

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

**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	Note	Group		Bank	
		As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
<b>ASSETS</b>					
Cash and short term funds		483,902	423,032	480,277	418,981
Deposits and placements with banks and other financial institutions		151,878	182,013	151,878	182,013
Financial assets at fair value through other comprehensive income (FVOCI)	10	2,039,848	-	2,039,848	-
Available-for-sale financial assets	11	-	2,108,422	-	2,108,422
Financial assets at amortised cost (AC)	12	674,133	-	674,133	-
Held-to-maturity financial assets	13	-	568,585	-	568,585
Loans, advances and financing	14	5,883,689	6,583,790	5,742,642	6,159,840
Other assets		97,055	27,614	555,594	526,956
Derivative financial assets		2,816	-	2,816	-
Investment in subsidiaries		-	-	3,582	3,582
Investment in associate		2,662	3,416	-	-
Property, plant and equipment		139,991	148,695	139,971	148,651
Investment properties		372,967	372,910	372,967	372,910
Intangible assets		17,372	11,830	17,346	11,733
Tax recoverable		24,658	27,136	24,658	26,034
Deferred tax assets		112,102	121,723	112,102	121,723
<b>TOTAL ASSETS</b>		<b>10,003,073</b>	<b>10,579,166</b>	<b>10,317,814</b>	<b>10,649,430</b>
<b>LIABILITIES</b>					
Deposits from customers	15	2,975,382	3,261,929	3,071,441	3,321,145
Deposits from banks and other financial institutions	16	301,417	100,172	301,417	100,172
Derivative financial liabilities		-	696	-	696
Medium-term notes		1,821,436	1,821,452	1,821,436	1,821,452
Borrowings	17	1,982,921	2,036,006	1,982,921	2,036,006
Other liabilities		1,052,020	1,088,286	1,066,238	1,099,933
Government funds	18	326,344	285,049	326,344	285,049
<b>TOTAL LIABILITIES</b>		<b>8,459,520</b>	<b>8,593,590</b>	<b>8,569,797</b>	<b>8,664,453</b>
<b>EQUITY</b>					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Retained earnings		(306,507)	145,727	(102,043)	145,128
Other reserves		60	(10,151)	60	(10,151)
<b>TOTAL EQUITY</b>		<b>1,543,553</b>	<b>1,985,576</b>	<b>1,748,017</b>	<b>1,984,977</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,003,073</b>	<b>10,579,166</b>	<b>10,317,814</b>	<b>10,649,430</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	24	<b>1,105,401</b>	<b>1,393,634</b>	<b>1,105,401</b>	<b>1,393,634</b>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 FOURTH QUARTER ENDED 31 DECEMBER 2018**

<b>Group</b>	<b>Note</b>	<b>Fourth Quarter Ended</b>		<b>Cumulative 12 Months Ended</b>	
		<b>31 Dec 2018 RM'000</b>	<b>31 Dec 2017 RM'000</b>	<b>31 Dec 2018 RM'000</b>	<b>31 Dec 2017 RM'000</b>
Interest income	19	5,490	10,153	26,570	45,543
Interest expense	20	(13,837)	(13,940)	(55,537)	(57,617)
<b>Net interest income</b>		<b>(8,347)</b>	<b>(3,787)</b>	<b>(28,967)</b>	<b>(12,074)</b>
Gross income from Islamic banking business	26	99,619	142,749	383,091	389,986
Other operating income	21	3,005	9,454	8,105	15,824
<b>Net income</b>		<b>94,277</b>	<b>148,416</b>	<b>362,229</b>	<b>393,736</b>
Other operating expenses	22	(48,018)	(57,001)	(217,581)	(207,335)
<b>Operating profit</b>		<b>46,259</b>	<b>91,415</b>	<b>144,648</b>	<b>186,401</b>
Net impairment loss on financial assets :					
- loans, advances and financing	23	(364,166)	(1,465)	(442,598)	(81,031)
- commitment and contingencies		190	-	1,046	-
- financial assets at FVOCI		(9,090)	-	(9,698)	-
- financial assets at AC		21	-	15	-
- other assets		29	-	(712)	-
		<b>(326,757)</b>	<b>89,950</b>	<b>(307,299)</b>	<b>105,370</b>
Share of loss after tax of associate		-	(371)	(754)	(754)
<b>Profit before tax expense and zakat</b>		<b>(326,757)</b>	<b>89,579</b>	<b>(308,053)</b>	<b>104,616</b>
Tax expense		3,376	(32,499)	(4,596)	(36,149)
Zakat		(1,000)	(1,694)	(4,000)	(4,694)
<b>Profit for the period</b>		<b>(324,381)</b>	<b>55,386</b>	<b>(316,649)</b>	<b>63,773</b>
<b>Other comprehensive income/ (loss) item that may be reclassified to profit or loss:</b>					
Unrealised gain on revaluation of					
- available-for-sale financial assets		-	(9,246)	-	21,102
- financial assets at FVOCI		(2,825)	-	(90)	-
Changes in expected credit losses					
- financial assets at FVOCI		9,090	-	9,698	-
Income tax expense/(credit) relating to components of other comprehensive income		-	811	-	(4,689)
<b>Other comprehensive income for the period, net of tax</b>		<b>6,265</b>	<b>(8,435)</b>	<b>9,608</b>	<b>16,413</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>(318,116)</b>	<b>46,951</b>	<b>(307,041)</b>	<b>80,186</b>
Profit for the period attributable to owner of the Bank		<b>(324,381)</b>	<b>55,386</b>	<b>(316,649)</b>	<b>63,773</b>
Total comprehensive income attributable to owner of the Bank		<b>(318,116)</b>	<b>46,951</b>	<b>(307,041)</b>	<b>80,186</b>

*(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements)*

Small Medium Enterprise Development Bank Malaysia Berhad  
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CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 (CONT'D)

<b>Bank</b>	<b>Note</b>	<b>Fourth Quarter Ended</b>		<b>Cumulative 12 Months Ended</b>	
		<b>31 Dec 2018 RM'000</b>	<b>31 Dec 2017 RM'000</b>	<b>31 Dec 2018 RM'000</b>	<b>31 Dec 2017 RM'000</b>
Interest income	19	3,900	7,689	23,261	31,871
Interest expense	20	(13,837)	(13,940)	(55,537)	(57,617)
<b>Net interest income</b>		<b>(9,937)</b>	<b>(6,251)</b>	<b>(32,276)</b>	<b>(25,746)</b>
Gross income from Islamic banking business	26	85,741	141,741	388,512	399,307
Other operating income	21	3,005	10,826	8,105	15,824
<b>Net income</b>		<b>78,809</b>	<b>146,316</b>	<b>364,341</b>	<b>389,385</b>
Other operating expenses	22	(45,708)	(56,999)	(208,193)	(203,862)
<b>Operating profit</b>		<b>33,101</b>	<b>89,317</b>	<b>156,148</b>	<b>185,523</b>
Net impairment loss on financial assets :					
- loans, advances and financing	23	(171,357)	8,235	(249,789)	(71,331)
- commitment and contingencies		190	-	1,046	-
- financial assets at FVOCI		(9,090)	-	(9,698)	-
- financial assets at AC		21	-	15	-
- other assets		29	-	(712)	-
<b>Profit before tax expense and zakat</b>		<b>(147,106)</b>	<b>97,552</b>	<b>(102,990)</b>	<b>114,192</b>
Tax expense		3,376	(33,621)	(4,596)	(35,470)
Zakat		(1,000)	(1,694)	(4,000)	(4,694)
<b>Profit for the period</b>		<b>(144,730)</b>	<b>62,237</b>	<b>(111,586)</b>	<b>74,028</b>
<b>Other comprehensive income/ (loss)</b>					
<b>Item that may be reclassified to profit or loss:</b>					
Unrealised gain on revaluation of					
- available-for-sale financial assets		-	(4,182)	-	21,102
- financial assets at FVOCI		(2,825)	-	(90)	-
Changes in expected credit losses					
- financial assets at FVOCI		9,090	-	9,698	-
Income tax expense/(credit) relating to components of other comprehensive income		-	17,835	-	(4,689)
<b>Other comprehensive income for the period, net of tax</b>		<b>6,265</b>	<b>13,653</b>	<b>9,608</b>	<b>16,413</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>(138,465)</b>	<b>75,890</b>	<b>(101,978)</b>	<b>90,441</b>
Profit for the period attributable to owner of the Bank		(144,730)	62,237	(111,586)	74,028
Total comprehensive income attributable to owner of the Bank		(138,465)	75,890	(101,978)	90,441

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements)

Small Medium Enterprise Development Bank Malaysia Berhad  
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CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

<=====Attributable to the Owner of the Bank=====>

<u>Group</u>	Share capital RM'000	Fair value reserve RM'000	Distributable general reserve RM'000	Retained earnings RM'000	Total RM'000
<b>At 1 January 2018 as previously stated</b>	1,850,000	(20,265)	10,114	145,727	1,985,576
Impact of adopting MFRS 9 at 1 January 2018 (Note 9)	-	603	-	(102,285)	(101,682)
<b>At 1 January 2018 as restated</b>	1,850,000	(19,662)	10,114	43,442	1,883,894
Fair value gain of debt securities measured at FVOCI, net of tax	-	(90)	-	-	(90)
Changes in expected credit losses of investment securities measured at FVOCI, net of tax	-	9,698	-	-	9,698
Profit for the period	-	-	-	(316,649)	(316,649)
Total comprehensive income for the period	-	9,608	-	(316,649)	(307,041)
Dividend	-	-	-	(33,300)	(33,300)
<b>At 31 December 2018</b>	1,850,000	(10,054)	10,114	(306,507)	1,543,553
<b>At 1 January 2017</b>	1,350,000	(36,678)	10,114	98,154	1,421,590
Conversion of borrowing	500,000	-	-	-	500,000
Unrealised gain on revaluation of financial assets available-for-sale, net of tax	-	21,102	-	-	21,102
Income tax relating to component of other comprehensive income	-	(4,689)	-	-	(4,689)
Profit for the period	-	-	-	63,773	63,773
Total comprehensive income for the period	500,000	16,413	-	63,773	580,186
Dividend	-	-	-	(16,200)	(16,200)
<b>At 31 December 2017</b>	1,850,000	(20,265)	10,114	145,727	1,985,576

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements)

**Small Medium Enterprise Development Bank Malaysia Berhad  
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**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018 (CONT'D)**

<=====Attributable to the Owner of the Bank=====>

<b>Bank</b>	<b>Share capital RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Distributable general reserve RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2018 as previously stated</b>	1,850,000	(20,265)	10,114	145,128	1,984,977
Impact of adopting MFRS 9 at 1 January 2018 (Note 9)	-	603	-	(102,285)	(101,682)
<b>At 1 January 2018 as restated</b>	1,850,000	(19,662)	10,114	42,843	1,883,295
Fair value gain of debt securities measured at FVOCI	-	(90)	-	-	(90)
Changes in expected credit losses of investment securities measured at FVOCI	-	9,698	-	-	9,698
Profit for the period	-	-	-	(111,586)	(111,586)
Total comprehensive income for the period	-	9,608	-	(111,586)	(101,978)
Dividend	-	-	-	(33,300)	(33,300)
<b>At 31 December 2018</b>	1,850,000	(10,054)	10,114	(102,043)	1,748,017
<b>At 1 January 2017</b>	1,350,000	(36,678)	10,114	87,300	1,410,736
Conversion of borrowing	500,000	-	-	-	500,000
Unrealised gain on revaluation of financial assets available-for-sale, net of tax	-	21,102	-	-	21,102
Income tax relating to component of other comprehensive income	-	(4,689)	-	-	(4,689)
Profit for the period	-	-	-	74,028	74,028
Total comprehensive income for the period	500,000	16,413	-	74,028	590,441
Dividend	-	-	-	(16,200)	(16,200)
<b>At 31 December 2017</b>	1,850,000	(20,265)	10,114	145,128	1,984,977

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**Small Medium Enterprise Development Bank Malaysia Berhad  
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**CONDENSED INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF CASH FLOWS  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

	Group		Bank	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
<b>Cash flows from/ (used in) operating activities</b>				
Profit before tax expense and zakat	(308,053)	104,616	(102,990)	114,192
Adjustments for non-cash items:				
Net impairment loss on loan, advances and financing	442,598	143,904	249,789	134,203
Writeback of commitment and contingencies	(1,046)	-	(1,046)	-
Impairment on financial assets	9,683	-	9,683	-
Impairment on other asset	712	-	712	-
Depreciation of property, plant and equipment	13,735	12,134	13,711	12,103
Amortisation of intangible assets	5,043	3,858	4,972	3,680
Fair value adjustment on investment properties	-	(14,740)	-	(14,740)
Dividend income from associate and unquoted securities	-	(655)	-	(655)
Unrealised gain/(losses) from derivatives	-	(421)	-	(421)
Government funds (writeback)/released, net	(3,527)	(11,777)	(3,527)	(11,777)
Share of loss of associates	754	754	-	-
<b>Operating profit before working capital changes</b>	<b>159,899</b>	<b>237,673</b>	<b>171,304</b>	<b>236,585</b>
Changes in working capital:				
Net changes in operating assets	101,843	(575,927)	76,948	(546,993)
Net changes in operating liabilities	(247,832)	(148,581)	(233,890)	(168,916)
<b>Cash from operating activities</b>	<b>13,910</b>	<b>(486,835)</b>	<b>14,362</b>	<b>(479,324)</b>
Tax paid	-	(4,136)	-	(1,849)
Zakat paid	-	(4,338)	-	(4,338)
<b>Net cash from operating activities</b>	<b>13,910</b>	<b>(495,309)</b>	<b>14,362</b>	<b>(485,511)</b>
<b>Cash flows used in investing activities</b>				
Net proceed/ (purchase) from financial assets	69,650	(132,552)	69,650	(132,552)
Net purchase from property, plant and equipment	(15,673)	(9,101)	(15,673)	(9,101)
Purchase of intangible assets	(10,616)	(7,667)	(10,642)	(7,607)
Dividend received from associate and unquoted securities	-	655	-	655
<b>Net cash used in investing activities</b>	<b>43,361</b>	<b>(148,665)</b>	<b>43,335</b>	<b>(148,605)</b>
<b>Unrealised gain on revaluation of</b>				
Dividend paid	(33,300)	(16,200)	(33,300)	(16,200)
Net repayment of borrowings	(53,101)	(98,691)	(53,101)	(98,691)
Proceed from government funds	90,000	40,000	90,000	40,000
Net repayment of medium-term notes	-	300,000	-	300,000
<b>Net cash from financing activities</b>	<b>3,599</b>	<b>225,109</b>	<b>3,599</b>	<b>225,109</b>
<b>Net increase in cash and cash equivalents</b>	<b>60,870</b>	<b>(418,865)</b>	<b>61,296</b>	<b>(409,007)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>423,032</b>	<b>841,897</b>	<b>418,981</b>	<b>827,988</b>
<b>Cash and cash equivalents at end of year</b>	<b>483,902</b>	<b>423,032</b>	<b>480,277</b>	<b>418,981</b>
<b>Cash and cash equivalents comprise:</b>				
- Cash and short term funds	483,902	423,032	480,277	418,981

**Small Medium Enterprise Development Bank Malaysia Berhad  
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**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 2017. 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 2017.

The unaudited condensed interim financial statements incorporated 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 Group and the Bank has applied MFRS 9, effective for annual periods beginning on 1 January 2018, for the First time. The Group and the Bank has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective. The Group and the Bank has not restated comparative information for 2017 financial instruments in the scope of MFRS 9. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings as of 1 January 2018.

The other significant 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 2017 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 2018:-

Revenue from Contracts with Customers (MFRS 15)  
Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)  
Transfer of Investment Properties (Amendments to MFRS 140)  
Annual improvements to MFRSs 2014-2016 cycle

The adoption of the above amendments to MFRSs and annual improvements to MFRSs do not have any significant impact to the Group's and the Bank's financial statements except for the adoption of MFRS 9.

**2. Summary of Significant Accounting Policies**

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2017 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 2017 except for the application of MFRS 9.

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**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 2017.

**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 2017 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 fourth quarter ended 31 December 2018.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank in fourth quarter ended 31 December 2018.

**7. Changes in estimates**

There were no material changes in estimates that have a material effect in the fourth quarter ended 31 December 2018.

**8. Dividends**

No dividend has been proposed or paid for the fourth quarter ended 31 December 2018.



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**9. Transition disclosure**

The following table analyses the impact, net of tax, of transition to MFRS 9 on the statements of financial position of the Group and the Bank:

	<b>Impact of adopting MFRS 9 as at 1 January 2018</b>	
	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Financial assets at FVOCI</b>		
Closing balances under MFRS 139 at 31 December 2017	-	-
- Redesignation from financial assets available-for-sale	2,108,422	2,108,422
- Redesignation from financial assets held-to-maturity	102,534	102,534
Opening balance under MFRS 9 at 1 January 2018	<u>2,210,956</u>	<u>2,210,956</u>
<b>Financial Assets at Available-for-Sale</b>		
Closing balances under MFRS 139 at 31 December 2017	2,108,422	2,108,422
- Redesignation to financial assets at FVOCI	<u>(2,108,422)</u>	<u>(2,108,422)</u>
Opening balance under MFRS 9 at 1 January 2018	<u>-</u>	<u>-</u>
<b>Financial assets at Amortised Cost</b>		
Closing balances under MFRS 139 at 31 December 2017	-	-
- Redesignation from financial assets held-to-maturity	466,051	466,051
- Recognition of expected credit losses under MFRS 9	(78)	(78)
Opening balance under MFRS 9 at 1 January 2018	<u>465,973</u>	<u>465,973</u>
<b>Financial Assets at Held-to-Maturity</b>		
Closing balances under MFRS 139 at 31 December 2017	568,585	568,585
- Redesignation to financial assets at amortised cost	(466,051)	(466,051)
- Redesignation to financial assets at FVOCI	<u>(102,534)</u>	<u>(102,534)</u>
Opening balance under MFRS 9 at 1 January 2018	<u>-</u>	<u>-</u>
<b>Loans, advances and financing</b>		
Closing balances under MFRS 139 at 31 December 2017	6,583,790	6,159,840
- Recognition of impairment under MFRS 9	<u>(101,608)</u>	<u>(101,608)</u>
Opening balance under MFRS 9 at 1 January 2018	<u>6,482,182</u>	<u>6,058,232</u>
<b>Other assets</b>		
Closing balances under MFRS 139 at 31 December 2017	1,469	1,469
- Recognition of expected credit losses under MFRS 9	4	4
Opening balance under MFRS 9 at 1 January 2018	<u>1,473</u>	<u>1,473</u>
<b>Fair value reserve</b>		
Closing balances under MFRS 139 at 31 December 2017	(20,265)	(20,265)
- Recognition of expected credit losses under MFRS 9 (FVOCI)	603	603
Opening balance under MFRS 9 at 1 January 2018	<u>(19,662)</u>	<u>(19,662)</u>
<b>Retained Earnings</b>		
Closing balances under MFRS 139 at 31 December 2017	145,727	145,128
- Recognition of expected credit losses under MFRS 9	<u>(102,285)</u>	<u>(102,285)</u>
Opening balance under MFRS 9 at 1 January 2018	<u>43,442</u>	<u>42,843</u>

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**10. Financial assets at Fair Value through Other Comprehensive Income (FVOCI)**

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	711,124	-
Malaysian Government Securities	175,598	-
	<u>886,722</u>	<u>-</u>
<b>Non-money market securities</b>		
Equity securities:		
Quoted shares	132,942	-
Unquoted shares	3,123	-
Debt securities:		
Private debt securities	1,017,061	-
	<u>1,153,126</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>Total financial assets at FVOCI</b>	<u><b>2,039,848</b></u>	<u><b>-</b></u>

The financial assets at FVOCI category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figure are not restated in line with the transition requirements under MFRS 9.

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

	<b>Group and Bank</b>		
	<b>Stage 1 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
At 1 January 2018	-	-	-
Effects of changes in accounting policies	603	-	603
At 1 January 2018, as restated	<u>603</u>	<u>-</u>	<u>603</u>
(Writeback)/Allowances made due to changes in credit risk	(301)	10,000	9,699
At 31 December 2018	<u>302</u>	<u>10,000</u>	<u>10,302</u>

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**10. Financial assets at Fair Value through Other Comprehensive Income (FVOCI) (cont'd)**

The impairment losses by external rating grade are as follows:

	Group and Bank		Total RM'000
	Stage1 RM'000	Stage 3 RM'000	
<i>External rating grade</i>			
Performing			
RAM AAA	7	-	7
MARC AAA	21	-	21
RAM AA	58	-	58
MARC AA	6	-	6
MARC AA-	210	-	210
RAM BB	-	10,000	10,000
Total	302	10,000	10,302

**11. Available-for-sale financial assets**

	Group and Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	-	672,074
Malaysian Government Securities	-	177,021
	-	849,095
<b>Money market securities</b>		
Commercial papers	-	171,723
<b>Non-money market securities</b>		
Equity securities:		
Unquoted shares	-	3,123
Debt securities:		
Private debt securities	-	1,084,481
	-	1,087,604
<b>Total financial assets available-for-sale</b>	-	2,108,422

The financial assets available-for-sale category was removed upon the adoption of MFRS 9.

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**12. Financial assets at amortised cost (AC)**

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At amortised cost</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	111,630	-
<b>Money market securities</b>		
Commercial papers	243,076	-
<b>Non-money market securities</b>		
Debt securities:		
Private debt securities	319,490	-
Accumulated impairment losses	(63)	-
<b>Total financial assets at amortised cost</b>	<b>674,133</b>	<b>-</b>

The financial assets at amortised cost category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figure are not restated in line with the transition requirements under MFRS 9.

Movements in allowances for impairment which reflect the ECL are as follows:

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	
<u>Stage 1</u>		
At 1 January 2018		-
Impact of adopting MFRS 9		78
At 1 January 2018, as restated		78
Writeback made due to changes in credit risk		(15)
At 31 December 2018		<b>63</b>

The impairment losses by external rating grade are as follows:

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	
<u>Stage 1</u>		
<i>External rating grade</i>		
Performing		
RAM AAA		7
MARC AAA		13
RAM AA		43
Total		<b>63</b>

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**13. Held-to-maturity financial assets**

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At amortised cost</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	-	111,705
<b>Non-money market securities</b>		
Debt securities:		
Private debt securities	-	456,880
<b>Total financial assets held-to-maturity</b>	<b>-</b>	<b>568,585</b>

The financial assets held-to-maturity category was removed upon the adoption of MFRS 9.

**14. Loans, advances and financing**

(i) Gross loans, advances and financing analysed by type

	<b>Group</b>		<b>Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Term loans				
- Hire purchase	380,666	396,404	335,424	338,429
- Leasing	405	48,205	15	47,702
- Other term loans	5,342,494	5,635,464	4,979,227	5,156,936
Revolving credits	1,156,822	953,637	1,153,006	948,435
Staff loans	16,958	18,312	16,958	18,312
Gross loans, advances and financing	<u>6,897,345</u>	<u>7,052,022</u>	<u>6,484,630</u>	<u>6,509,814</u>
Less: Allowance for impairment losses on				
- individual assessment allowance	(904,940)	(312,485)	(633,272)	(233,626)
- expected credit losses/ collective assessment allowance	(103,305)	(155,747)	(103,305)	(116,348)
- commitment and contingencies	(5,412)	-	(5,412)	-
Net loans, advances and financing	<u>5,883,689</u>	<u>6,583,790</u>	<u>5,742,642</u>	<u>6,159,840</u>
Gross impaired loans, advances and financing	<u>1,859,707</u>	<u>1,370,947</u>	<u>1,446,992</u>	<u>828,739</u>
Net impaired loans, advances and financing	<u>954,767</u>	<u>1,058,462</u>	<u>813,720</u>	<u>595,113</u>

Included in loans, advances and financing are gross loans, advances and financing of RM53,353,000 (2017: RM43,757,000) financed by the Government funds.

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

(ii) Gross loans, advances and financing analysed by residual contractual maturity

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Within one year	1,090,463	1,005,104	854,271	691,665
More than one year to three years	1,010,267	723,073	987,876	694,299
More than three years to five years	957,368	1,308,847	909,282	1,247,580
More than five years	3,839,247	4,014,998	3,733,201	3,876,270
	<b>6,897,345</b>	<b>7,052,022</b>	<b>6,484,630</b>	<b>6,509,814</b>

(iii) Gross loans, advances and financing analysed by type of customers

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Domestic business enterprise	6,880,387	7,033,710	6,467,672	6,491,502
Individual	16,958	18,312	16,958	18,312
	<b>6,897,345</b>	<b>7,052,022</b>	<b>6,484,630</b>	<b>6,509,814</b>

(iv) Gross loans, advances and financing analysed by industry

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Constructions	1,346,209	959,307	1,343,958	956,435
Education, health and others	574,181	1,156,537	536,376	1,103,915
Electricity, gas and water supply	1,306	36,396	1,306	36,396
Financial, insurance, real estate and business services	1,025,894	860,355	1,023,412	856,274
Manufacturing	1,159,025	1,234,191	1,071,990	1,121,292
Mining and quarrying	46,276	29,856	44,705	27,860
Primary agriculture	6,640	4,270	6,446	4,030
Transportation, storage and communication	907,117	799,913	862,747	736,442
Wholesale, retail trade, restaurants and hotels	1,813,740	1,952,885	1,576,732	1,648,858
Others	16,958	18,312	16,958	18,312
	<b>6,897,345</b>	<b>7,052,022</b>	<b>6,484,630</b>	<b>7,034,201</b>

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

(v) 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	712,076	77,295	188,015	162,472	81,066	125,285	1,346,209
Education, health and others	362,518	24,405	55,933	84,409	23,721	23,195	574,181
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estate and business services	705,197	53,546	107,363	23,655	84,924	51,209	1,025,894
Manufacturing	630,194	113,248	194,678	132,462	44,807	43,636	1,159,025
Mining and quarrying	4,985	-	700	14,466	24,156	1,969	46,276
Primary agriculture	979	-	798	50	4,813	-	6,640
Transportation, storage and communication	427,213	104,997	88,268	134,692	42,906	109,041	907,117
Wholesale, retail trade, restaurants and hotels	960,335	146,685	92,320	232,787	285,604	96,009	1,813,740
Others	16,958	-	-	-	-	-	16,958
At 31 December 2018	<b>3,820,454</b>	<b>520,176</b>	<b>728,075</b>	<b>786,299</b>	<b>591,997</b>	<b>450,344</b>	<b>6,897,345</b>

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

(v) 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	469,240	117,434	134,713	63,913	84,585	89,422	959,307
Education, health and others	665,796	66,779	122,845	193,151	42,672	65,294	1,156,537
Electricity, gas and water supply	30,918	1,178	-	3,863	437	-	36,396
Financial, insurance, real estate and business services	645,326	16,733	104,368	35,362	52,297	6,269	860,355
Manufacturing	733,411	122,679	186,083	98,480	41,737	51,801	1,234,191
Mining and quarrying	14,614	1,879	-	10,617	-	2,746	29,856
Primary agriculture	1,021	-	655	76	2,518	-	4,270
Transportation, storage and communication	366,942	113,231	61,564	110,099	66,787	81,290	799,913
Wholesale, retail trade, restaurants and hotels	891,003	242,706	129,559	303,541	308,615	77,461	1,952,885
Others	18,312	-	-	-	-	-	18,312
<b>At 31 December 2017</b>	<b>3,836,583</b>	<b>682,619</b>	<b>739,787</b>	<b>819,102</b>	<b>599,648</b>	<b>374,283</b>	<b>7,052,022</b>



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

(v) 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	709,825	77,295	188,015	162,472	81,066	125,285	1,343,958
Education, health and others	324,713	24,405	55,933	84,409	23,721	23,195	536,376
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estate and business services	702,715	53,546	107,363	23,655	84,924	51,209	1,023,412
Manufacturing	543,159	113,248	194,678	132,462	44,807	43,636	1,071,990
Mining and quarrying	3,414	-	700	14,466	24,156	1,969	44,705
Primary agriculture	785	-	798	50	4,813	-	6,446
Transportation, storage and communication	382,843	104,997	88,268	134,692	42,906	109,041	862,747
Wholesale, retail trade, restaurants and hotels	723,327	146,685	92,320	232,787	285,604	96,009	1,576,732
Others	16,958	-	-	-	-	-	16,958
At 31 December 2018	<b>3,407,739</b>	<b>520,176</b>	<b>728,075</b>	<b>786,299</b>	<b>591,997</b>	<b>450,344</b>	<b>6,484,630</b>

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

(v) 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	466,368	117,434	134,713	63,913	84,585	89,422	956,435
Education, health and others	613,174	66,779	122,845	193,151	42,672	65,294	1,103,915
Electricity, gas and water supply	30,918	1,178	-	3,863	437	-	36,396
Financial, insurance, real estate and business services	641,245	16,733	104,368	35,362	52,297	6,269	856,274
Manufacturing	620,512	122,679	186,083	98,480	41,737	51,801	1,121,292
Mining and quarrying	12,618	1,879	-	10,617	-	2,746	27,860
Primary agriculture	781	-	655	76	2,518	-	4,030
Transportation, storage and communication	303,471	113,231	61,564	110,099	66,787	81,290	736,442
Wholesale, retail trade, restaurants and hotels	586,976	242,706	129,559	303,541	308,615	77,461	1,648,858
Others	18,312	-	-	-	-	-	18,312
At 31 December 2017	<b>3,294,375</b>	<b>682,619</b>	<b>739,787</b>	<b>819,102</b>	<b>599,648</b>	<b>374,283</b>	<b>6,509,814</b>

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

(vi) Gross loans, advances and financing analysed by interest/profit rate sensitivity

	<b>Group</b>		<b>Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Fixed rate:				
- Staff loan/financing	16,958	18,312	16,958	18,312
- Hire purchase receivables	295,922	328,527	250,680	270,552
- Leasing	405	45,025	15	44,522
- Other term loans/financing	1,814,426	2,183,760	1,513,380	1,789,863
- Revolving credits	245,303	262,086	241,529	256,938
Variable rate:	-	-	-	-
- Hire purchase receivables	84,743	67,877	84,743	67,877
- Leasing	-	3,180	-	3,180
- Other term loans/financing	3,528,069	3,451,704	3,465,848	3,367,073
- Revolving credits	911,520	691,551	911,477	691,497
	<b>6,897,345</b>	<b>7,052,022</b>	<b>6,484,630</b>	<b>6,509,814</b>

(vii) Gross impaired loans, advances and financing by industry - Comparative information under MFRS 139

	<b>Group</b>		<b>Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Constructions	178,688	58,688	176,437	55,816
Education, health and others	150,595	193,317	112,790	140,695
Electricity, gas and water supply	-	54	-	54
Financial, insurance, real estate and business services	186,626	40,030	184,144	35,949
Manufacturing	392,965	311,067	305,930	198,168
Mining and quarrying	2,620	2,373	1,049	377
Primary agriculture	454	537	260	296
Transportation, storage and communication	287,462	207,387	243,092	143,917
Wholesale, retail trade, restaurants and hotels	-	-	-	-
	<b>660,298</b>	<b>557,494</b>	<b>423,290</b>	<b>253,467</b>
	<b>1,859,707</b>	<b>1,370,947</b>	<b>1,446,992</b>	<b>828,739</b>

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

(viii) 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	92,119	4,273	67,654	2,804	8,027	3,811	178,688
Education, health and others	125,028	3,608	5,442	13,698	2,151	668	150,595
Electricity, gas and water supply	-	-	-	-	-	-	-
Financial, insurance, real estate and business services	152,732	8,109	3,224	10,852	10,167	1,542	186,626
Manufacturing	233,676	32,237	68,932	48,677	5,744	3,699	392,965
Mining and quarrying	2,223	-	-	397	-	-	2,620
Primary agriculture	194	-	61	-	199	-	454
Transportation, storage and communication	160,482	6,988	30,516	50,447	9,166	29,863	287,462
Wholesale, retail trade, restaurants and hotels	435,446	26,497	24,345	56,571	112,690	4,749	660,298
At 31 December 2018	<u>1,201,899</u>	<u>81,712</u>	<u>200,174</u>	<u>183,446</u>	<u>148,144</u>	<u>44,332</u>	<u>1,859,707</u>

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

(viii) 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	23,623	3,526	25,688	494	3,345	2,012	58,688
Education, health and others	134,438	6,260	7,495	43,084	1,210	830	193,317
Electricity, gas and water supply	54	-	-	-	-	-	54
Financial, insurance, real estate and business services	33,711	464	3,738	1,974	-	143	40,030
Manufacturing	218,663	31,882	45,298	13,688	1,254	282	311,067
Mining and quarrying	1,996	-	-	377	-	-	2,373
Primary agriculture	241	-	95	-	201	-	537
Transportation, storage and communication	118,629	1,293	14,644	47,996	1,611	23,214	207,387
Wholesale, retail trade, restaurants and hotels	376,077	16,015	51,776	31,500	80,571	1,555	557,494
At 31 December 2017	<b>907,432</b>	<b>59,440</b>	<b>148,734</b>	<b>139,113</b>	<b>88,192</b>	<b>28,036</b>	<b>1,370,947</b>

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

(viii) 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	89,868	4,273	67,654	2,804	8,027	3,811	176,437
Education, health and others	87,223	3,608	5,442	13,698	2,151	668	112,790
Electricity, gas and water supply							-
Financial, insurance, real estate and business services	150,250	8,109	3,224	10,852	10,167	1,542	184,144
Manufacturing	146,641	32,237	68,932	48,677	5,744	3,699	305,930
Mining and quarrying	652	-	-	397	-	-	1,049
Primary agriculture	-	-	61	-	199	-	260
Transportation, storage and communication	116,112	6,988	30,516	50,447	9,166	29,863	243,092
Wholesale, retail trade, restaurants and hotels	198,438	26,497	24,345	56,571	112,690	4,749	423,290
At 31 December 2018	<u>789,184</u>	<u>81,712</u>	<u>200,174</u>	<u>183,446</u>	<u>148,144</u>	<u>44,332</u>	<u>1,446,992</u>

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

(viii) 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	20,751	3,526	25,688	494	3,345	2,012	55,816
Education, health and others	81,816	6,260	7,495	43,084	1,210	830	140,695
Electricity, gas and water supply	54	-	-	-	-	-	54
Financial, insurance, real estate and business services	29,630	464	3,738	1,974	-	143	35,949
Manufacturing	105,764	31,882	45,298	13,688	1,254	282	198,168
Mining and quarrying	-	-	-	377	-	-	377
Primary agriculture	-	-	95	-	201	-	296
Transportation, storage and communication	55,159	1,293	14,644	47,996	1,611	23,214	143,917
Wholesale, retail trade, restaurants and hotels	72,050	16,015	51,776	31,500	80,571	1,555	253,467
At 31 December 2017	<u>365,224</u>	<u>59,440</u>	<u>148,734</u>	<u>139,113</u>	<u>88,192</u>	<u>28,036</u>	<u>828,739</u>

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

(ix) Movement in allowance for impairment on loans, advances and financing are as follows:

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
<b><u>Expected credit losses/ Collective Assessment Allowance</u></b>				
At 1 January	155,747	143,261	116,348	106,430
Impact of adopting MFRS 9	(19,106)	-	(19,106)	-
At 1 January, as restated	136,641	143,261	97,242	106,430
Amount transfer to individual assessment allowance	-	(12,163)	-	(12,163)
Allowance made during the period/ year	259,761	111,785	259,761	105,130
Writeback made during the period/ year	(293,097)	(87,136)	(253,698)	(83,049)
Closing balance	103,305	155,747	103,305	116,348

Movement in collective assesment allowances which reflect the ECL model in impairment are as follows:

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2018	60,688	8,393	86,666	155,747
Impact of adopting MFRS 9	(11,291)	8,437	(16,253)	(19,106)
At 1 January 2018, as restated	49,397	16,830	70,414	136,641
Changes due to loans, advances and financing recognised as at 1 January 2018:				
-Transfers to Stage 1	(6,760)	23,223	4,587	21,051
-Transfers to Stage 2	(3,104)	(631)	3,009	(727)
-Transfers to Stage 3	(4,755)	(9,237)	(41,279)	(55,271)
	(14,619)	13,356	(33,684)	(34,946)
New financial assets originated	10,312	211	436	10,959
Amount settled	(6,214)	(2,330)	(804)	(9,349)
At 31 December 2018	38,877	28,067	36,361	103,305
Bank	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2018	60,688	8,393	47,267	116,348
Impact of adopting MFRS 9	(11,291)	8,437	(16,253)	(19,106)
At 1 January 2018, as restated	49,397	16,830	31,015	97,242
Changes due to loans, advances and financing recognised as at 1 January 2018:				
-Transfers to Stage 1	(6,760)	23,223	4,587	21,051
-Transfers to Stage 2	(3,104)	(631)	3,009	(727)
-Transfers to Stage 3	(4,755)	(9,237)	(1,880)	(15,872)
	(14,619)	13,356	5,715	4,453
New financial assets originated	10,312	211	436	10,959
Amount settled	(6,214)	(2,330)	(804)	(9,349)
At 31 December 2018	38,877	28,067	36,361	103,305



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

- (ix) Movement in allowance for impairment on loans, advances and financing are as follows:  
(cont'd.)

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
<b><u>Individual Assessment Allowance</u></b>				
At 1 January	312,485	261,699	233,626	189,973
Impact of adopting MFRS 9 Adjustment	114,256 15,877	- -	114,256 15,877	- -
At 1 January, as restated	442,618	261,699	363,759	189,973
Net amount transfer from collective assessment allowance	-	12,163	-	12,163
Allowance made during the period	601,759	204,767	408,950	192,666
Amount written back in respect of recoveries	(139,437)	(97,138)	(139,437)	(92,170)
Amount written off	-	(69,006)	-	(69,006)
Closing balance	904,940	312,485	633,272	233,626

- (x) Movements in gross impaired loans, advances and financing ("impaired loans") - Comparative information under MFRS 139 are as follows:

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
At 1 January	1,370,947	1,318,504	828,739	761,443
Impaired during the year	764,337	307,804	764,337	307,804
Reclassified as non-impaired	(36,412)	(77,602)	(36,412)	(77,602)
Offsetted against other payables	-	(8,808)	-	(8,808)
Amount recovered	(239,165)	(89,034)	(109,672)	(74,181)
Amount write-off	-	(79,917)	-	(79,917)
Closing balance	1,859,707	1,370,947	1,446,992	828,739

- (xi) Net impaired loans as percentage of net loans, advances and financing (excluding staff loan):

	Group		Bank	
	As at 30 December 2018 RM'000	As at 31 December 2017 RM'000	As at 30 December 2018 RM'000	As at 31 December 2017 RM'000
Net impaired loans	15.93%	15.75%	13.91%	9.51%

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**15. Deposits from customers**

	Group		Bank	
	As at 31	As at 31	As at 31	As at 31
	December	December	December	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Term deposit:				
- Commodity murabahah/Tawarruq	2,975,382	3,261,929	3,071,441	3,321,145

(i) By types of customers

	Group		Bank	
	As at 31	As at 31	As at 31	As at 31
	December	December	December	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	2,253,186	2,051,954	2,253,186	2,051,954
Business enterprise	643,586	501,839	739,645	561,055
Others	78,610	708,136	78,610	708,136
	2,975,382	3,261,929	3,071,441	3,321,145

(ii) The maturity structure

	Group		Bank	
	As at 31	As at 31	As at 31	As at 31
	December	December	December	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Less than three months	2,526,180	2,453,571	2,557,124	2,511,711
Three months to six months	369,604	736,520	377,057	737,596
More than six months to one year	79,598	71,838	137,260	71,838
	2,975,382	3,261,929	3,071,441	3,321,145

**16. Deposits from banks and other financial institutions**

	Group and Bank	
	As at 31	As at 31
	December	December
	2018	2017
	RM'000	RM'000
<b>At amortised cost</b>		
Licensed banks and other financial institutions	301,417	100,172

The deposits maturity structure is as follows:

	Group and Bank	
	As at 31	As at 31
	December	December
	2018	2017
	RM'000	RM'000
Less than three months	301,417	100,172

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**17. Borrowings**

	<b>Group and Bank</b>	
	<b>As at 31</b>	<b>As at 31</b>
	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Unsecured borrowings	1,982,921	2,036,006

The maturity structure of the borrowings are as follows:

	<b>Group and Bank</b>	
	<b>As at 31</b>	<b>As at 31</b>
	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Within twelve months	187,872	219,727
More than twelve months	1,795,049	1,816,279
	<u>1,982,921</u>	<u>2,036,006</u>

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

	<b>Note</b>	<b>Group and Bank</b>	
		<b>As at 31</b>	<b>As at 31</b>
		<b>December</b>	<b>December</b>
		<b>2018</b>	<b>2017</b>
		<b>RM'000</b>	<b>RM'000</b>
Borrowings from:			
- Government of Malaysia	(i)	1,050,185	1,057,979
- Other financial institutions	(ii)	932,736	978,027
		<u>1,982,921</u>	<u>2,036,006</u>

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

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

	<b>Group and Bank</b>	
	<b>As at 31</b>	<b>As at 31</b>
	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Maturity structure:</b>		
Within twelve months	165,767	174,398
More than twelve months	884,418	883,581
	<u>1,050,185</u>	<u>1,057,979</u>

The interest rates on the borrowing from Government of Malaysia ranges from 0% to 4% (2017: 0% to 4%) per annum during the year.

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

**(ii) Borrowing from other financial institutions**

	<b>Group and Bank</b>	
	<b>As at 31</b>	<b>As at 31</b>
	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	126,590	171,903
Employee Provident Fund	806,146	806,124
	<u>932,736</u>	<u>978,027</u>

The loans from other financial institutions are repayable as follows:

	<b>Group and Bank</b>	
	<b>As at 31</b>	<b>As at 31</b>
	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Maturity structure:</b>		
Within twelve months	22,105	45,329
More than twelve months	910,631	932,698
	<u>932,736</u>	<u>978,027</u>

The interest rates on the borrowing from other financial institutions range from 1.50 % to 5.23 % (2017: 1.50% to 5.23%) per annum during the year.

**18. Government funds**

	<b>Note</b>	<b>Group and Bank</b>	
		<b>As at 31</b>	<b>As at 31</b>
		<b>December</b>	<b>December</b>
		<b>2018</b>	<b>2017</b>
		<b>RM'000</b>	<b>RM'000</b>
To finance:			
Purchase of investment properties	(a)	118,961	122,487
Loans, advances and financing	(b)	207,383	162,562
		<u>326,344</u>	<u>285,049</u>

(a) To finance the purchase of investment properties:

<b>Group and Bank</b>	<b>Kompleks Kilang Bimbingan</b>			<b>Total RM'000</b>		
	<b>Nursery Factory Scheme (RMK7) RM'000</b>	<b>Nursery Factory Scheme (RMK8) RM'000</b>	<b>Nursery Factory Scheme (RMK9) RM'000</b>			
	At 1 January 2018	66,071	22,067		34,349	122,487
	Government fund released	(236)	(2,910)		(380)	(3,526)
At 31 December 2018	<u>65,835</u>	<u>19,157</u>	<u>33,969</u>	<u>118,961</u>		
At 1 January 2017	66,307	24,979	34,729	126,015		
Government fund released	(236)	(2,912)	(380)	(3,528)		
At 31 December 2017	<u>66,071</u>	<u>22,067</u>	<u>34,349</u>	<u>122,487</u>		

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**18. Government funds (cont'd.)**

**(b) To finance loans, advances and financing:**

<b>Group and Bank</b>	<b>Tabung Soft Loan Scheme RM'000</b>	<b>Tabung Usahawan Pahang RM'000</b>	<b>Tabung Inkubator Pertanian Kelantan RM'000</b>	<b>Tabung Usahawan Siswazah RM'000</b>	<b>Dana Usahawan Negeri Terengganu RM'000</b>	<b>Program dan Skim Usahawan Batik RM'000</b>	<b>Balance c/f RM'000</b>
At 1 January 2018	36,406	288	2,669	17,821	4,516	4,168	65,868
Recoveries from loans and financing written off	21	-	-	744	127	-	892
Muqasah	-	-	-	-	(26)	-	(26)
At 31 December 2018	<u>36,427</u>	<u>288</u>	<u>2,669</u>	<u>18,565</u>	<u>4,617</u>	<u>4,168</u>	<u>66,734</u>

	<b>Balance b/f RM'000</b>	<b>Basis Capital Scheme (SMA) RM'000</b>	<b>Skim Perusahaan Kapal Tradisional RM'000</b>	<b>Program dan Skim Usahawan Kraf RM'000</b>	<b>Skim Anjakan Usahawan RM'000</b>	<b>Teraju Facilitation Fund RM'000</b>	<b>Total RM'000</b>
At 1 January 2018	65,868	30,090	3,000	4,756	58,848	-	162,562
Addition during the year	-	-	-	-	40,000	50,000	90,000
Deposit placed*	-	-	-	-	-	(48,769)	(48,769)
Recoveries from loans and financing written off	892	2,724	-	-	-	-	3,616
Muqasah	(26)	-	-	-	-	-	(26)
At 31 December 2018	<u>66,734</u>	<u>32,814</u>	<u>3,000</u>	<u>4,756</u>	<u>98,848</u>	<u>1,231</u>	<u>207,383</u>

\*Included in the government fund is Teraju Facilitation Fund amounting to RM50,000,000 received during the year. The balance amount yet to be disbursed was channelled as placement with profit sharing of 70:30 between the Bank and Teraju. The amount available for distribution remained at RM50,000,000.

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**18. Government funds (cont'd.)**

**(b) To finance loans, advances and financing (cont'd.):**

<b>Group and Bank</b>	<b>Tabung Soft Loan Scheme RM'000</b>	<b>Tabung Inkubator Usahawan Pahang RM'000</b>	<b>Pertanian Kelantan RM'000</b>	<b>Tabung Usahawan Siswazah RM'000</b>	<b>Dana Usahawan Negeri Terengganu RM'000</b>	<b>Program dan Skim Usahawan Batik RM'000</b>	<b>Balance c/f RM'000</b>
At 1 January 2017	36,796	288	2,669	22,741	5,442	4,147	72,083
Write-off	(436)	-	-	(5,606)	(1,101)	-	(7,143)
Recoveries from loans and financing written off	46	-	-	686	175	21	928
At 31 December 2017	36,406	288	2,669	17,821	4,516	4,168	65,868

	<b>Balance b/f RM'000</b>	<b>Basis Capital Scheme (SMA) RM'000</b>	<b>Skim Pembangunan Ekonomi Desa RM'000</b>	<b>Skim Perusahaan Kapal Tradisional RM'000</b>	<b>Program dan Skim Usahawan Kraf RM'000</b>	<b>Skim Anjakan Usahawan RM'000</b>	<b>Total RM'000</b>
At 1 January 2017	72,083	31,393	48,194	3,000	4,755	19,604	179,029
Proceeds	-	-	-	-	-	40,000	40,000
Written-off	(7,143)	(3,879)	-	-	-	-	(11,022)
Recoveries from loans and financing written off	928	2,576	24	-	1	-	3,529
Utilised to offset expenses	-	-	-	-	-	(756)	(756)
Reclassification	-	-	(48,218)	-	-	-	(48,218)
At 31 December 2017	65,868	30,090	-	3,000	4,756	58,848	162,562

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**18. Government funds (cont'd.)**

Summary of the government funds are as follows:

	<b>Types of funds</b>	<b>Purpose of funds</b>	<b>Source</b>	<b>Allocation Received RM'000</b>
(a)	Soft Loan Scheme	To provide soft loans to Bumiputera entrepreneurs	Ministry of International Trade and Industry (MITI)	34,400
(b)	Tabung Usahawan Pahang	To provide loans for furniture industry in Termerloh, Pahang	Pahang State Government	1,000
(c)	Tabung Inkubator Pertanian Kelantan	To support the business expansion of livestock industry in Jeli, Kelantan	Ministry of International Trade and Industry (MITI)	2,992
(d)	Tabung Usahawan Siswazah	To encourage graduates into entrepreneurship	Ministry of International Trade and Industry (MITI)	62,000
(e)	Dana Usahawan Negeri Terengganu	To promote Bumiputera entrepreneurs in Terengganu	Ministry of International Trade and Industry (MITI)	30,000
(f)	Program dan Skim Usahawan Batik	To promote Bumiputera entrepreneurs in the batik industry	Ministry of International Trade and Industry (MITI)	5,000
(g)	Basic Capital Scheme	To promote Bumiputera entrepreneurs with basic capital	Ministry of International Trade and Industry (MITI)	75,835
(h)	Skim Perusahaan Kapal Tradisional	To promote ship making in Terengganu	Ministry of International Trade and Industry (MITI)	3,000
(i)	Program dan Skim Usahawan Kraf	To promote Bumiputera entrepreneurs in the craft industry	Ministry of International Trade and Industry (MITI)	5,000
(j)	Kompleks Kilang Bimbingan	To provide premises for Bumiputera entrepreneurs	Ministry of International Trade and Industry (MITI)	220,775
(k)	Skim Anjakan Usahawan	To promote business expansion for Bumiputera entrepreneur	Ministry of International Trade and Industry (MITI)	100,000
(l)	Teraju Facilitation Fund	To finance project cost and acquisition of machinery for Bumiputera entrepreneur	Teraju Bumiputera Corporation (TERAJU)	50,000

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**18. Government funds (cont'd.)**

All the government grants above are non-repayable and the credit risk pertaining to loans, advances and financing are borne by Government of Malaysia.

Summary of the performance of the government funds:

**31 December 2018**

<b>Types of funds</b>	<b>Outstanding loan, advances and financing RM'000</b>	<b>No. of borrowers assisted</b>
(a) Soft Loan Scheme	6,592	116
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah (TUS)	5,208	120
(e) Dana Usahawan Negeri Terengganu	5,019	65
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme (SMA)	11,495	83
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	90	1
(j) Kompleks Kilang Bimbingan	156,333	-
(k) Skim Anjakan Ushawan	24,641	266
(l) Teraju Facilitation Fund	-	-



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**18. Government funds (cont'd.)**

Summary of the performance of the government funds (cont'd.):

**31 December 2017**

<b>Types of funds</b>	<b>Outstanding loan, advances and financing RM'000</b>	<b>No. of borrowers assisted</b>
(a) Soft Loan Scheme	8,292	115
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah (TUS)	6,081	180
(e) Dana Usahawan Negeri Terengganu	6,037	70
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme (SMA)	12,424	89
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	89	1
(j) Kompleks Kilang Bimbingan	156,333	-
(k) Skim Anjakan Ushawan	10,625	212

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**19. Interest income**

The table below shows interest income with comparative information under MFRS 139:

Group	Fourth Quarter Ended		Cumulative 12 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	December	December	December	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	3,618	7,773	19,276	36,776
Investment securities at FVOCI	1,690	-	6,785	-
Available-for-sale financial assets	-	1,614	-	7,699
Held-to-maturity financial assets	-	-	-	302
Derivative forex	182	-	509	-
Others	-	766	-	766
	<u>5,490</u>	<u>10,153</u>	<u>26,570</u>	<u>45,543</u>

Bank	Fourth Quarter Ended		Cumulative 12 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	December	December	December	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	2,028	5,309	15,967	23,104
Investment securities at FVOCI	1,690	-	6,785	-
Available-for-sale financial assets	-	1,614	-	7,699
Held-to-maturity financial assets	-	-	-	302
Derivative forex	182	-	509	-
Others	-	766	-	766
	<u>3,900</u>	<u>7,689</u>	<u>23,261</u>	<u>31,871</u>

**20. Interest expense**

Group and Bank	Fourth Quarter Ended		Cumulative 12 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	December	December	December	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Term loans	<u>13,837</u>	<u>13,940</u>	<u>55,537</u>	<u>57,617</u>

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**21. Other operating income**

Group	Fourth Quarter Ended		Cumulative 12 Months Ended	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
<b>Fee income</b>	63	(1,323)	492	579
<b>Other income:</b>				
Gain on disposal of property, plant and equipment	-	-	-	-
Gross dividend income	-	-	-	655
Government fund released	889	3,528	3,527	3,528
Government compensation	624	763	2,519	3,847
Others	1,429	6,486	1,567	7,215
	<u>2,942</u>	<u>10,777</u>	<u>7,613</u>	<u>15,245</u>
<b>Total other operating income</b>	<u>3,005</u>	<u>9,454</u>	<u>8,105</u>	<u>15,824</u>

  

Bank	Fourth Quarter Ended		Cumulative 12 Months Ended	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
<b>Fee income</b>	63	48	492	579
<b>Other income:</b>				
Gain on disposal of property, plant and equipment	-	-	-	-
Gross dividend income	-	-	-	655
Government fund released	889	3,528	3,527	3,528
Government compensation	624	763	2,519	3,847
Others	1,429	6,487	1,567	7,215
	<u>2,942</u>	<u>10,778</u>	<u>7,613</u>	<u>15,245</u>
<b>Total other operating income</b>	<u>3,005</u>	<u>10,826</u>	<u>8,105</u>	<u>15,824</u>

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**22. Other operating expenses**

Group	Note	Fourth Quarter Ended		Cumulative 12 Months Ended	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
		RM'000	RM'000	RM'000	RM'000
Personnel expenses	(i)	35,600	42,744	145,807	142,960
Establishment related expenses	(ii)	7,450	9,404	40,480	35,847
Promotion and marketing expenses	(iii)	(913)	1,312	3,925	4,476
Administration and general expenses	(iv)	5,881	3,541	27,369	24,052
		<u>48,018</u>	<u>57,001</u>	<u>217,581</u>	<u>207,335</u>
<b>(i) Personnel expenses</b>					
Salaries, allowances and bonuses		27,967	39,348	116,449	121,203
Non-executive Directors fees and Remuneration		1,749	2,654	1,749	2,654
Social security cost		219	191	852	771
Contribution to Employee Provident Fund		3,397	3,183	13,224	12,796
Other staff related expenses		2,268	(2,632)	13,533	5,536
		<u>35,600</u>	<u>42,744</u>	<u>145,807</u>	<u>142,960</u>
<b>(ii) Establishment related expenses</b>					
Depreciation of property, plant and equipment		3,293	2,632	13,735	12,134
Amortisation of intangible assets		1,719	1,055	5,043	3,858
Rental of premises		745	1,019	3,898	4,062
Repairs and maintenance of property, plant and equipment		1,693	4,698	-	15,793
		<u>7,450</u>	<u>9,404</u>	<u>40,480</u>	<u>35,847</u>
<b>(iii) Promotion and marketing expenses</b>					
Advertisement and publicity		(913)	1,312	3,925	4,476
<b>(iv) Administration and general expenses</b>					
Administrative expenses		375	1,175	6,833	6,820
Auditors' remuneration		153	230	620	620
General expenses		5,353	2,136	19,916	16,612
		<u>5,881</u>	<u>3,541</u>	<u>27,369</u>	<u>24,052</u>

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

	Note	Fourth Quarter Ended		Cumulative 12 Months Ended	
		As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
<b>Bank</b>					
Personnel expenses	(i)	34,513	41,522	141,032	138,110
Establishment related expenses	(ii)	7,657	9,420	40,337	35,614
Promotion and marketing expenses	(iii)	(644)	1,367	4,137	4,733
Administration and general expenses	(iv)	4,182	4,690	22,687	25,405
		<u>45,708</u>	<u>56,999</u>	<u>208,193</u>	<u>203,862</u>
<b>(i) Personnel expenses</b>					
Salaries, allowances and bonuses		27,142	38,612	112,429	117,376
Non-executive Directors fees and Remuneration		1,653	2,394	1,653	2,394
Social security cost		213	186	826	746
Contribution to Employee Provident Fund		3,299	3,075	12,802	12,321
Other staff related expenses		2,206	(2,745)	13,322	5,273
		<u>34,513</u>	<u>41,522</u>	<u>141,032</u>	<u>138,110</u>
<b>(ii) Establishment related expenses</b>					
Depreciation of property, plant and equipment		3,288	2,625	13,711	12,103
Amortisation of intangible assets		1,701	1,052	4,972	3,680
Rental of premises		986	1,019	3,898	4,062
Repairs and maintenance of property, plant and equipment		1,682	4,724	17,756	15,769
		<u>7,657</u>	<u>9,420</u>	<u>40,337</u>	<u>35,614</u>
<b>(iii) Promotion and marketing expenses</b>					
Advertisement and publicity		(644)	1,367	4,137	4,733
<b>(iv) Administration and general expenses</b>					
Administrative expenses		1,037	1,186	6,818	6,813
Auditors' remuneration		134	206	534	570
Recovery expenses charged by a subsidiary company		-	2,241	-	2,241
General expenses		3,011	1,057	15,335	15,781
		<u>4,182</u>	<u>4,690</u>	<u>22,687</u>	<u>25,405</u>

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

Group	Fourth Quarter Ended		Cumulative 12 Months Ended	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Allowance for impairment losses on loans, advanced and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	78,410	34,028	259,761	111,785
- Individual assesment allowance	409,436	71,960	601,759	204,767
	<u>487,846</u>	<u>105,988</u>	<u>861,520</u>	<u>316,552</u>
Impairment reversal for loans, advances and financing made during the period				
- Expected credit losses/				
Collective assesment allowance	(104,955)	(26,082)	(253,698)	(87,136)
- Individual assesment allowance	(8,346)	(41,471)	(139,437)	(97,138)
	<u>(113,301)</u>	<u>(67,553)</u>	<u>(393,135)</u>	<u>(184,274)</u>
Loan, advances and financing waived	-	715	-	715
Loan, advances and financing written-off	-	10,911	-	10,911
Impaired loan, advances and financing recovered	(10,379)	(48,596)	(25,787)	(62,873)
<b>Total allowances for impairment on loans, advances and financing</b>	<u>364,166</u>	<u>1,465</u>	<u>442,598</u>	<u>81,031</u>

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**23. Allowances for impairment on loans, advances and financing (cont'd.)**

	Fourth Quarter Ended		Cumulative 12 Months Ended	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
<b>Bank</b>				
Allowance for impairment losses on loans, advanced and financing made during the period				
- Expected credit losses/ Collective assesment allowance	78,410	27,373	259,761	105,130
- Individual assesment allowance	216,627	59,859	408,950	192,666
	<u>295,037</u>	<u>87,232</u>	<u>668,711</u>	<u>297,796</u>
Impairment reversal for loans, advances and financing made during the period				
- Expected credit losses/ Collective assesment allowance	(104,955)	(21,995)	(253,698)	(83,049)
- Individual assesment allowance	(8,346)	(36,503)	(139,437)	(92,170)
	<u>(113,301)</u>	<u>(58,498)</u>	<u>(393,135)</u>	<u>(175,219)</u>
Loan, advances and financing waived	-	715	-	715
Loan, advances and financing written-off	-	10,911	-	10,911
Impaired loan, advances and financing recovered	(10,379)	(48,595)	(25,787)	(62,872)
<b>Total allowances for impairment on loans, advances and financing</b>	<u>171,357</u>	<u>(8,235)</u>	<u>249,789</u>	<u>71,331</u>

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**24. Commitment and contingencies**

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

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Direct credit substitutes	190,108	183,276
Transaction-related-contingent items	138,014	171,364
Irrevocable commitments to extend credit:		
- maturity exceeding one year	160,675	136,812
- maturity not exceeding one year	409,694	539,028
Profit rate related contract	200,000	350,000
	<b>1,098,491</b>	<b>1,380,480</b>

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

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Approved and contracted for:		
Property, plant and equipment	-	4,563
Information technology system	6,872	8,553
Kompleks Kilang Bimbingan construction	38	38
	<b>6,910</b>	<b>13,154</b>
Total commitments and contingencies	<b>1,105,401</b>	<b>1,393,634</b>

**25. 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 able to provide cushion for any potential losses. In line with this objective, the Bank views capital position as an important key barometer of financial health.



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

Regulatory capital

In order to support its mandated roles, the Bank must have strong and adequate capital to support its business activities on an on-going basis. Bank Negara Malaysia 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's as at end of reporting period:

	<b>Group</b>		<b>Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<u>Tier I Capital</u>				
Paid-up share capital	1,850,000	1,850,000	1,850,000	1,850,000
Retained earnings *	(170,922)	145,727	33,542	145,128
General reserves	10,114	10,114	10,114	10,114
Less: Deferred tax	(112,102)	(121,723)	(112,102)	(121,723)
Less: Property revaluation reserve	(212,229)	(212,229)	(212,229)	(212,229)
<b>Total Tier I capital</b>	<b>1,364,861</b>	<b>1,671,889</b>	<b>1,569,325</b>	<b>1,671,290</b>
<u>Tier II Capital</u>				
Collective allowance for loans, advances and financing **	108,717	70,207	108,717	70,207
Property revaluation reserve <sup>^</sup>	106,115	106,115	106,115	106,115
Government funds	326,344	285,049	326,344	285,049
<b>Total Tier II capital</b>	<b>541,176</b>	<b>461,371</b>	<b>541,176</b>	<b>461,371</b>
<b>Total capital</b>	<b>1,906,037</b>	<b>2,133,260</b>	<b>2,110,501</b>	<b>2,132,661</b>
Less: Investment in subsidiaries	-	-	(3,582)	(3,582)
<b>Total capital base</b>	<b>1,906,037</b>	<b>2,133,260</b>	<b>2,106,919</b>	<b>2,129,079</b>

\* Before take into account the payment of dividend and the first day impact of the MFRS 9

\*\* The eligible amounts for Tier II Capital is only limited to the excess of total collective allowances Stage 1 and Stage 2 over the identifiable incurred losses in the collective allowance pool.

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

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

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

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
20%	143,338	114,197	143,338	114,197
50%	46,459	42,884	46,459	42,884
100%	8,028,513	8,713,115	8,339,672	8,783,849
	<u>8,218,310</u>	<u>8,870,196</u>	<u>8,529,469</u>	<u>8,940,930</u>

Before deducting proposed dividends:

Core capital ratio	16.61%	18.85%	18.40%	18.69%
Risk-weighted capital ratio	<u>23.19%</u>	<u>24.05%</u>	<u>24.70%</u>	<u>23.81%</u>

Capital monitoring

The Group and Bank's capital are closely monitored and actively managed. Beside 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 as an indicator that allows the Bank a "well capitalised" status. Internal capital limit and regulatory capital requirement shall be closely monitored, regularly reviewed and reported to senior management and the Board of Directors.

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**26. Islamic banking business**

The state of affairs as at 31 December 2018 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 31 December 2018**

	Note	Group		Bank	
		As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
<b>Assets</b>					
Cash and short-term funds		482,575	421,706	478,950	417,655
Deposits and placements with financial institutions		151,878	182,013	151,878	182,013
Financial assets at fair value through other other comprehensive income (FVOCI)	26(a)	1,861,127	-	1,861,127	-
Available-for-sale financial assets	26(b)	-	1,913,133	-	1,913,133
Financial assets at amortised cost (AC)	26(c)	674,133	-	674,133	-
Held-to-maturity financial assets	26(d)	-	568,585	-	568,585
Advances and financing	26(e)	5,476,951	5,854,132	5,439,987	5,785,507
Other assets		14,067	5,612	547,241	510,945
Derivative financial asset		2,816	-	2,816	-
Investment in subsidiaries		-	-	3,582	3,582
Property and equipment		67,548	75,965	67,502	75,921
Investment properties		372,967	372,910	372,967	372,910
Deferred tax		108,445	118,066	108,445	118,066
<b>Total assets</b>		<b>9,212,507</b>	<b>9,512,122</b>	<b>9,708,628</b>	<b>9,948,317</b>
<b>Liabilities</b>					
Deposit from customer	26(f)	2,975,382	3,261,929	3,071,441	3,321,145
Deposits from other financial institutions	26(g)	301,417	100,172	301,417	100,172
Derivative financial liability		-	696	-	696
Medium term notes		1,821,436	1,821,452	1,821,436	1,821,452
Term financing	26(h)	283,309	326,489	283,309	326,489
Other liabilities		695,326	1,018,536	990,022	1,009,833
Amount due to conventional operations		1,563,124	1,331,084	1,657,254	1,674,712
Government funds	26(i)	196,985	152,164	196,985	152,164
<b>Total liabilities</b>		<b>7,836,979</b>	<b>8,012,522</b>	<b>8,321,864</b>	<b>8,406,663</b>
Islamic general fund		1,375,528	1,499,600	1,386,764	1,541,654
<b>Total liabilities and Islamic banking funds</b>		<b>9,212,507</b>	<b>9,512,122</b>	<b>9,708,628</b>	<b>9,948,317</b>
<b>Commitments</b>	26(o)	<b>1,098,141</b>	<b>1,379,323</b>	<b>1,098,141</b>	<b>1,379,323</b>

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**26. Islamic banking business**

**Unaudited Statements of Comprehensive Income  
For the fourth quarter ended 31 December 2018**

Group	Note	Fourth Quarter Ended		Cumulative 12 Months Ended	
		As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Income from Islamic banking business	26(j)	143,939	145,121	575,590	542,187
Profit expense attributable to Islamic banking business	26(l)	(56,523)	(59,277)	(222,171)	(232,372)
<b>Gross income from Islamic banking business</b>		<b>87,416</b>	<b>85,844</b>	<b>353,419</b>	<b>309,815</b>
Other income	26(k)	12,203	56,905	29,672	80,171
Other operating expenses	26(m)	(40,141)	(50,440)	(196,996)	(189,158)
<b>Operating profit</b>		<b>59,478</b>	<b>92,309</b>	<b>186,095</b>	<b>200,828</b>
Net impairment loss on financial assets :					
- advances and financing	26(n)	(120,185)	(34,632)	(205,310)	(121,206)
- commitment and contingencies		189	-	990	-
- financial assets at FVOCI				(9,698)	
- financial assets at AC		629	-	15	-
- other asset		29	-	(712)	-
		(59,860)	57,677	(28,620)	79,622
Tax expense		-	(16,658)	-	(16,658)
Zakat		(1,000)	(1,694)	(4,000)	(4,694)
<b>Net profit for the period</b>		<b>(60,860)</b>	<b>39,325</b>	<b>(32,620)</b>	<b>58,270</b>
<b>Other comprehensive income</b>					
<b>Item that may be reclassified to profit or loss:</b>					
Unrealised gain on revaluation of					
- available-for-sale financial assets		-	(3,676)	-	14,114
- financial assets at FVOCI		(2,879)	-	2,073	-
Changes in expected credit losses					
- financial assets at FVOCI		9,090	-	9,698	-
Income tax relating to components of other comprehensive income			1,630		(3,012)
<b>Other comprehensive income for the period, net of tax</b>		<b>6,211</b>	<b>(2,046)</b>	<b>11,771</b>	<b>11,102</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>(54,649)</b>	<b>37,279</b>	<b>(20,849)</b>	<b>69,372</b>
Profit for the period attributable to owner of the bank		(60,860)	39,325	(32,620)	58,270
Total comprehensive income attributable to owner of the Bank		(54,649)	37,279	(20,849)	69,372

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

**Unaudited Statements of Comprehensive Income  
For the fourth quarter ended 31 December 2018 (cont'd.)**

Bank	Note	Fourth Quarter Ended		Cumulative 12 Months Ended	
		As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Income from Islamic banking business	26(j)	142,942	142,107	566,818	539,170
Profit expense attributable to Islamic banking business	26(l)	(57,201)	(63,396)	(224,714)	(236,491)
<b>Gross income from Islamic banking business</b>		<b>85,741</b>	<b>78,711</b>	<b>342,104</b>	<b>302,679</b>
Other income	26(k)	18,086	63,030	46,408	96,628
Other operating expenses	26(m)	(39,776)	(51,157)	(191,932)	(186,404)
<b>Operating profit</b>		<b>64,051</b>	<b>90,584</b>	<b>196,580</b>	<b>212,903</b>
Net impairment loss on financial assets :					
- advances and financing	26(n)	(161,488)	(29,130)	(246,613)	(115,704)
- commitment and contingencies		189	-	990	-
- financial assets at FVOCI		(9,090)	-	(9,698)	-
- financial assets at AC		21	-	15	-
- other asset		29	-	(712)	-
<b>Profit before tax expense and zakat</b>		<b>(106,288)</b>	<b>61,454</b>	<b>(59,438)</b>	<b>97,199</b>
Tax expense		-	-	-	(15,979)
Zakat		(1,000)	(1,694)	(4,000)	(4,694)
<b>Net profit for the period</b>		<b>(107,288)</b>	<b>59,760</b>	<b>(63,438)</b>	<b>76,526</b>
<b>Other comprehensive income</b>					
<b>Item that may be reclassified to profit or loss:</b>					
Unrealised gain on revaluation of					
- available-for-sale financial assets		-	(3,676)	-	14,114
- financial assets at FVOCI		(2,879)	-	2,073	-
Changes in expected credit losses					
- financial assets at FVOCI		9,090	-	9,698	-
Income tax relating to components of other comprehensive income			1,630		(3,012)
<b>Other comprehensive income for the period, net of tax</b>		<b>6,211</b>	<b>(2,046)</b>	<b>11,771</b>	<b>11,102</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>(101,077)</b>	<b>57,714</b>	<b>(51,667)</b>	<b>87,628</b>
Profit for the period attributable to owner of the bank		(107,288)	59,760	(63,438)	76,526
Total comprehensive income attributable to owner of the Bank		(101,077)	57,714	(51,667)	87,628

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

**Statements of changes in Islamic General Funds  
for the fourth quarter ended 31 December 2018**

<b>Group</b>	<b>Capital funds RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2018 as previously stated</b>	1,050,564	(17,688)	466,724	1,499,600
Impact of adopting MFRS 9 at 1 January 2018	-	603	(103,826)	(103,223)
<b>At 1 January 2018 as restated</b>	1,050,564	(17,085)	362,898	1,396,377
Fair value gain of debt securities at FVOCI	-	2,073	-	2,073
Changes in expected credit losses of financial assets at FVOCI	-	9,698	-	9,698
Net profit for the period	-	-	(32,620)	(32,620)
<b>Total comprehensive income for the period</b>	-	11,771	(32,620)	(20,849)
<b>At 31 December 2018</b>	1,050,564	(5,314)	330,278	1,375,528
<b>At 1 January 2017, as previously stated</b>	550,564	(28,790)	408,454	930,228
Conversion of term financing	500,000	-	-	500,000
Unrealised gain on revaluation of available-for-sale financial assets	-	14,114	-	14,114
Unrealised loss on revaluation of ICRA	-	-	-	-
Income tax relating to component of other comprehensive income	-	(3,012)	-	(3,012)
Profit for the period	-	-	58,270	58,270
<b>Total comprehensive income for the period</b>	-	11,102	58,270	69,372
<b>At 31 December 2017</b>	1,050,564	(17,688)	466,724	1,499,600

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

**Statements of changes in Islamic General Funds  
for the fourth quarter ended 31 December 2018 (cont'd.)**

<b>Bank</b>	<b>Capital funds RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2018 as previously stated</b>	1,050,564	(17,688)	508,778	1,541,654
Impact of adopting MFRS 9 at 1 January 2018	-	603	(103,826)	(103,223)
<b>At 1 January 2018 as restated</b>	1,050,564	(17,085)	404,952	1,438,431
Fair value gain of debt securities at FVOCI	-	2,073	-	2,073
Changes in expected credit losses of financial assets at FVOCI	-	9,698	-	9,698
Net profit for the period	-	-	(63,438)	(63,438)
<b>Total comprehensive income for the period</b>	-	11,771	(63,438)	(51,667)
<b>At 31 December 2018</b>	1,050,564	(5,314)	341,514	1,386,764
<b>At 1 January 2017, as previously stated</b>	550,564	(28,790)	432,252	954,026
Conversion of term financing	500,000	-	-	500,000
Unrealised gain on revaluation of available-for-sale financial assets	-	14,114	-	14,114
Unrealised loss on revaluation of ICRA	-	-	-	-
Income tax relating to component of other comprehensive income	-	(3,012)	-	(3,012)
Profit for the period	-	-	76,526	76,526
<b>Total comprehensive income for the period</b>	500,000	11,102	76,526	587,628
<b>At 31 December 2017</b>	1,050,564	(17,688)	508,778	1,541,654

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

**(a) Financial assets at Fair Value through Other Comprehensive Income ("FVOCI")**

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	711,124	-
<b>Non-money market securities</b>		
Equity securities:		
Quoted shares	132,942	-
Debt securities:		
Private debt securities	1,017,061	-
	<u>1,150,003</u>	<u>-</u>
<b>Total financial assets at FVOCI</b>	<u>1,861,127</u>	<u>-</u>

The financial assets at FVOCI category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figure are not restated in line with the transition requirements under MFRS 9.



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

**(a) Financial assets at Fair Value through Other Comprehensive Income ("FVOCI") (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>Stage 1 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
At 1 January 2018	-	-	-
Effects of changes in accounting policies	603	-	603
At 1 January 2018, as restated (Writeback)/Allowances made due to changes in credit risk	603	-	603
New financial assets originated	(301)	10,000	9,699
At 31 December 2018	<u>302</u>	<u>10,000</u>	<u>10,302</u>

The impairment losses by external rating grade are as follows:

	<b>Group and Bank</b>		
	<b>Stage 1 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
<i>External rating grade</i>			
Performing			
RAM AAA	7	-	7
MARC AAA	21	-	21
RAM AA	58	-	58
MARC AA	6	-	6
MARC AA-	210	-	210
RAM BB	-	10,000	10,000
Total	<u>302</u>	<u>10,000</u>	<u>10,302</u>

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

**(b) Available-for-sale financial assets**

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At fair value</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	-	672,074
<b>Money market securities</b>		
Commercial papers	-	171,723
<b>Non-money market securities</b>		
Debt securities:		
Private debt securities	-	1,069,336
<b>Total financial assets available-for-sale</b>	<b>-</b>	<b>1,913,133</b>

The financial assets available-for-sale category was removed upon the adoption of MFRS 9.

**(c) Financial assets at amortised cost**

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At amortised cost</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	111,630	-
<b>Money market securities</b>		
Commercial papers	243,076	-
<b>Non-money market securities</b>		
Debt securities:		
Private debt securities	319,490	-
Accumulated impairment losses	(63)	-
<b>Total financial assets at amortised cost</b>	<b>674,133</b>	<b>-</b>

The financial assets at amortised cost category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figure are not restated in line with the transition requirements under MFRS 9.

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

**(c) Financial assets at amortised cost (cont'd)**

Movements in allowances for impairment which reflect the ECL model are as follows:

	<b>Group and Bank RM'000</b>
<u>Stage 1</u>	
At 1 January 2018	-
Impact of adopting MFRS 9	78
At 1 January 2018, as restated	78
Writeback made due to changes in credit risk	(15)
At 31 December 2018	<u>63</u>

The impairment losses by external rating grade are as follows:

	<b>Group and Bank RM'000</b>
<u>Stage 1</u>	
<i>External rating grade</i>	
Performing	
RAM AAA	7
MARC AAA	13
RAM AA	43
Total	<u>63</u>

**(d) Financial assets held-to-maturity**

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>At amortised cost</b>		
<b>Government securities</b>		
Malaysian Government Investment Issues	-	111,705
<b>Non-money market securities</b>		
Debt securities:		
Private debt securities	-	456,880
<b>Total financial assets held-to-maturity</b>	<u>-</u>	<u>568,585</u>

The financial assets held-to-maturity category was removed upon the adoption of MFRS 9.

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

**(e) Advances and financing**

(i) Gross advances and financing analysed by type

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Bai' Bithaman Ajil	35,391	1,839,631	-	1,771,725
Bai' Murabahah	2,542,859	953,699	2,539,702	947,512
Bai' Istisna	166,515	692,226	162,611	684,699
Ijarah	6,122	488,660	-	476,851
Ijarah Thumma Al-Bai	393,738	424,991	363,667	367,861
Bai' Dayn	7,397	63,930	7,397	63,930
Tawwaruq	3,040,735	1,402,269	3,040,735	1,402,269
Bai' Inah	19,878	33,655	19,784	33,488
Wakalah	-	364,254	-	363,276
Gross advances and financing	6,212,635	6,263,315	6,133,896	6,111,611
Less: Allowance for impairment losses on				
- individual assessment allowances	(629,474)	(271,193)	(587,698)	(214,997)
- expected credit losses/ collective assessment allowances	(100,885)	(137,990)	(100,885)	(111,107)
- commitment and contingencies	(5,326)	-	(5,326)	-
Net advances and financing	5,476,951	5,854,132	5,439,987	5,785,507
Gross impaired advances and financing	1,387,803	877,541	1,309,064	725,837
Net impaired advances and financing	758,330	606,348	721,366	510,840

Included in advances and financing are gross advances and financing of RM53,044,285 (2017: RM43,757,000) financed by the Government funds.

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

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

(ii) Gross advances and financing analysed by residual contractual maturity

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Maturity within one year	888,993	775,519	831,742	664,940
More than one year to three years	965,695	691,632	958,558	678,259
More than three years to five years	878,227	1,229,309	869,041	1,212,012
More than five years	3,479,720	3,566,855	3,474,555	3,556,400
	<u>6,212,635</u>	<u>6,263,315</u>	<u>6,133,896</u>	<u>6,111,611</u>

(iii) Gross advances and financing analysed by type of customers

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Domestic business enterprise	6,197,452	6,247,745	6,118,713	6,096,041
Individual	15,183	15,570	15,183	15,570
	<u>6,212,635</u>	<u>6,263,315</u>	<u>6,133,896</u>	<u>6,111,611</u>

(iv) Gross advances and financing analysed by industry

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Constructions	1,313,973	950,129	1,312,930	948,164
Education, health and others	535,858	1,097,575	516,680	1,061,327
Electricity, gas and water supply	1,306	36,396	1,306	36,396
Financial, insurance, real estate and business services	1,006,423	857,930	1,005,035	854,469
Manufacturing	1,090,008	1,172,496	1,057,836	1,110,201
Mining and quarrying	44,705	27,860	44,705	27,860
Primary agriculture	6,446	4,030	6,446	4,030
Transportation, storage and communication	826,450	722,535	809,120	689,936
Wholesale, retail trade, restaurants and hotels	1,372,284	1,378,794	1,364,655	1,363,658
Others	15,183	15,570	15,183	15,570
	<u>6,212,635</u>	<u>6,263,315</u>	<u>6,133,896</u>	<u>6,111,611</u>

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

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

(v) 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	710,868	77,295	156,989	162,472	81,064	125,285	1,313,973
Education, health and others	326,396	24,185	54,401	84,409	23,272	23,195	535,858
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estate and business services	701,422	51,792	93,421	23,655	84,924	51,209	1,006,423
Manufacturing	564,068	112,700	194,260	130,667	44,677	43,636	1,090,008
Mining and quarrying	3,414	-	700	14,466	24,156	1,969	44,705
Primary agriculture	785	-	798	50	4,813	-	6,446
Transportation, storage and communication	370,886	96,952	81,021	125,647	42,903	109,041	826,450
Wholesale, retail trade, restaurants and hotels	702,092	103,982	91,214	164,955	214,050	95,991	1,372,284
Others	15,183	-	-	-	-	-	15,183
At 31 December 2018	<b>3,395,113</b>	<b>466,906</b>	<b>672,804</b>	<b>707,627</b>	<b>519,859</b>	<b>450,326</b>	<b>6,212,635</b>

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

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

(v) Gross 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	468,333	117,430	126,447	63,913	84,584	89,422	950,129
Education, health and others	625,945	66,001	104,975	193,151	42,209	65,294	1,097,575
Electricity, gas and water supply	30,918	1,178	-	3,863	437	-	36,396
Financial, insurance, real estated and business services	644,668	14,966	104,368	35,362	52,297	6,269	857,930
Manufacturing	675,228	122,087	185,411	96,510	41,459	51,801	1,172,496
Mining and quarrying	12,618	1,879	-	10,617	-	2,746	27,860
Primary agriculture	781	-	655	76	2,518	-	4,030
Transportation, storage and communication	306,829	104,213	61,494	101,925	66,784	81,290	722,535
Wholesale, retail trade, restaurants and hotels	561,667	189,410	85,626	232,748	232,511	76,832	1,378,794
Others	15,570	-	-	-	-	-	15,570
At 31 December 2017	<b>3,342,557</b>	<b>617,164</b>	<b>668,976</b>	<b>738,165</b>	<b>522,799</b>	<b>373,654</b>	<b>6,263,315</b>

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

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

(v) Gross 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	709,825	77,295	156,989	162,472	81,064	125,285	1,312,930
Education, health and others	307,218	24,185	54,401	84,409	23,272	23,195	516,680
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estate and business services	700,034	51,792	93,421	23,655	84,924	51,209	1,005,035
Manufacturing	531,896	112,700	194,260	130,667	44,677	43,636	1,057,836
Mining and quarrying	3,414	-	700	14,466	24,156	1,969	44,705
Primary agriculture	785	-	798	50	4,813	-	6,446
Transportation, storage and communication	353,556	96,952	81,021	125,647	42,903	109,041	809,120
Wholesale, retail trade, restaurants and hotels	694,463	103,982	91,214	164,955	214,050	95,991	1,364,655
Others	15,183	-	-	-	-	-	15,183
<b>At 31 December 2018</b>	<b>3,316,374</b>	<b>466,906</b>	<b>672,804</b>	<b>707,627</b>	<b>519,859</b>	<b>450,326</b>	<b>6,133,896</b>



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

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

(v) Gross 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	466,368	117,430	126,447	63,913	84,584	89,422	948,164
Education, health and others	589,697	66,001	104,975	193,151	42,209	65,294	1,061,327
Electricity, gas and water supply	30,918	1,178	-	3,863	437	-	36,396
Financial, insurance, real estate and business services	641,207	14,966	104,368	35,362	52,297	6,269	854,469
Manufacturing	612,933	122,087	185,411	96,510	41,459	51,801	1,110,201
Mining and quarrying	12,618	1,879	-	10,617	-	2,746	27,860
Primary agriculture	781	-	655	76	2,518	-	4,030
Transportation, storage and communication	274,230	104,213	61,494	101,925	66,784	81,290	689,936
Wholesale, retail trade, restaurants and hotels	546,531	189,410	85,626	232,748	232,511	76,832	1,363,658
Others	15,570	-	-	-	-	-	15,570
At 31 December 2017	<b>3,190,853</b>	<b>617,164</b>	<b>668,976</b>	<b>738,165</b>	<b>522,799</b>	<b>373,654</b>	<b>6,111,611</b>

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

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

(vi) Gross advances and financing analysed by interest/profit rate sensitivity

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Fixed rate				
- Staff financing	15,183	15,570	15,183	15,570
- Hire purchase receivables	280,751	327,678	250,680	270,548
- Leasing	45	44,535	-	44,451
- Revolving credits	232,468	248,508	231,015	245,425
- Other term financing	1,281,892	1,561,855	1,234,758	1,471,401
Variable rate	-	-	-	-
- Hire purchase receivables	84,743	67,878	84,743	67,878
- Leasing	-	3,180	-	3,180
- Revolving credits	902,949	682,773	902,949	682,773
- Other term financing	3,414,605	3,311,338	3,414,568	3,310,385
	<u>6,212,635</u>	<u>6,263,315</u>	<u>6,133,896</u>	<u>6,111,611</u>

(vii) Gross impaired advances and financing by industry - Comparative information under MFRS 139

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Constructions	146,453	57,781	145,410	55,816
Education, health and others	120,225	168,956	101,047	132,708
Electricity, gas and water supply	-	54	-	54
Financial, insurance, real estate and business services	185,531	39,410	184,143	35,949
Manufacturing	335,953	258,322	303,781	196,026
Mining and quarrying	1,049	377	1,049	377
Primary agriculture	260	296	260	296
Transportation, storage and communication	-	-	-	-
Wholesale, retail trade, restaurants and hotels	216,104	168,277	198,774	135,678
	<u>382,229</u>	<u>184,068</u>	<u>374,600</u>	<u>168,933</u>
	<u>1,387,803</u>	<u>877,541</u>	<u>1,309,064</u>	<u>725,837</u>

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

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

(viii) 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	90,911	4,273	36,627	2,804	8,027	3,811	146,453
Education, health and others	94,658	3,608	5,442	13,698	2,151	668	120,225
Electricity, gas and water supply	-	-	-	-	-	-	-
Financial, insurance, real estate and business services	151,637	8,109	3,224	10,852	10,167	1,542	185,531
Manufacturing	177,212	31,689	68,932	48,677	5,744	3,699	335,953
Mining and quarrying	652	-	-	397	-	-	1,049
Primary agriculture	-	-	61	-	199	-	260
Transportation, storage and communication	105,302	6,988	23,284	41,503	9,164	29,863	216,104
Wholesale, retail trade, restaurants and hotels	196,659	26,073	24,234	44,396	86,118	4,749	382,229
At 31 December 2018	<u>817,030</u>	<u>80,740</u>	<u>161,804</u>	<u>162,327</u>	<u>121,570</u>	<u>44,332</u>	<u>1,387,803</u>

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

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

(viii) 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	22,716	3,526	25,688	494	3,345	2,012	57,781
Education, health and others	110,077	6,260	7,495	43,084	1,210	830	168,956
Electricity, gas and water supply	54	-	-	-	-	-	54
Financial, insurance, real estate and business services	33,091	464	3,738	1,974	-	143	39,410
Manufacturing	166,510	31,290	45,298	13,688	1,254	282	258,322
Mining and quarrying	-	-	-	377	-	-	377
Primary agriculture	-	-	95	-	201	-	296
Transportation, storage and communication	87,696	1,293	14,644	39,822	1,608	23,214	168,277
Wholesale, retail trade, restaurants and hotels	78,054	8,489	13,905	26,658	55,407	1,555	184,068
At 31 December 2017	498,198	51,322	110,863	126,097	63,025	28,036	877,541

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

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

(viii) 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	89,868	4,273	36,627	2,804	8,027	3,811	145,410
Education, health and others	75,480	3,608	5,442	13,698	2,151	668	101,047
Electricity, gas and water supply							-
Financial, insurance, real estate and business services	150,249	8,109	3,224	10,852	10,167	1,542	184,143
Manufacturing	145,040	31,689	68,932	48,677	5,744	3,699	303,781
Mining and quarrying	652	-	-	397	-	-	1,049
Primary agriculture	-	-	61	-	199	-	260
Transportation, storage and communication	87,972	6,988	23,284	41,503	9,164	29,863	198,774
Wholesale, retail trade, restaurants and hotels	189,030	26,073	24,234	44,396	86,118	4,749	374,600
At 31 December 2018	<u>738,291</u>	<u>80,740</u>	<u>161,804</u>	<u>162,327</u>	<u>121,570</u>	<u>44,332</u>	<u>1,309,064</u>

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

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

(viii) 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	20,751	3,526	25,688	494	3,345	2,012	55,816
Education, health and others	73,829	6,260	7,495	43,084	1,210	830	132,708
Electricity, gas and water supply	54	-	-	-	-	-	54
Financial, insurance, real estate and business services	29,630	464	3,738	1,974	-	143	35,949
Manufacturing	104,214	31,290	45,298	13,688	1,254	282	196,026
Mining and quarrying	-	-	-	377	-	-	377
Primary agriculture	-	-	95	-	201	-	296
Transportation, storage and communication	55,097	1,293	14,644	39,822	1,608	23,214	135,678
Wholesale, retail trade, restaurants and hotels	62,919	8,489	13,905	26,658	55,407	1,555	168,933
At 31 December 2017	<u>346,494</u>	<u>51,322</u>	<u>110,863</u>	<u>126,097</u>	<u>63,025</u>	<u>28,036</u>	<u>725,837</u>

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

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

(ix) Movement in allowance for impairment losses on advances and financing are as follows:

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
<b><u>Expected credit losses/ Collective Assessment Allowance</u></b>				
At 1 January	137,990	121,476	111,107	98,430
Impact of adopting MFRS 9	(16,643)	-	(16,643)	-
At 1 January, as restated	121,347	121,476	94,464	98,430
Amount transfer to individual assessment allowance	-	(12,105)	-	(12,105)
Allowance made during the period/year	245,141	106,802	245,141	101,990
Writeback made during the period/year	(265,603)	(78,183)	(238,720)	(77,208)
Closing balance	100,885	137,990	100,885	111,107

Movement in collective assessment allowances which reflect the ECL model in impairment are as follows:

Group	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2018	58,720	7,662	71,608	137,990
Impact of adopting MFRS 9	(10,586)	8,165	(14,222)	(16,643)
At 1 January 2018, as restated	48,134	15,827	57,386	121,347
Changes due to advances and financing recognised as at 1 January 2018:				
-Transfers to Stage 1	(6,664)	25,949	4,427	23,712
-Transfers to Stage 2	(3,286)	(614)	2,874	(1,026)
-Transfers to Stage 3	(3,520)	(8,010)	(33,406)	(44,936)
	(13,470)	17,325	(26,106)	(22,250)
New financial assets originated	10,234	211	434	10,879
Amount settled	(6,050)	(2,318)	(722)	(9,090)
At 31 December 2018	38,848	31,045	30,992	100,885

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

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

(ix) Movement in allowance for impairment losses on advances and financing are as follow (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 2018	58,720	7,662	44,725	111,107
Impact of adopting MFRS 9	(10,586)	8,165	(14,222)	(16,643)
At 1 January 2018, as restated	48,134	15,827	30,503	94,464
Changes due to advances and financing recognised as at 1 January 2018:				
-Transfers to Stage 1	(6,590)	21,903	4,604	19,916
-Transfers to Stage 2	(2,912)	(630)	2,995	(547)
-Transfers to Stage 3	(4,610)	(8,251)	(1,859)	(14,721)
	(14,112)	13,022	5,739	4,649
New financial assets originated	10,218	211	434	10,862
Amount settled	(6,050)	(2,318)	(722)	(9,090)
At 31 December 2018	38,189	26,741	35,954	100,885

	<b>Group</b>		<b>Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
<b>Individual Assessment Allowance</b>				
At 1 January	271,193	233,283	214,997	178,752
Impact of adopting MFRS 9	112,630	-	112,630	-
Adjustment	14,197	-	14,197	-
At 1 January, as restated	398,020	233,283	341,824	178,752
Net amount transfer from collective assessment allowance	-	-	-	-
Allowance made during the period	383,758	12,105	383,758	12,105
Amount written back in respect of recoveries	(152,304)	184,820	(137,884)	180,476
Amount written off	-	(90,009)	-	(87,330)
Amount settled	-	(69,006)	-	(69,006)
At 31 December 2018	629,474	271,193	587,698	214,997

(x) Movements in impaired advances and financing ("impaired advances and financing") - Comparative information under MFRS 139.

	<b>Group</b>		<b>Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
At 1 January	877,541	757,978	725,837	602,962
Impaired during the period/year	853,369	303,025	832,756	303,025
Reclassified as non-impaired	-	(39,148)	(154,220)	(39,148)
Offsetted against other payables	-	(8,808)	-	(8,808)
Amount recovered	(343,107)	(55,604)	(95,309)	(52,292)
Amount write-off	-	(79,902)	-	(79,902)
Closing balance	1,387,803	877,541	1,309,064	725,837



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

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

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

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Net impaired advances and financing	13.58%	15.75%	13.01%	9.51%

**(f) Deposit from customer**

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Term deposit: - Commodity Murabahah	2,975,382	3,261,929	3,071,441	3,321,145

(i) By types of customers

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Government and statutory bodies	2,253,186	2,051,954	2,253,186	2,051,954
Business enterprises	643,586	501,839	739,645	561,055
Others	78,610	708,136	78,610	708,136
	<u>2,975,382</u>	<u>3,261,929</u>	<u>3,071,441</u>	<u>3,321,145</u>

(ii) The maturity structure

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Less than three months	2,526,180	2,453,571	2,557,124	2,511,711
Three months to six months	369,604	736,520	377,057	737,596
Six months to one year	79,598	71,838	137,260	71,838
	<u>2,975,382</u>	<u>3,261,929</u>	<u>3,071,441</u>	<u>3,321,145</u>

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

**(g) Deposits from other financial institutions**

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Licensed banks	301,417	100,172

The deposits maturity structure are as follows:

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Less than three months	301,417	100,172

**(h) Term financing**

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Unsecured term financing	283,309	326,489

The maturity structure of the term financing are as follows:

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Within twelve months	15,959	37,909
More than twelve months	267,350	288,580
	<u>283,309</u>	<u>326,489</u>

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

	<b>Group and Bank</b>	
	<b>As at 31 December 2018 RM'000</b>	<b>As at 31 December 2017 RM'000</b>
Financing from:		
- Government of Malaysia	156,719	155,882
- Bank Negara Malaysia ("BNM")	126,590	170,607
	<u>283,309</u>	<u>326,489</u>

The profit rates on the financing from the Government of Malaysia is 1.50% and (2017: 1.50%) per annum. The rate for BNM ranges from 4.00% - 5.00% (2017: 4.00% - 5.00%)

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## 26. Islamic banking business (cont'd.)

## (i) Government funds (cont'd.)

## To finance advances and financing:

Group and Bank	Tabung Soft Loan Scheme RM'000	Program dan Skim Usahawan Batik RM'000	Soft Loan Scheme (SMA) RM'000	Tabung Usahawan Siswazah (TUS) RM'000	Dana Usahawan Negeri Terengganu RM'000	Program dan Skim Usahawan Kraf RM'000	Skim Anjakan Usahawan RM'000	Teraju Facilitation Fund RM'000	Total RM'000
At 1 January 2018	36,406	4,168	30,090	13,380	4,516	4,756	58,848	-	152,164
Addition during the year	-	-	-	-	-	-	40,000	50,000	90,000
Deposit placed*	-	-	-	-	-	-	-	(48,769)	(48,769)
Financing written-off recoverable Muqasah	21	-	2,724	744	127	-	-	-	3,616
	-	-	-	-	(26)	-	-	-	(26)
At 31 December 2018	36,427	4,168	32,814	14,124	4,617	4,756	98,848	1,231	196,985

Group and Bank	Tabung Soft Loan Scheme RM'000	Program dan Skim Usahawan Batik RM'000	Soft Loan Scheme (SMA) RM'000	Tabung Usahawan Siswazah (TUS) RM'000	Dana Usahawan Negeri Terengganu RM'000	Skim Pembangunan Ekonomi Desa-Islamic RM'000	Program dan Skim Usahawan Kraf RM'000	Skim Anjakan Usahawan RM'000	Total RM'000
At 1 January 2017	36,796	4,147	31,393	18,300	5,442	48,194	4,755	19,604	168,631
Proceeds	-	-	-	-	-	-	-	40,000	40,000
Write-off	(436)	-	(3,879)	(5,606)	(1,101)	-	-	-	(11,022)
Recoveries from loans written-off	46	21	2,576	686	175	24	1	-	3,529
Utilised to offset expenses	-	-	-	-	-	-	-	(756)	(756)
Reclassification	-	-	-	-	-	(48,218)	-	-	(48,218)
At 31 December 2017	36,406	4,168	30,090	13,380	4,516	-	4,756	58,848	152,164

\*Included in the government fund is Teraju Facilitation Fund amounting to RM50,000,000 received during the year. The balance amount yet to be disbursed was channelled as placement with profit sharing of 70:30 between the Bank and Teraju. The amount available for distribution remained at RM50,000,000.

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

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

Group	Fourth Quarter Ended		Cumulative 12 Months Ended	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
Income from advances and financing				
- Bai' Bithaman Ajil	(78,078)	21,513	2,398	112,058
- Bai' Murabahah	144,981	(23,947)	172,148	59,329
- Bai' Istisna	(16,105)	9,525	11,281	42,933
- Ijarah	(21,167)	6,201	415	30,031
- Ijarah Thumma Al-Bai	7,061	3,453	26,674	24,122
- Bai' Dayn	(3,427)	(2,674)	622	3,995
- Tawwaruq	74,056	69,042	205,999	87,621
- Bai' Inah	(2,617)	608	1,347	2,096
- Wakalah	-	22,719	-	22,719
Total income from advances and financing	104,704	106,440	420,884	384,904
Mudharabah deposit acceptance	9,853	13,981	38,308	56,579
Derivative financial asset	1,072	(415)	8,075	2,285
Financial assets at fair value through other comprehensive income (FVOCI)	23,146	-	88,428	-
Financial assets at amortised cost (AC)	5,164	-	19,895	-
Available-for-sale financial assets	-	18,408	-	72,273
Held-to-maturity financial assets	-	6,707	-	26,146
	143,939	145,121	575,590	542,187

Bank	Fourth Quarter Ended		Cumulative 12 Months Ended	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
Income from advances and financing				
- Bai' Bithaman Ajil	(77,020)	21,025	-	110,707
- Bai' Murabahah	143,671	(26,053)	170,633	59,206
- Bai' Istisna	(16,065)	8,943	10,925	42,784
- Ijarah	(20,982)	5,938	-	29,796
- Ijarah Thumma Al-Bai	7,650	4,451	24,433	22,986
- Bai' Dayn	(3,426)	(2,390)	497	3,995
- Tawwaruq	72,501	68,599	204,295	87,621
- Bai' Inah	(2,622)	574	1,329	2,093
- Wakalah	-	22,699	-	22,699
Total income from advances and financing	103,707	103,786	412,112	381,887
Mudharabah deposit acceptance	9,853	13,621	38,308	56,579
Derivative financial asset	1,072	(415)	8,075	2,285
Financial assets at fair value through other comprehensive income (FVOCI)	23,146	-	88,428	-
Financial assets at amortised cost (AC)	5,164	-	19,895	-
Available-for-sale financial assets	-	18,408	-	72,273
Held-to-maturity financial assets	-	6,707	-	26,146
	142,942	142,107	566,818	539,170

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

**(k) Other income**

<b>Group</b>	<b>Fourth Quarter Ended</b>		<b>Cumulative 12 Months Ended</b>	
	<b>As at 31</b>	<b>As at 31</b>	<b>As at 31</b>	<b>As at 31</b>
	<b>December</b>	<b>December</b>	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee income	707	5,017	8,658	11,682
Rental income	2,629	2,548	10,372	10,111
Government fund release	-	3,562	-	8,249
Fair value adjustment	-	14,740	-	14,740
Profit expenses waived	-	33,777	-	33,777
Others	8,867	(2,739)	10,642	1,612
	<b>12,203</b>	<b>56,905</b>	<b>29,672</b>	<b>80,171</b>

<b>Bank</b>	<b>Fourth Quarter Ended</b>		<b>Cumulative 12 Months Ended</b>	
	<b>As at 31</b>	<b>As at 31</b>	<b>As at 31</b>	<b>As at 31</b>
	<b>December</b>	<b>December</b>	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee income	1,251	3,316	7,198	9,980
Rental income	2,629	2,548	10,372	10,111
Government fund release	-	3,562	-	8,249
Management fees	105	105	419	419
Fair value adjustment	-	14,740	-	14,740
Profit expenses waived	-	33,777	-	33,777
Profit income on amount owing by subsidiary company	5,008	17,752	17,777	17,752
Others	9,093	(12,770)	10,642	1,600
	<b>18,086</b>	<b>63,030</b>	<b>46,408</b>	<b>96,628</b>

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

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

<b>Group</b>	<b>Fourth Quarter Ended</b>		<b>Cumulative 12 Months Ended</b>	
	<b>As at 31</b>	<b>As at 31</b>	<b>As at 31</b>	<b>As at 31</b>
	<b>December</b>	<b>December</b>	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Commodity murabahah	32,154	36,239	124,511	150,056
Medium term notes	17,756	17,756	70,445	65,316
Long term financing	(255)	883	2,007	3,758
Deposits from bank and other financial institutions	4,778	1,761	18,600	5,809
Others	2,090	2,638	6,608	7,433
	<b>56,523</b>	<b>59,277</b>	<b>222,171</b>	<b>232,372</b>

<b>Bank</b>	<b>Fourth Quarter Ended</b>		<b>Cumulative 12 Months Ended</b>	
	<b>As at 31</b>	<b>As at 31</b>	<b>As at 31</b>	<b>As at 31</b>
	<b>December</b>	<b>December</b>	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Commodity murabahah	32,832	40,358	127,054	154,175
Medium term notes	17,756	17,756	70,445	65,316
Long term financing	(255)	883	2,007	3,758
Deposits from bank and other financial institutions	4,778	1,761	18,600	5,809
Others	2,090	2,638	6,608	7,433
	<b>57,201</b>	<b>63,396</b>	<b>224,714</b>	<b>236,491</b>

**(m) Other operating expenses**

<b>Group</b>	<b>Fourth Quarter Ended</b>		<b>Cumulative 12 Months Ended</b>	
	<b>As at 31</b>	<b>As at 31</b>	<b>As at 31</b>	<b>As at 31</b>
	<b>December</b>	<b>December</b>	<b>December</b>	<b>December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	33,739	40,634	137,775	133,682
Establishment related expenses	7,013	5,884	36,847	29,799
Promotion and marketing expenses	(876)	1,231	3,683	4,148
Administration and general expenses	265	2,691	18,691	21,529
	<b>40,141</b>	<b>50,440</b>	<b>196,996</b>	<b>189,158</b>

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

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

	Fourth Quarter Ended		Cumulative 12 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	December	December	December	December
	2018	2017	2018	2017
<b>Bank</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel expenses	32,653	39,412	132,999	128,832
Establishment related expenses	6,978	6,077	36,704	29,743
Promotion and marketing expenses	(608)	1,286	3,895	4,405
Administration and general expenses	753	4,382	18,334	23,424
	<u>39,776</u>	<u>51,157</u>	<u>191,932</u>	<u>186,404</u>

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

	Fourth Quarter Ended		Cumulative 12 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	December	December	December	December
	2018	2017	2018	2017
<b>Group</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Allowance for impairment losses on advances, and financing made during the period				
- Expected credit losses/ Collective assesment allowance	74,943	31,512	245,141	106,802
- Individual assesment allowance	198,041	60,587	383,758	184,820
	<u>272,984</u>	<u>92,099</u>	<u>628,899</u>	<u>291,622</u>
Impairment reversal for advances and financing made during the period				
- Expected credit losses/ Collective assesment allowance	(126,867)	(21,785)	(265,603)	(78,183)
- Individual assesment allowance	(24,522)	(38,518)	(152,304)	(90,009)
	<u>(151,389)</u>	<u>(60,303)</u>	<u>(417,907)</u>	<u>(168,192)</u>
Loan, advances and financing waived	-	729	-	729
Loan, advances and financing written-off	-	10,896	-	10,896
Impaired advances and financing recovered	(1,410)	(8,789)	(5,682)	(13,849)
<b>Total allowances for impairment on advances and financing</b>	<u>120,185</u>	<u>34,632</u>	<u>205,310</u>	<u>121,206</u>

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

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

	Fourth Quarter Ended		Cumulative 12 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	December	December	December	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Allowance for impairment losses on advances, and financing made during the period				
- Expected credit losses/ Collective assesment allowance	74,943	26,700	245,141	101,990
- Individual assesment allowance	198,041	56,243	383,758	180,476
	<u>272,984</u>	<u>82,943</u>	<u>628,899</u>	<u>282,466</u>
Impairment reversal for advances and financing made during the period				
- Expected credit losses/ Collective assesment allowance	(99,984)	(20,810)	(238,720)	(77,208)
- Individual assesment allowance	(10,102)	(35,839)	(137,884)	(87,330)
	<u>(110,086)</u>	<u>(56,649)</u>	<u>(376,604)</u>	<u>(164,538)</u>
Loan, advances and financing waived	-	729	-	729
Loan, advances and financing written-off	-	10,896	-	10,896
Impaired advances and financing recovered	(1,410)	(8,789)	(5,682)	(13,849)
<b>Total allowances for impairment on advances and financing</b>	<u>161,488</u>	<u>29,130</u>	<u>246,613</u>	<u>115,704</u>

**(o) Commitments**

	Group and Bank	
	As at 31	As at 31
	December	December
	2018	2017
	RM'000	RM'000
Direct credit substitutes	189,758	182,276
Transaction-related-contingent items	138,014	171,207
Irrevocable commitments to extend credit:		
- maturity exceeding one year	160,675	136,812
- maturity not exceeding one year	409,694	539,028
Profit rate related contract	200,000	350,000
	<u>1,098,141</u>	<u>1,379,323</u>



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

**(p) Capital adequacy**

**Capital management**

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

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
<u>Tier I Capital</u>				
Capital funds	1,050,564	1,050,564	1,050,564	1,050,564
Retained profit*	434,104	466,724	445,340	508,778
Less: Deferred tax	(108,445)	(118,066)	(108,445)	(118,066)
Less: Property revaluation reserves	(212,229)	(212,229)	(212,229)	(212,229)
Total Tier I capital	<u>1,163,994</u>	<u>1,186,993</u>	<u>1,175,230</u>	<u>1,229,047</u>
<u>Tier II Capital</u>				
Expected credit losses/ collective allowances for advances and financing**	106,210	67,508	106,210	67,508
Property revaluation reserves	106,115	106,115	106,115	106,115
Government funds	196,985	152,164	196,985	152,164
Total Tier II capital	<u>409,310</u>	<u>325,787</u>	<u>409,310</u>	<u>325,787</u>
Total capital	1,573,304	1,512,780	1,584,540	1,554,834
Less: Investment in subsidiaries	-	-	(3,582)	(3,582)
Total capital base	<u>1,573,304</u>	<u>1,512,780</u>	<u>1,580,958</u>	<u>1,551,252</u>

\* Before take into account the payment of dividend and the first day impact of the MFRS 9

\*\* The eligible amounts for Tier II Capital is only limited to the excess of total collective allowances over the identifiable incurred losses in the collective allowance pool.

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

	Group		Bank	
	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
20%	142,986	114,037	142,986	114,037
50%	45,637	41,590	45,637	41,590
100%	7,420,043	7,830,736	7,916,167	8,267,405
	<u>7,608,666</u>	<u>7,986,363</u>	<u>8,104,790</u>	<u>8,423,032</u>

Before deducting proposed dividends:

Core capital ratio	15.30%	14.86%	14.50%	14.59%
Risk-weighted capital ratio	<u>20.68%</u>	<u>18.94%</u>	<u>19.51%</u>	<u>18.42%</u>