781
Changes in expected credit losses on financial investments at FVOCI		(5)	(7)	5,861	3,317
<b>Other comprehensive income for the period, net of tax</b>		<b>8,027</b>	<b>(7)</b>	<b>29,408</b>	<b>25,098</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>28,442</b>	<b>19,520</b>	<b>71,386</b>	<b>94,486</b>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)*

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**Statements of changes in Islamic General Funds  
For the third quarter ended 30 September 2020**

<b>Group</b>	<b>Share capital RM'000</b>	<b>Non- distributable fair value reserve RM'000</b>	<b>Distributable retained earnings RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2020</b>	1,050,564	24,107	328,914	1,403,585
Unrealised gain on revaluation of financial investments at FVOCI	-	23,549	-	23,549
Changes in expected credit losses of financial investments at FVOCI	-	5,861	-	5,861
Profit for the period	-	-	50,813	50,813
Total comprehensive income for the period	-	29,410	50,813	80,223
Transaction with owners : Dividends	-	-	(37,000)	(37,000)
<b>At 30 September 2020</b>	<b>1,050,564</b>	<b>53,517</b>	<b>342,727</b>	<b>1,446,808</b>
<b>At 1 January 2019</b>	1,050,564	(5,257)	154,922	1,200,229
Unrealised gain on revaluation of financial investments at FVOCI	-	30,177	-	30,177
Reclassification of gains included in profit or loss	-	3,844	-	3,844
Changes in expected credit losses of financial investments at FVOCI	-	3,508	-	3,508
Income tax relating to components of other comprehensive income	-	(8,165)	-	(8,165)
Profit for the year	-	-	173,992	173,992
Total comprehensive income for the period	-	29,364	173,992	203,356
<b>At 31 December 2019</b>	<b>1,050,564</b>	<b>24,107</b>	<b>328,914</b>	<b>1,403,585</b>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)*

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**Statements of changes in Islamic General Funds  
For the third quarter ended 30 September 2020 (cont'd.)**

<b>Bank</b>	<b>Share capital RM'000</b>	<b>Non- distributable fair value reserve RM'000</b>	<b>(Accumulated losses)/ Distributable retained earnings RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2020</b>	1,050,564	24,107	83,404	1,158,075
Unrealised gain on revaluation of financial investments at FVOCI	-	23,547	-	23,547
Changes in expected credit losses of financial investments at FVOCI	-	5,861	-	5,861
Profit for the period	-	-	41,978	41,978
Total comprehensive income for the period	-	29,408	41,978	71,386
Transaction with owners : Dividends	-	-	(37,000)	(37,000)
<b>At 30 September 2020</b>	<b>1,050,564</b>	<b>53,515</b>	<b>88,382</b>	<b>1,192,461</b>
<b>At 1 January 2019</b>	1,050,564	(5,257)	(147,698)	897,609
Unrealised gain on revaluation of financial investments at FVOCI	-	30,177	-	30,177
Reclassification of gains included in profit or loss	-	3,844	-	3,844
Changes in expected credit losses of financial investments at FVOCI	-	3,508	-	3,508
Income tax relating to components of other comprehensive income	-	(8,165)	-	(8,165)
Profit for the year	-	-	231,102	231,102
Total comprehensive income for the period	-	29,364	231,102	260,466
<b>At 31 December 2019</b>	<b>1,050,564</b>	<b>24,107</b>	<b>83,404</b>	<b>1,158,075</b>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)*

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(a) Financial investments at FVOCI**

	<b>Group and Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	381,493	531,107
<b>Non-money market instruments</b>		
Equity securities - Private debt securities	31,203	30,392
Debt securities - Private debt securities	631,017	783,386
	<u>662,220</u>	<u>813,778</u>
<b>Total financial investment at FVOCI</b>	<u>1,043,713</u>	<u>1,344,885</u>

No loss allowance is recognised in the statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the fair value reserve. The movement in allowances for impairment which reflects the ECL model on impairment are as disclosed in Note 9.

**(b) Advances and financing**

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Bai' Bithaman Ajil	1,509	1,509	-	-
Bai' Dayn	7,058	8,424	7,058	8,424
Bai' Inah	49,115	48,037	47,840	46,759
Istisna'	126,980	140,998	118,373	131,640
Ijarah	84	84	-	-
Ijarah Thumma Al-Bai	359,004	357,413	297,769	292,838
Murabahah	1,719,326	1,937,358	1,653,610	1,868,535
Tawarruq	4,784,073	3,768,903	4,784,068	3,768,898
Gross advances and financing	<u>7,047,149</u>	<u>6,262,726</u>	<u>6,908,718</u>	<u>6,117,094</u>
Less: Allowance for impairment losses on				
- Stage 1 (Note 21(b)(x))	(65,919)	(47,627)	(65,919)	(47,627)
- Stage 2 (Note 21(b)(x))	(45,191)	(30,559)	(45,191)	(30,559)
- Stage 3 (Note 21(b)(x))	(632,162)	(629,945)	(493,731)	(484,313)
Net advances and financing	<u>6,303,877</u>	<u>5,554,595</u>	<u>6,303,877</u>	<u>5,554,595</u>
Gross impaired advances and financing (Note 21(b)(vii))	<u>1,255,067</u>	<u>1,276,942</u>	<u>1,116,636</u>	<u>1,131,310</u>
Net impaired advances and financing	<u>622,905</u>	<u>646,997</u>	<u>622,905</u>	<u>646,997</u>

Included in advances and financing are gross advances and financing amounting to RM69,357,000 (2019: RM65,538,000) financed by the Government funds.



**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(i) The maturity profile of the gross advances and financing are as follows:

	Group		Bank	
	As at 30	As at 31	As at 30	As at 31
	September	December	September	December
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	1,368,326	1,089,603	1,244,556	971,539
More than one year to three years	699,173	783,841	693,865	763,712
More than three years to five years	985,234	946,895	977,074	945,706
More than five years	3,994,416	3,442,387	3,993,223	3,436,137
	<u>7,047,149</u>	<u>6,262,726</u>	<u>6,908,718</u>	<u>6,117,094</u>

(ii) Gross advances and financing analysed by type of customers are as follows:

	Group		Bank	
	As at 30	As at 31	As at 30	As at 31
	September	December	September	December
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprise	7,032,530	6,247,863	6,894,099	6,102,231
Individual	14,619	14,863	14,619	14,863
	<u>7,047,149</u>	<u>6,262,726</u>	<u>6,908,718</u>	<u>6,117,094</u>

(iii) Gross advances and financing analysed by industry are as follows:

	Group		Bank	
	As at 30	As at 31	As at 30	As at 31
	September	December	September	December
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Constructions	1,304,573	1,245,497	1,303,184	1,243,983
Education, health and others	616,904	579,777	581,947	543,801
Electricity, gas and water supply	93,487	34,525	93,487	34,525
Financial, insurance, real estate and business services	1,085,473	1,045,021	1,083,652	1,043,192
Manufacturing	1,250,409	1,105,905	1,196,617	1,046,143
Mining and quarrying	122,424	75,887	122,424	75,887
Primary agriculture	6,483	5,729	6,483	5,729
Transportation, storage and communication	859,802	766,109	827,621	734,033
Wholesale, retail trade, restaurants and hotels	1,692,975	1,389,413	1,678,684	1,374,938
Others	14,619	14,863	14,619	14,863
	<u>7,047,149</u>	<u>6,262,726</u>	<u>6,908,718</u>	<u>6,117,094</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(iv) Gross advances and financing analysed by location and sector are as follows:

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	657,295	41,431	271,092	82,978	81,452	170,325	1,304,573
Education, health and others	403,580	27,543	58,058	80,840	23,960	22,923	616,904
Electricity, gas and water supply	82,639	2,227	3,183	2,607	2,831	-	93,487
Financial, insurance, real estate and business services	712,817	65,491	119,141	23,731	79,132	85,161	1,085,473
Manufacturing	633,493	198,271	181,668	143,642	50,663	42,672	1,250,409
Mining and quarrying	63,659	-	17,767	19,138	17,452	4,408	122,424
Primary agriculture	148	2	1,000	-	5,012	321	6,483
Transportation, storage and communication	435,002	145,236	58,351	96,368	45,735	79,110	859,802
Wholesale, retail trade, restaurants and hotels	751,157	254,159	134,780	195,939	208,315	148,625	1,692,975
Others	14,619	-	-	-	-	-	14,619
At 30 September 2020	<b>3,754,409</b>	<b>734,360</b>	<b>845,040</b>	<b>645,243</b>	<b>514,552</b>	<b>553,545</b>	<b>7,047,149</b>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(iv) Gross advances and financing analysed by location and sector are as follows:

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	649,259	34,213	266,827	70,984	75,609	148,605	1,245,497
Education, health and others	381,792	24,755	58,388	72,439	21,005	21,398	579,777
Electricity, gas and water supply	30,106	-	-	2,504	1,915	-	34,525
Financial, insurance, real estate and business services	734,589	89,628	83,578	15,557	75,866	45,803	1,045,021
Manufacturing	574,390	149,326	162,169	137,567	43,340	39,113	1,105,905
Mining and quarrying	33,046	-	7,428	14,413	17,874	3,126	75,887
Primary agriculture	477	-	502	22	4,650	78	5,729
Transportation, storage and communication	390,737	94,781	57,255	107,320	38,321	77,695	766,109
Wholesale, retail trade, restaurants and hotels	645,603	172,639	107,575	152,689	184,245	126,662	1,389,413
Others	14,863	-	-	-	-	-	14,863
At 31 December 2019	<b>3,454,862</b>	<b>565,342</b>	<b>743,722</b>	<b>573,495</b>	<b>462,825</b>	<b>462,480</b>	<b>6,262,726</b>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(iv) Gross advances and financing analysed by location and sector are as follows:

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	655,906	41,431	271,092	82,978	81,452	170,325	1,303,184
Education, health and others	368,623	27,543	58,058	80,840	23,960	22,923	581,947
Electricity, gas and water supply	82,639	2,227	3,183	2,607	2,831	-	93,487
Financial, insurance, real estate and business services	710,996	65,491	119,141	23,731	79,132	85,161	1,083,652
Manufacturing	579,701	198,271	181,668	143,642	50,663	42,672	1,196,617
Mining and quarrying	63,659	-	17,767	19,138	17,452	4,408	122,424
Primary agriculture	148	2	1,000	-	5,012	321	6,483
Transportation, storage and communication	402,821	145,236	58,351	96,368	45,735	79,110	827,621
Wholesale, retail trade, restaurants and hotels	736,866	254,159	134,780	195,939	208,315	148,625	1,678,684
Others	14,619	-	-	-	-	-	14,619
<b>At 30 September 2020</b>	<b>3,615,978</b>	<b>734,360</b>	<b>845,040</b>	<b>645,243</b>	<b>514,552</b>	<b>553,545</b>	<b>6,908,718</b>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(iv) Gross advances and financing analysed by location and sector are as follows:

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	647,745	34,213	266,827	70,984	75,609	148,605	1,243,983
Education, health and others	345,816	24,755	58,388	72,439	21,005	21,398	543,801
Electricity, gas and water supply	30,106	-	-	2,504	1,915	-	34,525
Financial, insurance, real estate and business services	732,760	89,628	83,578	15,557	75,866	45,803	1,043,192
Manufacturing	514,628	149,326	162,169	137,567	43,340	39,113	1,046,143
Mining and quarrying	33,046	-	7,428	14,413	17,874	3,126	75,887
Primary agriculture	477	-	502	22	4,650	78	5,729
Transportation, storage and communication	358,661	94,781	57,255	107,320	38,321	77,695	734,033
Wholesale, retail trade, restaurants and hotels	631,128	172,639	107,575	152,689	184,245	126,662	1,374,938
Others	14,863	-	-	-	-	-	14,863
At 31 December 2019	<b>3,309,230</b>	<b>565,342</b>	<b>743,722</b>	<b>573,495</b>	<b>462,825</b>	<b>462,480</b>	<b>6,117,094</b>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(v) Gross advances and financing by types and Shariah contracts are as follows:

<b>Group</b>	<b>Hire purchase RM'000</b>	<b>Leasing RM'000</b>	<b>Other term financing RM'000</b>	<b>Revolving financing RM'000</b>	<b>Staff financing RM'000</b>	<b>Total RM'000</b>
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Bai' Dayn	-	-	-	7,058	-	7,058
Bai' Inah	-	-	49,115	-	-	49,115
Istisna'	-	-	126,980	-	-	126,980
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	332,078	-	26,789	137	-	359,004
Murabahah	-	-	1,633,681	71,026	14,619	1,719,326
Tawarruq	-	-	3,327,595	1,456,478	-	4,784,073
<b>At 30 September 2020</b>	<b>332,078</b>	<b>84</b>	<b>5,164,549</b>	<b>1,535,819</b>	<b>14,619</b>	<b>7,047,149</b>
Bai' Bithaman Ajil	-	-	389	1,120	-	1,509
Bai' Dayn	-	-	-	8,424	-	8,424
Bai' Inah	-	-	48,037	-	-	48,037
Istisna'	-	-	140,998	-	-	140,998
Ijarah	-	84	-	-	-	84
Ijarah Thumma Al-Bai	311,796	-	28,857	16,760	-	357,413
Murabahah	-	-	1,831,617	90,878	14,863	1,937,358
Tawarruq	-	-	2,461,417	1,307,486	-	3,768,903
<b>At 31 December 2019</b>	<b>311,796</b>	<b>84</b>	<b>4,511,315</b>	<b>1,424,668</b>	<b>14,863</b>	<b>6,262,726</b>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(v) Gross advances and financing by types and Shariah contracts are as follows:

<b>Bank</b>	<b>Hire purchase RM'000</b>	<b>Other term financing RM'000</b>	<b>Revolving financing RM'000</b>	<b>Staff financing RM'000</b>	<b>Total RM'000</b>
Bai' Dayn	-	-	7,058	-	7,058
Bai' Inah	-	47,840	-	-	47,840
Istisna'	-	118,373	-	-	118,373
Ijarah Thumma Al-Bai Murabahah	296,393	1,239	137	-	297,769
Tawarruq	-	1,581,317	57,674	14,619	1,653,610
At 30 September 2020	-	3,327,595	1,456,473	-	4,784,068
	<u>296,393</u>	<u>5,076,364</u>	<u>1,521,342</u>	<u>14,619</u>	<u>6,908,718</u>
Bai' Dayn	-	-	8,424	-	8,424
Bai' Inah	-	46,759	-	-	46,759
Istisna'	-	131,640	-	-	131,640
Ijarah Thumma Al-Bai Murabahah	275,897	181	16,760	-	292,838
Tawarruq	-	1,776,270	77,402	14,863	1,868,535
At 31 December 2019	-	2,461,412	1,307,486	-	3,768,898
	<u>275,897</u>	<u>4,416,262</u>	<u>1,410,072</u>	<u>14,863</u>	<u>6,117,094</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(vi) Gross advances and financing analysed by profit rate sensitivity are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Fixed rate				
- Staff financing	14,619	14,863	14,619	14,863
- Hire purchase	204,422	210,736	169,607	175,707
- Leasing	84	84	-	-
- Other term financing	1,420,152	1,041,552	1,337,635	952,210
- Revolving financing	456,849	208,028	442,430	193,490
Variable rate				
- Hire purchase	127,656	101,060	126,786	100,190
- Other term financing	3,744,397	3,469,763	3,738,729	3,464,052
- Revolving financing	1,078,970	1,216,640	1,078,912	1,216,582
	<b>7,047,149</b>	<b>6,262,726</b>	<b>6,908,718</b>	<b>6,117,094</b>

(vii) Gross impaired advances and financing analysed by industry are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Constructions	124,251	159,711	122,862	158,197
Education, health and others	142,870	142,093	107,913	106,117
Financial, insurance, real estate and business services	254,379	230,333	252,558	228,504
Manufacturing	286,869	301,471	233,077	241,709
Mining and quarrying	3,734	2,144	3,734	2,144
Primary agriculture	278	272	278	272
Transportation, storage and communication	125,615	136,286	93,434	104,210
Wholesale, retail trade, restaurants and hotels	317,071	304,632	302,780	290,157
	<b>1,255,067</b>	<b>1,276,942</b>	<b>1,116,636</b>	<b>1,131,310</b>



**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(viii) Gross impaired advances and financing analysed by location and sector are as follows:

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	97,002	2,121	7,991	8,680	6,219	2,238	124,251
Education, health and others	92,980	3,066	18,868	19,823	7,252	881	142,870
Financial, insurance, real estate and business services	206,647	7,824	8,125	3,411	4,556	23,816	254,379
Manufacturing	183,574	12,590	38,964	39,989	6,485	5,267	286,869
Mining and quarrying	3,479	-	-	255	-	-	3,734
Primary agriculture	-	-	66	-	212	-	278
Transportation, storage and communication	81,208	7,018	5,939	12,529	9,109	9,812	125,615
Wholesale, retail trade, restaurants and hotels	168,322	29,812	27,744	31,170	54,736	5,287	317,071
At 30 September 2020	<u>833,212</u>	<u>62,431</u>	<u>107,697</u>	<u>115,857</u>	<u>88,569</u>	<u>47,301</u>	<u>1,255,067</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(viii) Gross impaired advances and financing analysed by location and sector are as follows (cont'd.) :

<b>Group</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	101,929	2,084	13,100	9,310	8,441	24,847	159,711
Education, health and others	93,512	3,150	17,947	19,628	7,001	855	142,093
Financial, insurance, real estate and business services	205,121	7,487	8,859	3,291	5,426	149	230,333
Manufacturing	193,102	13,537	44,255	39,182	6,294	5,101	301,471
Mining and quarrying	1,850	-	-	294	-	-	2,144
Primary agriculture	-	-	65	-	207	-	272
Transportation, storage and communication	87,020	6,490	11,342	12,471	9,657	9,306	136,286
Wholesale, retail trade, restaurants and hotels	-	-	-	-	-	-	-
	148,559	29,579	27,342	36,575	57,111	5,466	304,632
At 31 December 2019	<u>831,093</u>	<u>62,327</u>	<u>122,910</u>	<u>120,751</u>	<u>94,137</u>	<u>45,724</u>	<u>1,276,942</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(viii) Gross impaired advances and financing analysed by location and sector are as follows (cont'd.) :

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	95,613	2,121	7,991	8,680	6,219	2,238	122,862
Education, health and others	58,023	3,066	18,868	19,823	7,252	881	107,913
Financial, insurance, real estate and business services	204,826	7,824	8,125	3,411	4,556	23,816	252,558
Manufacturing	129,782	12,590	38,964	39,989	6,485	5,267	233,077
Mining and quarrying	3,479	-	-	255	-	-	3,734
Primary agriculture	-	-	66	-	212	-	278
Transportation, storage and communication	49,027	7,018	5,939	12,529	9,109	9,812	93,434
Wholesale, retail trade, restaurants and hotels	154,031	29,812	27,744	31,170	54,736	5,287	302,780
At 30 September 2020	<u>694,781</u>	<u>62,431</u>	<u>107,697</u>	<u>115,857</u>	<u>88,569</u>	<u>47,301</u>	<u>1,116,636</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(viii) Gross impaired advances and financing analysed by location and sector are as follows (cont'd.) :

<b>Bank</b>	<b>Central Region RM'000</b>	<b>Northern Region RM'000</b>	<b>Southern Region RM'000</b>	<b>East Coast Region RM'000</b>	<b>Sabah Region RM'000</b>	<b>Sarawak Region RM'000</b>	<b>Total RM'000</b>
Constructions	100,415	2,084	13,100	9,310	8,441	24,847	158,197
Education, health and others	57,536	3,150	17,947	19,628	7,001	855	106,117
Financial, insurance, real estate and business services	203,292	7,487	8,859	3,291	5,426	149	228,504
Manufacturing	133,340	13,537	44,255	39,182	6,294	5,101	241,709
Mining and quarrying	1,850	-	-	294	-	-	2,144
Primary agriculture	-	-	65	-	207	-	272
Transportation, storage and communication	54,944	6,490	11,342	12,471	9,657	9,306	104,210
Wholesale, retail trade, restaurants and hotels	134,084	29,579	27,342	36,575	57,111	5,466	290,157
At 31 December 2019	<u>685,461</u>	<u>62,327</u>	<u>122,910</u>	<u>120,751</u>	<u>94,137</u>	<u>45,724</u>	<u>1,131,310</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(ix) Movements in impaired advances and financing are as follows:

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
At 1 January	1,276,942	1,492,925	1,131,310	1,344,872
-Transfers to Stage 1	(7,120)	(68,261)	(7,120)	(68,261)
-Transfers to Stage 2	(342)	(27,161)	(342)	(27,161)
-Transfers to Stage 3	30,475	184,757	30,475	184,757
	<u>1,299,955</u>	<u>1,582,260</u>	<u>1,154,323</u>	<u>1,434,207</u>
Settlement/additional drawdown	(6,819)	104,208	382	106,629
New financial assets originated	1,580	88,913	1,580	88,913
Financial assets derecognised	(39,649)	(227,379)	(39,649)	(227,379)
Write-off/Write-down	-	(271,060)	-	(271,060)
	<u>1,255,067</u>	<u>1,276,942</u>	<u>1,116,636</u>	<u>1,131,310</u>

(x) Movement in loss allowances which reflect the ECL model on impairment are as follows:

Group	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2020	47,627	30,559	629,945	708,131
-Transfers to Stage 1	7,157	(3,996)	(3,161)	-
-Transfers to Stage 2	(1,801)	1,851	(50)	-
-Transfers to Stage 3	(73)	(2,742)	2,815	-
	<u>5,283</u>	<u>(4,887)</u>	<u>(396)</u>	<u>-</u>
Net remeasurement of allowances (Note 21(h))	1,697	19,932	11,696	33,325
Net financial assets originated (Note 21(h))	19,041	62	55	19,158
Financial assets derecognised (Note 21(h))	(7,729)	(475)	(9,138)	(17,342)
At 30 September 2020	<u>65,919</u>	<u>45,191</u>	<u>632,162</u>	<u>743,272</u>
At 1 January 2019	42,207	51,522	826,154	919,883
-Transfers to Stage 1	39,788	(22,186)	(17,602)	-
-Transfers to Stage 2	(1,776)	14,447	(12,671)	-
-Transfers to Stage 3	(885)	(10,851)	11,736	-
	<u>37,127</u>	<u>(18,590)</u>	<u>(18,537)</u>	<u>-</u>
Net remeasurement of allowances	(38,733)	1,708	103,039	66,014
Net financial assets originated	15,522	2,441	63,635	81,598
Financial assets derecognised	(8,496)	(6,522)	(73,286)	(88,304)
Amount written off	-	-	(271,060)	(271,060)
At 31 December 2019	<u>47,627</u>	<u>30,559</u>	<u>629,945</u>	<u>708,131</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(b) Advances and financing (cont'd.)**

(x) Movement in loss allowances which reflect the ECL model on impairment are as follows (cont'd.):

<b>Bank</b>	<b>Stage1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
At 1 January 2020	47,627	30,559	484,313	562,499
-Transfers to Stage 1	7,157	(3,996)	(3,161)	-
-Transfers to Stage 2	(1,801)	1,851	(50)	-
-Transfers to Stage 3	(73)	(2,742)	2,815	-
	5,283	(4,887)	(396)	-
Net remeasurement of allowances (Note 21(h))	1,697	19,932	18,897	40,526
Net financial assets originated (Note 21(h))	19,041	62	55	19,158
Financial assets derecognised (Note 21(h))	(7,729)	(475)	(9,138)	(17,342)
At 30 September 2020	65,919	45,191	493,731	604,841
At 1 January 2019	42,207	51,522	678,101	771,830
-Transfers to Stage 1	39,788	(22,186)	(17,602)	-
-Transfers to Stage 2	(1,776)	14,447	(12,671)	-
-Transfers to Stage 3	(885)	(10,851)	11,736	-
	37,127	(18,590)	(18,537)	-
Net remeasurement of allowances	(38,733)	1,708	105,460	68,435
Net financial assets originated	15,522	2,441	63,635	81,598
Financial assets derecognised	(8,496)	(6,522)	(73,286)	(88,304)
Amount written off	-	-	(271,060)	(271,060)
At 31 December 2019	47,627	30,559	484,313	562,499

(xi) Net impaired advances and financing as percentage of net advances and financing:

	<b>Group</b>		<b>Bank</b>	
	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>	<b>As at 30 September 2020 RM'000</b>	<b>As at 31 December 2019 RM'000</b>
Net impaired advances and financing as a percentage	9.71%	11.49%	9.71%	11.49%

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(c) Term financing**

	<b>Group and Bank</b>	
	<b>As at 30</b>	<b>As at 31</b>
	<b>September</b>	<b>December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Unsecured term financing	737,164	246,867

The maturity structure of the term financing is as follows:

	<b>Group and Bank</b>	
	<b>As at 30</b>	<b>As at 31</b>
	<b>September</b>	<b>December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	28,647	23,295
More than one year to five years	625,002	129,253
More than five years	83,515	94,319
	<u>737,164</u>	<u>246,867</u>

The unsecured term financing denominated in RM are sourced from the following:

	<b>Group and Bank</b>	
	<b>As at 30</b>	<b>As at 31</b>
	<b>September</b>	<b>December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Financing from:		
- Government of Malaysia	157,271	157,562
- Bank Negara Malaysia ("BNM")	579,893	89,305
	<u>737,164</u>	<u>246,867</u>

The profit rates on the financing from the Government of Malaysia is 0% - 3% (2019: 0% - 4%) per annum. The rate for financing from BNM ranges from 0% - 2% (2019: 4% - 5%) per annum.

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(d) Income from Islamic banking business**

Group and Bank	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Income from advances and financing				
- Bai' Murabahah	24,498	25,307	73,877	101,612
- Bai' Istisna	1,797	1,985	4,730	7,112
- Ijarah Thumma Al-Bai	4,328	4,271	16,785	15,074
- Bai' Dayn	103	134	380	526
- Tawarruq	61,843	65,198	186,144	173,805
- Bai' Inah	667	824	2,182	2,274
<b>Total income from advances and financing</b>	<b>93,236</b>	<b>97,719</b>	<b>284,098</b>	<b>300,403</b>
Tawarruq deposit placements	8,680	11,316	27,209	25,307
Derivative financial investment at FVTPL	-	-	-	(1,754)
Derivative forex	75	108	237	336
Financial investments at FVOCI	10,781	15,472	36,216	53,486
Financial investments at amortised cost	6,479	7,907	23,063	20,383
<b>Total income from Islamic banking business</b>	<b>119,251</b>	<b>132,522</b>	<b>370,823</b>	<b>398,161</b>

**(e) Profit expense attributable to Islamic banking business**

Group	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	23,124	26,020	78,424	80,271
Islamic medium-term notes	17,575	18,585	50,356	55,598
Term financing	248	347	825	1,127
Deposits from banks and other financial institutions	-	3,018	668	5,609
Others	1,989	1,933	4,797	2,450
	<b>42,936</b>	<b>49,903</b>	<b>135,070</b>	<b>145,055</b>

  

Bank	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	23,181	26,250	78,601	81,394
Islamic medium-term notes	17,575	18,585	50,356	55,598
Term financing	248	347	825	1,127
Deposits from banks and other financial institutions	-	3,018	668	5,609
Others	1,989	1,933	4,797	2,450
	<b>42,993</b>	<b>50,133</b>	<b>135,247</b>	<b>146,178</b>



**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**21. Islamic banking business (cont'd.)**

**(f) Other operating income**

<b>Group</b>	<b>Third Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee income	2,368	2,705	5,150	6,741
Commission fee income	286	686	781	1,646
Rental income	(2,095)	2,739	2,845	7,868
Government fund released	865	917	2,465	2,636
Government compensation	1,330	522	3,939	1,732
Recovery income	1,095	(4,134)	2,179	4,874
Compensation on late payment charges	1,214	1,352	3,382	3,605
Others	1,280	2,984	3,497	6,174
	<b>6,343</b>	<b>7,771</b>	<b>24,238</b>	<b>35,276</b>

<b>Bank</b>	<b>Third Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee income	1,720	2,392	3,753	5,889
Commission fee income	286	686	781	1,646
Rental income	(2,095)	2,668	2,845	7,868
Government fund released	865	917	2,465	2,636
Government compensation	1,330	522	3,939	1,732
Management fees	45	45	134	134
Profit income on amount owing by subsidiary company	3,220	-	9,658	-
Compensation on late payment charges	1,214	1,352	3,382	3,605
Others	1,228	2,936	3,411	6,126
	<b>7,813</b>	<b>11,518</b>	<b>30,368</b>	<b>29,636</b>

**Small Medium Enterprise Development Bank Malaysia Berhad**  
(Incorporated in Malaysia)

**21. Islamic banking business (cont'd.)**

**(g) Other operating expenses**

Group	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	41,640	38,521	125,297	85,332
Establishment related expenses	10,195	10,077	30,339	29,462
Promotion and marketing expenses	830	973	2,434	2,615
Administration and general expenses	7,707	5,491	20,803	14,017
	<u>60,372</u>	<u>55,062</u>	<u>178,873</u>	<u>131,426</u>

Bank	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	40,902	37,581	123,096	82,973
Establishment related expenses	10,184	10,057	30,303	29,403
Promotion and marketing expenses	842	1,039	2,573	2,815
Administration and general expenses	7,842	5,787	20,831	14,251
	<u>59,770</u>	<u>54,464</u>	<u>176,803</u>	<u>129,442</u>

**(h) Allowances for impairment on advances and financing**

Group	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net allowance for impairment losses on advances, and financing made during the period:				
- Stage 1 (Note 21(b)(x))	8,214	3,246	18,216	474
- Stage 2 (Note 21(b)(x))	(6,771)	(15,268)	14,630	(5,577)
- Stage 3 (Note 21(b)(x))	(4,168)	33,245	2,217	73,656
	<u>(2,725)</u>	<u>21,223</u>	<u>35,063</u>	<u>68,553</u>
Impaired advances and financing recovered	<u>(2,035)</u>	<u>(2,563)</u>	<u>(12,027)</u>	<u>(5,168)</u>
<b>Total allowances for impairment on advances and financing</b>	<u>(4,760)</u>	<u>18,660</u>	<u>23,036</u>	<u>63,385</u>

**Small Medium Enterprise Development Bank Malaysia Berhad**  
(Incorporated in Malaysia)

**22. Islamic banking business (cont'd.)**

**(h) Allowances for impairment on advances and financing (cont'd.)**

Bank	Third Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Net allowance for impairment losses on advances, and financing made during the period:				
- Stage 1 (Note 21(b)(x))	8,214	3,246	18,216	474
- Stage 2 (Note 21(b)(x))	(6,771)	(15,268)	14,630	(5,577)
- Stage 3 (Note 21(b)(x))	1,614	35,258	9,418	87,970
	<u>3,057</u>	<u>23,236</u>	<u>42,264</u>	<u>82,867</u>
Impaired advances and financing recovered	(2,036)	(2,563)	(12,028)	(5,168)
<b>Total allowances for impairment on advances and financing</b>	<u>1,021</u>	<u>20,673</u>	<u>30,236</u>	<u>77,699</u>

**(i) Commitments**

	Group and Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
Direct credit substitutes	189,164	160,753
Transaction-related-contingent items	87,251	106,581
Undrawn financing/loans with original maturity more than one year	<u>1,845,853</u>	<u>1,660,101</u>
	<u>2,122,268</u>	<u>1,927,435</u>

**(j) Capital adequacy**

**Capital management**

The following table set forth capital resources and capital adequacy for the Bank's Islamic banking business as at reporting date:

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
<b>Tier I Capital</b>				
Capital funds	1,050,564	1,050,564	1,050,564	1,050,564
Retained earning	291,914	328,914	46,404	83,404
Less: Deferred tax assets	(104,454)	(104,456)	(104,454)	(104,456)
Less: Property revaluation reserves	(232,382)	(232,382)	(232,382)	(232,382)
<b>Total Tier I capital</b>	<u>1,005,642</u>	<u>1,042,640</u>	<u>760,132</u>	<u>797,130</u>

**Small Medium Enterprise Development Bank Malaysia Berhad  
(Incorporated in Malaysia)**

**22. Islamic banking business (cont'd.)**

**(j) Capital adequacy (cont'd.)**

**Capital management (cont'd.)**

The following table set forth capital resources and capital adequacy for the Bank's Islamic banking business as at reporting date (cont'd.):

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
<b>Tier II Capital</b>				
General provision for advances and financing*	118,009	84,565	118,009	84,565
Property revaluation reserve <sup>^</sup>	116,191	116,191	116,191	116,191
Government funds <sup>#</sup>	406,587	267,147	406,587	267,147
<b>Total Tier II capital</b>	<b>640,787</b>	<b>467,903</b>	<b>640,787</b>	<b>467,903</b>
<b>Total capital</b>	1,646,429	1,510,543	1,400,919	1,265,033
Less: Investment in subsidiaries	-	-	-	-
<b>Total capital base</b>	<b>1,646,429</b>	<b>1,510,543</b>	<b>1,400,919</b>	<b>1,265,033</b>

\* General provision for advances and financing refers to loss allowance measured at an amount equal to 12mECLs and LTECLs commonly known as Stage 1 and Stage 2 provisions respectively; and regulatory reserves, to the extent they are ascribed to non-credit impaired exposures.

<sup>^</sup> The eligible amount for Tier II Capital is only limited to 50% of property revaluation reserves.

<sup>#</sup> An amount of RM36,452,000 (2019: RM38,927,000) for Teraju Facilitation fund was channelled as placement with profit sharing of 70:30 between the Group and the Bank; and Teraju.

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

	Group		Bank	
	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000	As at 30 September 2020 RM'000	As at 31 December 2019 RM'000
20%	453,949	238,285	453,949	238,285
50%	7,212	422,273	7,212	422,273
100%	8,864,187	7,405,514	8,900,913	7,504,398
	<b>9,325,348</b>	<b>8,066,072</b>	<b>9,362,074</b>	<b>8,164,956</b>

Before deducting dividends:

Core capital ratio	10.784%	12.926%	8.119%	9.763%
Risk-weighted capital ratio	17.655%	18.727%	14.964%	15.493%

After deducting dividends:

Core capital ratio	10.784%	12.468%	8.119%	9.310%
Risk-weighted capital ratio	17.655%	18.268%	14.964%	15.040%