

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

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019**

	Notes	Group		Bank	
		As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
ASSETS					
Cash and short term funds		729,091	485,308	726,792	481,615
Deposits and placements with banks		132,600	151,878	132,600	151,878
Financial assets	9	2,580,921	2,722,241	2,580,921	2,722,241
Loans, advances and financing	10	5,644,659	5,657,732	5,644,659	5,657,732
Other assets		32,501	14,903	43,254	132,218
Derivative financial assets		6,537	2,816	6,537	2,816
Investment in subsidiaries		-	-	-	-
Investment in associate		3,548	3,548	-	-
Property, plant and equipment		141,032	139,517	141,014	139,497
Investment properties		373,214	373,214	373,214	373,214
Intangible assets		16,246	17,785	16,224	17,759
Tax recoverable		26,536	29,857	25,791	26,083
Deferred tax assets		120,059	120,059	120,059	120,059
TOTAL ASSETS		9,806,944	9,718,858	9,811,065	9,825,112
LIABILITIES					
Deposits from customers	11	3,137,279	2,974,984	3,146,979	3,071,441
Deposits from banks and other financial institutions	12	-	301,417	-	301,417
Medium-term notes		2,009,894	1,821,436	2,009,894	1,821,436
Borrowings	13	1,966,059	1,982,921	1,966,059	1,982,921
Other liabilities		1,046,755	1,039,958	1,050,605	1,055,495
Government funds		341,826	326,344	341,826	326,344
TOTAL LIABILITIES		8,501,813	8,447,060	8,515,363	8,559,054
EQUITY					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Accumulated Lossess		(567,851)	(583,618)	(577,280)	(589,358)
Other reserves		22,982	5,416	22,982	5,416
TOTAL EQUITY		1,305,131	1,271,798	1,295,702	1,266,058
TOTAL LIABILITIES AND EQUITY		9,806,944	9,718,858	9,811,065	9,825,112
COMMITMENTS AND CONTINGENCIES		2,457,100	1,675,103	2,457,100	1,675,103

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 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 FIRST QUARTER ENDED 31 MARCH 2019**

Group	Notes	First Quarter Ended		Cumulative 3 Months Ended	
		31 Mar 2019 RM'000	31 Mar 2018 RM'000	31 Mar 2019 RM'000	31 Mar 2018 RM'000
Interest income	14	5,638	6,205	5,638	6,205
Interest expense	15	(13,653)	(13,717)	(13,653)	(13,717)
Net interest income		(8,015)	(7,512)	(8,015)	(7,512)
Gross income from Islamic banking business	21	101,803	94,904	101,803	94,904
Other operating income	16	1,883	2,466	1,883	2,466
Net income		95,671	89,858	95,671	89,858
Other operating expenses	17	(55,640)	(56,405)	(55,640)	(56,405)
Operating profit		40,031	33,453	40,031	33,453
Net impairment loss on financial assets :					
- loans, advances and financing	18	(22,673)	(15,400)	(22,673)	(15,400)
- commitment and contingencies	10(xi)	(199)	1,233	(199)	1,233
- debts instruments at FVOCI	9(a)	178	(847)	178	(847)
- debts instruments at AC	9(c)	40	(4)	40	(4)
- other assets		(318)	(260)	(318)	(260)
		17,059	18,175	17,059	18,175
Share of loss after tax of associate		-	-	-	-
Profit before tax expense and zakat		17,059	18,175	17,059	18,175
Tax expense		(292)	(344)	(292)	(344)
Zakat		(1,000)	(1,000)	(1,000)	(1,000)
Profit for the period		15,767	16,831	15,767	16,831
Other comprehensive income/(loss) item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of					
- debts instruments at FVOCI		23,347	875	23,347	875
Changes in expected credit losses of					
- debts instruments at FVOCI		(178)	847	(178)	847
Income tax expense relating to components of other comprehensive income		(5,603)	(203)	(5,603)	(203)
Other comprehensive income for the period, net of tax		17,566	1,519	17,566	1,519
Total comprehensive income for the period, net of tax		33,333	18,350	33,333	18,350
Profit for the period attributable to owner of the Bank		15,767	16,831	15,767	16,831
Total comprehensive income attributable to owner of the Bank		33,333	18,350	33,333	18,350

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 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 FIRST QUARTER ENDED 31 MARCH 2019 (CONT'D)**

Bank	Notes	First Quarter Ended		Cumulative 3 Months Ended	
		31 Mar 2019 RM'000	31 Mar 2018 RM'000	31 Mar 2019 RM'000	31 Mar 2018 RM'000
Interest income	14	5,638	6,205	5,638	6,205
Interest expense	15	(13,653)	(13,717)	(13,653)	(13,717)
Net interest income		(8,015)	(7,512)	(8,015)	(7,512)
Gross income from Islamic banking business	21	98,548	92,983	98,548	92,983
Other operating income	16	1,883	1,966	1,883	1,966
Net income		92,416	87,437	92,416	87,437
Other operating expenses	17	(54,729)	(55,135)	(54,729)	(55,135)
Operating profit		37,687	32,302	37,687	32,302
Net impairment loss on financial assets :					
- loans, advances and financing	18	(24,018)	(15,400)	(24,018)	(15,400)
- commitment and contingencies	10(xi)	(199)	1,233	(199)	1,233
- debts instruments at FVOCI	9(a)	178	(847)	178	(847)
- debts instruments at AC	9(c)	40	(4)	40	(4)
- other assets		(318)	(260)	(318)	(260)
Profit before tax expense and zakat		13,370	17,024	13,370	17,024
Tax expense		(292)	(344)	(292)	(344)
Zakat		(1,000)	(1,000)	(1,000)	(1,000)
Profit for the period		12,078	15,680	12,078	15,680
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of					
- debts instruments at FVOCI		23,347	875	23,347	875
Changes in expected credit losses of					
- debts instruments at FVOCI		(178)	847	(178)	847
Income tax expense/(credit) relating to components of other comprehensive income		(5,603)	(203)	(5,603)	(203)
Other comprehensive income for the period, net of tax		17,566	1,519	17,566	1,519
Total comprehensive income for the period, net of tax		29,644	17,199	29,644	17,199
Profit for the period attributable to owner of the Bank		12,078	15,680	12,078	15,680
Total comprehensive income attributable to owner of the Bank		29,644	17,199	29,644	17,199

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 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 FIRST QUARTER ENDED 31 MARCH 2019**

Group	<=====Attributable to the Owner of the Bank=====>				
	Share capital RM'000	Non-distributable Fair value reserve RM'000	General reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019	1,850,000	(4,698)	10,114	(583,618)	1,271,798
Unrealised loss on revaluation of debt instruments at FVOCI	-	23,347	-	-	23,347
Changes in expected credit losses of debt instruments at FVOCI	-	(178)	-	-	(178)
Income tax relating to components of other comprehensive income	-	(5,603)	-	-	(5,603)
Profit for the period	-	-	-	15,767	15,767
Total comprehensive income for the period	-	17,566	-	15,767	33,333
At 31 March 2019	1,850,000	12,868	10,114	(567,851)	1,305,131
At 1 January 2018	1,850,000	(12,601)	10,114	5,810	1,853,323
Unrealised loss on revaluation of debt instruments at FVOCI	-	(2,362)	-	-	(2,362)
Changes in expected credit losses of debt instruments at FVOCI	-	9,698	-	-	9,698
Income tax relating to components of other comprehensive income	-	567	-	-	567
Loss for the year	-	-	-	(556,128)	(556,128)
Total comprehensive loss for the year	-	7,903	-	(556,128)	(548,225)
Dividends	-	-	-	(33,300)	(33,300)
At 31 December 2018	1,850,000	(4,698)	10,114	(583,618)	1,271,798

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 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 FIRST QUARTER ENDED 31 MARCH 2019 (CONT'D)

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

	Share capital RM'000	Fair value reserve RM'000	General reserve RM'000	Retained earnings RM'000	Total RM'000
Bank					
At 1 January 2019	1,850,000	(4,698)	10,114	(589,358)	1,266,058
Unrealised loss on revaluation of debt instruments at FVOCI	-	23,347	-	-	23,347
Changes in expected credit losses of debt instruments at FVOCI	-	(178)	-	-	(178)
Income tax relating to components of other comprehensive income	-	(5,603)	-	-	(5,603)
Profit for the period	-	-	-	12,078	12,078
Total comprehensive income for the period	-	17,566	-	12,078	29,644
At 31 March 2019	1,850,000	12,868	10,114	(577,280)	1,295,702
At 1 January 2018	1,850,000	(12,601)	10,114	(56,556)	1,790,957
Unrealised loss on revaluation of debt instruments at FVOCI	-	(2,362)	-	-	(2,362)
Changes in expected credit losses of debt instruments at FVOCI	-	9,698	-	-	9,698
Income tax relating to components of other comprehensive income	-	567	-	-	567
Loss for the year	-	-	-	(499,502)	(499,502)
Total comprehensive income for the year	-	7,903	-	(499,502)	(491,599)
Dividend	-	-	-	(33,300)	(33,300)
At 31 December 2018	1,850,000	(4,698)	10,114	(589,358)	1,266,058

(These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 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 CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2019**

	Group		Bank	
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
Notes	RM'000	RM'000	RM'000	RM'000
Cash flows from/(used in) operating activities				
Profit before tax expense and zakat	17,059	18,175	13,370	17,024
Adjustments for:				
Net impairment loss on loan, advances and financing	22,872	16,715	24,217	16,715
Net impairment loss on financial assets	(218)	847	(218)	847
Net impairment loss on other assets	318	4	318	4
Depreciation of property, plant and equipment	3,421	3,675	3,418	3,650
Amortisation of intangible assets	1,761	799	1,757	781
Government funds released, net	867	869	867	869
Interest income on financial assets at FVOCI	(21,323)	(22,606)	(21,323)	(22,606)
Interest income on financial assets at AC	(4,173)	(4,870)	(4,173)	(4,870)
Profit expense on medium term note	17,436	17,370	17,436	17,370
Profit expense on borrowings	14,055	14,500	14,055	14,500
Operating profit before working capital changes	52,075	45,478	49,724	44,284
Changes in working capital:				
Net changes in operating assets	103,136	(760,276)	110,804	(798,851)
Net changes in operating liabilities	(235,223)	332,698	(239,147)	374,420
Cash from operating activities	(80,012)	(382,100)	(78,619)	(380,147)
Interest and profit paid	(34,642)	(51,916)	(34,642)	(51,916)
Interest and profit received	42,315	69,957	42,315	69,957
Net cash from operating activities	(72,339)	(364,059)	(70,946)	(362,106)
Cash flows used in investing activities				
Net proceed/ (purchase) from financial assets	122,880	(49,518)	122,880	(49,518)
Net purchase of property, plant and equipment	(4,936)	(2,671)	(4,935)	(2,653)
Net purchase of intangible assets	(222)	(948)	(222)	(948)
Net cash used in investing activities	117,722	(53,137)	117,723	(53,119)
Unrealised gain on revaluation of				
Net proceeds from Sukuk issuance	200,000	-	200,000	-
Net (repayment)/drawdown of borrowings	(11,600)	3,804	(11,600)	3,804
Proceed from government funds	10,000	-	10,000	-
Net cash from financing activities	198,400	3,804	198,400	3,804
Net increase in cash and cash equivalents	243,783	(413,392)	245,177	(411,421)
Cash and cash equivalents at beginning of year	485,308	423,032	481,615	418,981
Cash and cash equivalents at end of year	729,091	9,640	726,792	7,560
Cash and cash equivalents comprise:				
- Cash and short term funds	729,091	9,640	726,792	7,560

**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 unaudited annual financial statements for the year ended 31 December 2018. 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 2018.

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 accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent unaudited financial statements for the year ended 31 December 2018 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 2019:-

- Leases (MFRS 16)
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS 128)
- Annual improvements to MFRSs 2015-2017 cycle
- Uncertainty over Income Tax Payments (IC Interpretation 23)

The adoption of the above amendments to MFRSs, annual improvements to MFRSs and IC Interpretation do not have any significant impact to the Group's and the Bank's financial statements.

2. Summary of Significant Accounting Policies

The unaudited financial statements of the Group and of the Bank for the financial year ended 31 December 2018 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 unaudited financial statements for the financial year ended 31 December 2018.

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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 unaudited annual financial statements for the financial year ended 31 December 2018.

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 2018 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 first quarter ended 31 March 2019.

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 first quarter ended 31 March 2019.

7. Changes in estimates

There were no material changes in estimates that have a material effect in the first quarter ended 31 March 2019.

8. Dividends

No dividend has been proposed or paid for the first quarter ended 31 March 2019.

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9. Financial assets

Total financial assets as at 31 March 2019 are as below:

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
(a) Debt instruments at FVOCI	1,866,519	1,904,721
(b) Equity instruments at FVOCI	140,709	143,387
(c) Debt instruments at AC	573,693	674,133
	<u>2,580,921</u>	<u>2,722,241</u>

(a) Debt instruments at FVOCI

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Government securities		
Malaysian Government Investment Issues	693,585	710,577
Malaysian Government Securities	180,979	175,323
	<u>874,564</u>	<u>885,900</u>
Non-money market securities		
Private debt securities	991,955	1,018,821
	<u>991,955</u>	<u>1,018,821</u>
Total debt instruments at FVOCI	<u>1,866,519</u>	<u>1,904,721</u>

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

	Group and Bank		
	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	301	10,000	10,301
New remeasurement of allowances	(169)	-	(169)
New financial assets originated or purchased	-	-	-
Financial assets derecognised	(9)	-	(9)
At 31 March 2019	<u>123</u>	<u>10,000</u>	<u>10,123</u>

The impairment losses by external rating grade are as follows:

	Group and Bank		
	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
RAM AAA	2	-	2
MARC AAA	11	-	11
RAM AA	19	-	19
MARC AA	2	-	2
MARC AA-	89	-	89
RAM C	-	10,000	10,000
Total	<u>123</u>	<u>10,000</u>	<u>10,123</u>

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9. Financial assets (cont'd.)

(b) Equity instruments at FVOCI

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Non-money market instruments		
Private debt securities	131,826	134,504
Unquoted shares	8,883	8,883
Total Equity instruments at FVOCI	<u>140,709</u>	<u>143,387</u>

(c) Debt instruments at Amortised Cost ("AC")

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Government securities		
Malaysian Government Investment Issues	<u>111,762</u>	<u>111,631</u>
Money market securities		
Commercial papers	<u>203,079</u>	<u>243,076</u>
Non-money market securities		
Private debt securities	<u>258,875</u>	<u>319,489</u>
Total	<u>573,716</u>	<u>674,196</u>
Accumulated impairment losses		
Money market securities		
Commercial papers	<u>(18)</u>	<u>(56)</u>
Non-money market securities		
Private debt securities	<u>(5)</u>	<u>(7)</u>
Total	<u>(23)</u>	<u>(63)</u>
Total Debt instruments at Amortised Cost ("AC")	<u>573,693</u>	<u>674,133</u>

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9. Financial assets (cont'd.)

(c) Debt instruments at Amortised Cost ("AC")

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

	Group and Bank Stage 1 RM'000
At 1 January 2019	63
New remeasurement of allowances	(32)
New financial assets originated or purchased	5
Financial assets derecognised	(13)
At 31 March 2019	<u>23</u>

The impairment losses by external rating grade are as follows:

	Group and Bank Stage 1 RM'000
Performing	
RAM AAA	2
MARC AAA	8
RAM AA	13
Total	<u>23</u>

The maturity structure of financial assets at AC are as follows:

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Within one year	258,416	344,418
More than one year to three years	152,698	95,101
More than three years to five years	122,261	194,277
More than five years	40,341	40,400
	<u>573,716</u>	<u>674,196</u>

**Small Medium Enterprise Development Bank Malaysia Berhad
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10. Loans, advances and financing

Total financial assets as at 31 December are as below:

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
(a) At AC	5,632,838	5,645,449	5,632,838	5,645,449
(b) At FVTPL	11,821	12,283	11,821	12,283
	<u>5,644,659</u>	<u>5,657,732</u>	<u>5,644,659</u>	<u>5,657,732</u>

(a) At AC

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Term loans				
- Hire purchase	358,731	373,469	320,686	335,424
- Leasing	349	363	1	15
- Other term loans	5,427,734	5,456,488	4,958,112	4,985,567
Revolving credits	1,223,985	1,166,536	1,210,501	1,153,006
Gross loans, advances and financing	7,010,799	6,996,856	6,489,300	6,474,012
Less: Allowance for impairment losses				
- Stage 1	(40,738)	(42,799)	(40,738)	(42,799)
- Stage 2	(74,946)	(55,642)	(74,946)	(55,642)
- Stage 3	(1,255,349)	(1,246,237)	(733,850)	(723,393)
- Commitment and contingencies	(6,928)	(6,729)	(6,928)	(6,729)
Net loans, advances and financing	<u>5,632,838</u>	<u>5,645,449</u>	<u>5,632,838</u>	<u>5,645,449</u>
Gross impaired loans, advances and financing	<u>2,042,178</u>	<u>2,005,645</u>	<u>1,520,679</u>	<u>1,482,801</u>
Net impaired loans, advances and financing	<u>786,829</u>	<u>759,408</u>	<u>786,829</u>	<u>759,408</u>

(b) At FVTPL

Staff loan/financing	<u>11,821</u>	<u>12,283</u>	<u>11,821</u>	<u>12,283</u>
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10. Loans, advances and financing (cont'd.)

(a) At AC (cont'd.)

(i) Movement in gross loan, advances and financing are as follows:

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 31 December 2018	4,153,556	837,654	2,005,646	6,996,856
- Transfer to Stage 1	70,027	(59,529)	(10,498)	-
- Transfer to Stage 2	(282,684)	284,684	(2,000)	-
- Transfer to Stage 3	(13,670)	(50,895)	64,565	-
(Partial repayment)/ additional drawdown	(140,563)	(16,812)	(11,227)	(168,602)
New financial assets originated	409,881	20,704	955	431,540
Financial assets derecognised	(218,953)	(24,778)	(5,264)	(248,995)
At 31 March 2019	<u>3,977,594</u>	<u>991,028</u>	<u>2,042,177</u>	<u>7,010,799</u>

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 31 December 2018	4,153,556	837,654	1,482,802	6,474,012
- Transfer to Stage 1	70,027	(59,529)	(10,498)	-
- Transfer to Stage 2	(282,684)	284,684	(2,000)	-
- Transfer to Stage 3	(13,670)	(50,895)	64,565	-
(Partial repayment)/ additional drawdown	(140,563)	(16,812)	(9,882)	(167,257)
New financial assets originated	409,881	20,704	955	431,540
Financial assets derecognised	(218,953)	(24,778)	(5,264)	(248,995)
At 31 March 2019	<u>3,977,594</u>	<u>991,028</u>	<u>1,520,678</u>	<u>6,489,300</u>

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Within one year	1,324,080	1,188,541	908,252	843,653
More than one year to three years	1,002,336	1,004,449	982,234	987,876
More than three years to five years	904,124	975,451	843,123	909,282
More than five years	3,780,259	3,828,415	3,755,691	3,733,201
	<u>7,010,799</u>	<u>6,996,856</u>	<u>6,489,300</u>	<u>6,474,012</u>

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10. Loans, advances and financing (cont'd.)

(a) At AC (cont'd.)

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Domestic business enterprise	7,010,799	6,996,856	6,489,300	6,474,012

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Constructions	1,310,041	1,346,818	1,307,182	1,343,958
Education, health and others	600,725	584,409	552,706	536,376
Electricity, gas and water supply	1,921	1,306	1,921	1,306
Financial, insurance, real estate and business services	1,011,228	1,026,569	1,008,071	1,023,412
Manufacturing	1,250,862	1,182,571	1,141,041	1,071,990
Mining and quarrying	68,140	46,701	66,144	44,705
Primary agriculture	6,523	6,693	6,276	6,446
Transportation, storage and communication	894,677	919,112	838,312	862,747
Wholesale, retail trade, restaurants and hotels	1,866,682	1,882,677	1,567,647	1,583,072
	<u>7,010,799</u>	<u>6,996,856</u>	<u>6,489,300</u>	<u>6,474,012</u>

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10. Loans, advances and financing (cont'd.)

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	697,451	76,592	192,927	142,750	77,944	122,377	1,310,041
Education, health and others	391,224	24,746	56,412	83,318	23,334	21,691	600,725
Electricity, gas and water supply	-	-	-	1,921	-	-	1,921
Financial, insurance, real estate and business services	696,663	56,329	103,211	23,040	83,483	48,502	1,011,228
Manufacturing	694,301	146,445	196,029	128,601	44,234	41,252	1,250,862
Mining and quarrying	20,360	-	5,597	16,091	22,600	3,492	68,140
Primary agriculture	954	-	747	43	4,779	-	6,523
Transportation, storage and communication	430,107	102,977	84,311	126,936	41,929	108,417	894,677
Wholesale, retail trade, restaurants and hotels	1,024,280	146,162	87,388	226,547	287,602	94,703	1,866,682
At 31 March 2019	3,955,340	553,251	726,622	749,247	585,905	440,434	7,010,799

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10. Loans, advances and financing (cont'd.)

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	712,685	77,295	188,015	162,472	81,066	125,285	1,346,818
Education, health and others	372,746	24,405	55,933	84,409	23,721	23,195	584,409
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estate and business services	705,872	53,546	107,363	23,655	84,924	51,209	1,026,569
Manufacturing	653,740	113,248	194,678	132,462	44,807	43,636	1,182,571
Mining and quarrying	5,410	-	700	14,467	24,155	1,969	46,701
Primary agriculture	1,032	-	798	50	4,813	-	6,693
Transportation, storage and communication	439,208	104,997	88,268	134,692	42,906	109,041	919,112
Wholesale, retail trade, restaurants and hotels	1,029,272	146,685	92,320	232,787	285,604	96,009	1,882,677
At 31 December 2018	<u>3,919,965</u>	<u>520,176</u>	<u>728,075</u>	<u>786,300</u>	<u>591,996</u>	<u>450,344</u>	<u>6,996,856</u>

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10. Loans, advances and financing (cont'd.)

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	694,592	76,592	192,927	142,750	77,944	122,377	1,307,182
Education, health and others	343,205	24,746	56,412	83,318	23,334	21,691	552,706
Electricity, gas and water supply	-	-	-	1,921	-	-	1,921
Financial, insurance, real estate and business services	693,506	56,329	103,211	23,040	83,483	48,502	1,008,071
Manufacturing	584,480	146,445	196,029	128,601	44,234	41,252	1,141,041
Mining and quarrying	18,364	-	5,597	16,091	22,600	3,492	66,144
Primary agriculture	707	-	747	43	4,779	-	6,276
Transportation, storage and communication	373,742	102,977	84,311	126,936	41,929	108,417	838,312
Wholesale, retail trade, restaurants and hotels	725,245	146,162	87,388	226,547	287,602	94,703	1,567,647
At 31 March 2019	3,433,841	553,251	726,622	749,247	585,905	440,434	6,489,300

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10. Loans, advances and financing (cont'd.)

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
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	14,467	24,155	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	729,667	146,685	92,320	232,787	285,604	96,009	1,583,072
At 31 December 2018	<u>3,397,121</u>	<u>520,176</u>	<u>728,075</u>	<u>786,300</u>	<u>591,996</u>	<u>450,344</u>	<u>6,474,012</u>

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10. Loans, advances and financing (cont'd.)

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Fixed rate:				
- Hire purchase receivables	275,434	287,849	238,266	250,681
- Leasing receivables	349	363	1	15
- Other term loans/financing	1,775,762	1,824,045	1,466,387	1,513,380
- Revolving credits	253,439	255,001	240,012	241,529
Variable rate:				
- Hire purchase receivables	83,298	85,620	82,421	84,743
- Leasing receivables	-	-	-	-
- Other term loans/financing	3,651,970	3,632,443	3,491,724	3,472,187
- Revolving credits	970,547	911,535	970,489	911,477
	<u>7,010,799</u>	<u>6,996,856</u>	<u>6,489,300</u>	<u>6,474,012</u>

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Constructions	196,983	202,178	194,124	199,318
Education, health and others	160,590	160,824	112,571	112,791
Financial, insurance, real estate and business services	191,751	187,301	188,594	184,144
Manufacturing	426,542	416,512	316,721	305,931
Mining and quarrying	4,916	3,045	2,920	1,049
Primary agriculture	513	507	266	260
Transportation, storage and communication	304,979	299,457	248,614	243,092
Wholesale, retail trade, restaurants and hotels	755,904	735,821	456,869	436,216
	<u>2,042,178</u>	<u>2,005,645</u>	<u>1,520,679</u>	<u>1,482,801</u>

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10. Loans, advances and financing (cont'd.)

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	106,688	4,206	67,099	7,651	7,540	3,799	196,983
Education, health and others	134,447	3,614	5,488	14,065	2,165	811	160,590
Financial, insurance, real estate and business services	-	7,402	4,525	11,001	10,237	1,362	191,751
Manufacturing	255,725	29,119	73,357	57,714	5,722	4,905	426,542
Mining and quarrying	2,658	-	-	2,258	-	-	4,916
Primary agriculture	247	-	64	-	202	-	513
Transportation, storage and communication	174,268	7,177	31,183	49,841	12,211	30,299	304,979
Wholesale, retail trade, restaurants and hotels	500,492	44,444	26,579	59,171	120,643	4,575	755,904
At 31 March 2019	<u>1,331,749</u>	<u>95,962</u>	<u>208,295</u>	<u>201,701</u>	<u>158,720</u>	<u>45,751</u>	<u>2,042,178</u>

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10. Loans, advances and financing (cont'd.)

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	115,609	4,273	67,654	2,804	8,027	3,811	202,178
Education, health and others	135,257	3,608	5,442	13,698	2,151	668	160,824
Financial, insurance, real estate and business services	153,407	8,109	3,224	10,852	10,167	1,542	187,301
Manufacturing	257,223	32,237	68,932	48,677	5,744	3,699	416,512
Mining and quarrying	2,648	-	-	397	-	-	3,045
Primary agriculture	247	-	60	-	200	-	507
Transportation, storage and communication	172,477	6,988	30,516	50,447	9,166	29,863	299,457
Wholesale, retail trade, restaurants and hotels	498,042	39,424	24,345	56,571	112,690	4,749	735,821
At 31 December 2018	<u>1,334,910</u>	<u>94,639</u>	<u>200,173</u>	<u>183,446</u>	<u>148,145</u>	<u>44,332</u>	<u>2,005,645</u>

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10. Loans, advances and financing (cont'd.)

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

Bank	Central	Northern	Southern	East	Sabah	Sarawak	Total
	Region	Region	Region	Coast	Region	Region	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Constructions	103,829	4,206	67,099	7,651	7,540	3,799	194,124
Education, health and others	86,428	3,614	5,488	14,065	2,165	811	112,571
Financial, insurance, real estate and business services	154,067	7,402	4,525	11,001	10,237	1,362	188,594
Manufacturing	145,904	29,119	73,357	57,714	5,722	4,905	316,721
Mining and quarrying	662	-	-	2,258	-	-	2,920
Primary agriculture	-	-	64	-	202	-	266
Transportation, storage and communication	117,903	7,177	31,183	49,841	12,211	30,299	248,614
Wholesale, retail trade, restaurants and hotels	201,457	44,444	26,579	59,171	120,643	4,575	456,869
At 31 March 2019	810,250	95,962	208,295	201,701	158,720	45,751	1,520,679

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10. Loans, advances and financing (cont'd.)

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	112,749	4,273	67,654	2,804	8,027	3,811	199,318
Education, health and others	87,224	3,608	5,442	13,698	2,151	668	112,791
Financial, insurance, real estate and business services	150,250	8,109	3,224	10,852	10,167	1,542	184,144
Manufacturing	146,642	32,237	68,932	48,677	5,744	3,699	305,931
Mining and quarrying	652	-	-	397	-	-	1,049
Primary agriculture	-	-	60	-	200	-	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	198,437	39,424	24,345	56,571	112,690	4,749	436,216
At 31 December 2018	812,066	94,639	200,173	183,446	148,145	44,332	1,482,801

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10. Loans, advances and financing (cont'd.)

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

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	42,799	55,642	1,246,237	1,344,678
-Transfers to Stage 1	6,726	(5,720)	(1,006)	-
-Transfers to Stage 2	(2,840)	3,149	(309)	-
-Transfers to Stage 3	(176)	(5,002)	5,178	-
Net remeasurement of allowances	(7,445)	27,586	11,105	31,246
New financial assets originated	4,410	382	255	5,047
Financial assets derecognised	(2,736)	(1,091)	(6,111)	(9,938)
At 31 March 2019	40,738	74,946	1,255,349	1,371,033
	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	42,799	55,642	723,393	821,834
-Transfers to Stage 1	6,726	(5,720)	(1,006)	-
-Transfers to Stage 2	(2,840)	3,149	(309)	-
-Transfers to Stage 3	(176)	(5,002)	5,178	-
Net remeasurement of allowances	(7,445)	27,586	12,450	32,591
New financial assets originated	4,410	382	255	5,047
Financial assets derecognised	(2,736)	(1,091)	(6,111)	(9,938)
At 31 March 2019	40,738	74,946	733,850	849,534

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
(xi) Net impaired loans	13.67%	13.21%	13.67%	13.21%

(xii) **Commitment and Contingencies**

	Group and Bank Stage1 RM'000
At 1 January 2019	6,729
Changes to inputs used in ECL computation	230
New financial assets originated	538
Amount settled	(569)
At 31 March 2019	6,928

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11. Deposits from customers

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Term deposit:				
- Commodity murabahah/Tawarruq	3,137,279	2,974,984	3,146,979	3,071,441

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Government and statutory bodies	1,913,441	2,253,186	1,913,442	2,253,186
Business enterprise	893,383	643,188	903,082	739,645
Others	330,455	78,610	330,455	78,610
	3,137,279	2,974,984	3,146,979	3,071,441

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Less than three months	2,279,944	2,526,180	2,279,944	2,557,124
Three months to six months	550,527	369,604	552,853	377,057
More than six months to one year	306,808	79,200	314,182	137,260
	3,137,279	2,974,984	3,146,979	3,071,441

12. Deposits from banks and other financial institutions

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
At amortised cost		
Licensed banks and other financial institutions	-	301,417

The deposits maturity structure is as follows:

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Less than three months	-	301,417

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13. Borrowings

	Group and Bank	
	As at 31	As at 31
	March	December
	2019	2018
	RM'000	RM'000
Unsecured borrowings	1,966,059	1,982,921

The maturity structure of the borrowings are as follows:

	Group and Bank	
	As at 31	As at 31
	March	December
	2019	2018
	RM'000	RM'000
Within one year	684,165	203,639
More than five years	1,281,894	1,779,282
	<u>1,966,059</u>	<u>1,982,921</u>

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

	Note	Group and Bank	
		As at 31	As at 31
		March	December
		2019	2018
		RM'000	RM'000
Borrowings from:			
- Government of Malaysia	(i)	1,039,180	1,050,185
- Other financial institutions	(ii)	926,879	932,736
		<u>1,966,059</u>	<u>1,982,921</u>

(i) Borrowing from Government of Malaysia

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

	Group and Bank	
	As at 31	As at 31
	March	December
	2019	2018
	RM'000	RM'000
Maturity structure:		
Within twelve months	354,555	181,535
More than twelve months	684,625	868,650
	<u>1,039,180</u>	<u>1,050,185</u>

The interest rates on the borrowing from Government of Malaysia ranges from 0% to 4% (2018: 0% to 4%) per annum during the year.

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13. Borrowings (cont'd.)

(ii) Borrowing from other financial institutions

	Group and Bank	
	As at 31	As at 31
	March	December
	2019	2018
	RM'000	RM'000
Bank Negara Malaysia	110,971	126,590
Employee Provident Fund	815,908	806,146
	<u>926,879</u>	<u>932,736</u>

The loans from other financial institutions are repayable as follows:

	Group and Bank	
	As at 31	As at 31
	March	December
	2019	2018
	RM'000	RM'000
Maturity structure:		
Within twelve months	329,610	22,105
More than twelve months	597,269	910,631
	<u>926,879</u>	<u>932,736</u>

The interest rates on the borrowing from other financial institutions range from 1.50 % to 5.03 % (2018: 1.50% to 5.23%) per annum during the year.

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14. Interest income

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	March	March	March	March
	2019	2018	2019	2018
Group and Bank	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	3,861	4,339	3,861	4,339
- Debt instruments at FVOCI	1,661	1,729	1,661	1,729
- Derivatives at FVTPL	116	137	116	137
	<u>5,638</u>	<u>6,205</u>	<u>5,638</u>	<u>6,205</u>

15. Interest expense

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	March	March	March	March
	2019	2018	2019	2018
Group and Bank	RM'000	RM'000	RM'000	RM'000
Term loans	<u>13,653</u>	<u>13,717</u>	<u>13,653</u>	<u>13,717</u>

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16. Other operating income

Group	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000
	Fee income	18	648	18
Commission fee income	-	13	-	13
	18	661	18	661
Other income:				
Government fund released	867	869	867	869
Government compensation	605	630	605	630
Others	393	306	393	306
	1,865	1,805	1,865	1,805
Total other operating income	1,883	2,466	1,883	2,466

Bank	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000
	Fee income	18	148	18
Commission fee income	-	13	-	13
	18	161	18	161
Other income:				
Government fund released	867	869	867	869
Government compensation	605	630	605	630
Others	393	306	393	306
	1,865	1,805	1,865	1,805
Total other operating income	1,883	1,966	1,883	1,966

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17. Other operating expenses

Group	Note	First Quarter Ended		Cumulative 3 Months Ended	
		As at 31	As at 31	As at 31	As at 31
		March	March	March	March
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Personnel expenses	(i)	38,916	36,650	38,916	36,650
Establishment related expenses	(ii)	10,595	11,145	10,595	11,145
Promotion and marketing expenses	(iii)	887	1,426	887	1,426
Administration and general expenses	(iv)	5,242	7,184	5,242	7,184
		<u>55,640</u>	<u>56,405</u>	<u>55,640</u>	<u>56,405</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		31,675	29,574	31,675	29,574
Non-executive Directors fees and Remuneration		233	455	233	455
Social security cost		219	196	219	196
Contribution to Employee Provident Fund		3,361	3,027	3,361	3,027
Other staff related expenses		3,428	3,398	3,428	3,398
		<u>38,916</u>	<u>36,650</u>	<u>38,916</u>	<u>36,650</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,421	3,675	3,421	3,675
Amortisation of intangible assets		1,761	799	1,761	799
Rental of premises		950	1,003	950	1,003
Repairs and maintenance of property, plant and equipment		4,463	5,668	4,463	5,668
		<u>10,595</u>	<u>11,145</u>	<u>10,595</u>	<u>11,145</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		887	1,426	887	1,426
(iv) Administration and general expenses					
Administrative expenses		1,682	1,724	1,682	1,724
Auditors' remuneration		212	144	212	144
General expenses		3,348	5,316	3,348	5,316
		<u>5,242</u>	<u>7,184</u>	<u>5,242</u>	<u>7,184</u>

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17. Other operating expenses (cont'd.)

Bank	Note	First Quarter Ended		Cumulative 3 Months Ended	
		As at 31 March 2019 RM'000	As at 31 March 2018 RM'000	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000
Personnel expenses	(i)	37,905	35,411	37,905	35,411
Establishment related expenses	(ii)	10,574	11,109	10,574	11,109
Promotion and marketing expenses	(iii)	947	1,496	947	1,496
Administration and general expenses	(iv)	5,303	7,119	5,303	7,119
		54,729	55,135	54,729	55,135
(i) Personnel expenses					
Salaries, allowances and bonuses		30,720	28,160	30,720	28,160
Non-executive Directors fees and Remuneration		233	455	233	455
Social security cost		216	189	216	189
Contribution to Employee Provident Fund		3,310	2,913	3,310	2,913
Other staff related expenses		3,426	3,694	3,426	3,694
		37,905	35,411	37,905	35,411
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,418	3,650	3,418	3,650
Amortisation of intangible assets		1,757	781	1,757	781
Rental of premises		950	1,003	950	1,003
Repairs and maintenance of property, plant and equipment		4,449	5,675	4,449	5,675
		10,574	11,109	10,574	11,109
(iii) Promotion and marketing expenses					
Advertisement and publicity		947	1,496	947	1,496
(iv) Administration and general expenses					
Administrative expenses		1,777	1,719	1,777	1,719
Auditors' remuneration		200	134	200	134
General expenses		3,326	5,266	3,326	5,266
		5,303	7,119	5,303	7,119

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19. Commitment and contingencies

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

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Direct credit substitutes	204,396	190,108
Transaction-related-contingent items	125,680	138,014
Irrevocable commitments to extend credit:		
- maturity exceeding one year	2,024,929	1,140,227
- maturity not exceeding one year	-	-
Profit rate related contract	100,000	200,000
	<u>2,455,005</u>	<u>1,668,349</u>

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

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Approved and contracted for:		
Information technology system	2,095	6,716
Kompleks Kilang Bimbingan construction	-	38
	<u>2,095</u>	<u>6,754</u>
Total commitments and contingencies	<u>2,457,100</u>	<u>1,675,103</u>

20. Capital adequacy

Capital management

Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and 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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20. 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:

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
<u>Tier I Capital</u>				
Paid-up share capital	1,850,000	1,850,000	1,850,000	1,850,000
Retained earnings	(583,618)	(583,618)	(589,358)	(589,358)
General reserves	10,114	10,114	10,114	10,114
Less: Deferred tax	(120,059)	(120,059)	(120,059)	(120,059)
Less: Property revaluation reserve	(212,533)	(212,533)	(212,533)	(212,533)
Total Tier I capital	<u>943,904</u>	<u>943,904</u>	<u>938,164</u>	<u>938,164</u>
<u>Tier II Capital</u>				
General provision for loans, advances and financing **	122,612	105,170	122,612	105,170
Property revaluation reserve [^]	106,267	106,267	106,267	106,267
Government funds	384,845	375,113	384,845	375,113
Total Tier II capital	<u>613,724</u>	<u>586,550</u>	<u>613,724</u>	<u>586,550</u>
Total capital	1,557,628	1,530,454	1,551,888	1,524,714
Less: Investment in subsidiaries	-	-	-	-
Total capital base	<u>1,557,628</u>	<u>1,530,454</u>	<u>1,551,888</u>	<u>1,524,714</u>

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

[^] The eligible amount for Tier II Capital is only limited to 50% of property revaluation reserve.

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20. Capital adequacy (cont'd.)

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
20%	191,126	143,338	191,126	143,338
50%	293,591	291,347	293,591	291,347
100%	7,659,905	7,727,764	7,664,026	7,837,710
	<u>8,144,622</u>	<u>8,162,449</u>	<u>8,148,743</u>	<u>8,272,395</u>

Before deducting proposed dividends:

Core capital ratio	11.589%	11.564%	11.513%	11.341%
Risk-weighted capital ratio	<u>19.125%</u>	<u>18.750%</u>	<u>19.045%</u>	<u>18.431%</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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21. Islamic banking business

The state of affairs as at 31 March 2019 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 March 2019**

	Note	Group		Bank	
		As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Assets					
Cash and short-term funds		723,878	484,082	722,947	480,389
Deposits and placements with bank		132,600	151,878	132,600	151,878
Financial investment	21(a)	2,391,059	2,538,035	2,391,059	2,538,035
Advances and financing	21(b)	5,353,248	5,357,110	5,353,248	5,357,110
Other assets		23,426	7,172	33,871	123,865
Derivative financial asset		6,537	2,816	6,537	2,816
Investment in subsidiaries		-	-	-	-
Property, plant and equipment		68,525	67,126	68,485	67,080
Investment properties		373,214	373,214	373,214	373,214
Deferred tax assets		117,393	117,393	117,393	117,393
Total assets		9,189,880	9,098,826	9,199,354	9,211,780
Liabilities					
Deposit from customer	11	3,137,279	2,974,984	3,146,979	3,071,441
Deposits from other financial institutions	12	-	301,417	-	301,417
Medium term notes		2,009,894	1,821,436	2,009,894	1,821,436
Term financing	21(c)	267,898	283,309	267,898	283,309
Other liabilities		970,179	967,534	966,799	980,470
Amount due to conventional operations		1,353,444	1,352,932	1,662,372	1,659,113
Government funds		213,335	196,985	213,335	196,985
Total liabilities		7,952,029	7,898,597	8,267,277	8,314,171
Islamic general fund		1,237,851	1,200,229	932,077	897,609
Total liabilities and Islamic banking funds		9,189,880	9,098,826	9,199,354	9,211,780
Commitments		1,567,010	1,658,473	1,567,010	1,658,473

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21. Islamic banking business

**Unaudited Statements of Comprehensive Income
For the first quarter ended 31 March 2019**

Group	Note	First Quarter Ended		Cumulative 3 Months Ended	
		As at 31 March 2019 RM'000	As at 31 March 2018 RM'000	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000
Income from Islamic banking business	21(d)	141,193	144,237	141,193	144,237
Profit expense attributable to Islamic banking business	21(f)	(46,967)	(54,806)	(46,967)	(54,806)
Gross income from Islamic banking business		94,226	89,431	94,226	89,431
Other income	21(e)	7,577	5,473	7,577	5,473
Other operating expenses	21(g)	(52,617)	(53,050)	(52,617)	(53,050)
Operating profit		49,186	41,854	49,186	41,854
Net impairment loss on financial assets :					
- advances and financing		(25,044)	(15,898)	(25,044)	(15,898)
- commitment and contingencies	21(xii)	(196)	1,173	(196)	1,173
- debt instruments at FVOCI	9(a)	178	(847)	178	(847)
- debts instruments at AC	9(c)	40	(4)	40	(4)
- other asset		(318)	(260)	(318)	(260)
		23,846	26,018	23,846	26,018
Tax expense		-	-	-	-
Zakat		(1,000)	(1,000)	(1,000)	(1,000)
Net profit for the period		22,846	25,018	22,846	25,018
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of					
- debt instruments at FVOCI		19,676	875	19,676	875
Changes in expected credit losses					
- debt instruments at FVOCI		(178)	847	(178)	847
Income tax relating to components of other comprehensive income		(4,722)	(203)	(4,722)	(203)
Other comprehensive income for the period, net of tax		14,776	1,519	14,776	1,519
Total comprehensive income for the period, net of tax		37,622	26,537	37,622	26,537
Profit for the period attributable to owner of the bank		22,846	25,018	22,846	25,018
Total comprehensive income attributable to owner of the Bank		37,622	26,537	37,622	26,537

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21. Islamic banking business (cont'd.)

**Unaudited Statements of Comprehensive Income
For the first quarter ended 31 March 2019 (cont'd.)**

Bank	Note	First Quarter Ended		Cumulative 3 Months Ended	
		As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Income from Islamic banking business	21(d)	138,986	138,894	138,986	138,894
Profit expense attributable to Islamic banking business	21(f)	(47,736)	(55,113)	(47,736)	(55,113)
Gross income from Islamic banking business		91,250	83,781	91,250	83,781
Other income	21(e)	7,298	9,202	7,298	9,202
Other operating expenses	21(g)	(51,706)	(51,770)	(51,706)	(51,770)
Operating profit		46,842	41,213	46,842	41,213
Net impairment loss on financial assets :					
- advances and financing		(25,854)	(15,898)	(25,854)	(15,898)
- commitment and contingencies	21(xii)	(196)	1,173	(196)	1,173
- debt instruments at FVOCI	9(a)	178	(847)	178	(847)
- debts instruments at AC	9(c)	40	(4)	40	(4)
- other asset		(318)	(260)	(318)	(260)
Profit before tax expense and zakat		20,692	25,377	20,692	25,377
Tax expense		-	-	-	-
Zakat		(1,000)	(1,000)	(1,000)	(1,000)
Net profit for the period		19,692	24,377	19,692	24,377
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of					
- debt instruments at FVOCI		19,676	875	19,676	875
Changes in expected credit losses					
- debt instruments at FVOCI		(178)	847	(178)	847
Income tax relating to components of other comprehensive income		(4,722)	(203)	(4,722)	(203)
Other comprehensive income for the period, net of tax		14,776	1,519	14,776	1,519
Total comprehensive income for the period, net of tax		34,468	25,896	34,468	25,896
Profit for the period attributable to owner of the bank		19,692	24,377	19,692	24,377
Total comprehensive income attributable to owner of the Bank		34,468	25,896	34,468	25,896

**Small Medium Enterprise Development Bank Malaysia Berhad
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21. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
for the first quarter ended 31 March 2019**

Group	Capital funds RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019	1,050,564	(5,257)	154,922	1,200,229
Unrealised loss on revaluation of financial assets at FVOCI	-	19,676	-	19,676
Changes in expected credit losses of financial assets at FVOCI	-	(178)	-	(178)
Income tax relating to components of other comprehensive income	-	(4,722)	-	(4,722)
Profit for the period	-	-	22,846	22,846
Total comprehensive income for the period	-	14,776	22,846	37,622
At 31 March 2019	1,050,564	9,519	177,768	1,237,851
At 1 January 2018	1,050,564	(14,283)	334,805	1,371,086
Unrealised loss on revaluation of financial assets at FVOCI	-	(884)	-	(884)
Changes in expected credit losses of financial assets at FVOCI	-	9,698	-	9,698
Income tax relating to components of other comprehensive income	-	212	-	212
Loss for the year	-	-	(179,883)	(179,883)
Total comprehensive income for the year	-	9,026	(179,883)	(170,857)
At 31 December 2018	1,050,564	(5,257)	154,922	1,200,229

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21. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
for the first quarter ended 31 March 2019**

Bank	Capital funds RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019	1,050,564	(5,257)	(147,698)	897,609
Unrealised loss on revaluation of financial assets at FVOCI	-	19,676	-	19,676
Changes in expected credit losses of financial assets at FVOCI	-	(178)	-	(178)
Income tax relating to components of other comprehensive income	-	(4,722)	-	(4,722)
Profit for the period	-	-	19,692	19,692
Total comprehensive income for the period	-	14,776	19,692	34,468
At 31 March 2019	<u>1,050,564</u>	<u>9,519</u>	<u>(128,006)</u>	<u>932,077</u>
At 1 January 2018	1,050,564	(14,283)	315,092	1,351,373
Unrealised loss on revaluation of financial assets at FVOCI	-	(884)	-	(884)
Changes in expected credit losses of financial assets at FVOCI	-	9,698	-	9,698
Income tax relating to components of other comprehensive income	-	212	-	212
Loss for the year	-	-	(462,790)	(462,790)
Total comprehensive income for the year	-	9,026	(462,790)	(453,764)
At 31 December 2018	<u>1,050,564</u>	<u>(5,257)</u>	<u>(147,698)</u>	<u>897,609</u>

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21. Islamic banking business (cont'd.)

(a) Total financial assets as at 31 March 2019 are as below:

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
(i) Debt instruments at FVOCI	1,685,540	1,729,398
(ii) Equity instruments at FVOCI	131,826	134,504
(iii) Debt instruments at AC (Note 9(c))	573,693	674,133
	<u>2,391,059</u>	<u>2,538,035</u>
(i) Debt instruments at FVOCI		

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Government securities		
Malaysian Government Investment Issues	693,585	710,577
Non-money market securities		
Private debt securities	991,955	1,018,821
Total debt instruments at FVOCI	<u>1,685,540</u>	<u>1,729,398</u>

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

	Group and Bank		
	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	301	10,000	10,301
New remeasurement of allowances	(169)	-	(169)
New financial assets originated or purchased	-	-	-
Financial assets derecognised	(9)	-	(9)
At 31 March 2019	<u>123</u>	<u>10,000</u>	<u>10,123</u>

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21. Islamic banking business (cont'd.)

(i) Debt instruments at FVOCI (cont'd.)

The impairment losses by external rating grade are as follows:

	Group and Bank		
	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
RAM AAA	2	-	2
MARC AAA	11	-	11
RAM AA	19	-	19
MARC AA	2	-	2
MARC AA-	89	-	89
RAM C	-	10,000	10,000
Total	123	10,000	10,123

(ii) Equity instruments at FVOCI

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Non-money market instruments		
Private debt securities	131,826	134,504
Total Equity instruments at FVOCI	131,826	134,504

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21. Islamic banking business (cont'd.)

(b) Advances and financing

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
(ba) At AC	5,343,075	5,346,602	5,343,075	5,346,602
(bb) At FVTPL	10,173	10,508	10,173	10,508
	<u>5,353,248</u>	<u>5,357,110</u>	<u>5,353,248</u>	<u>5,357,110</u>

(ba) At AC

(i) Gross advances and financing analysed by type;

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Bai' Bithaman Ajil	1,509	1,509	-	-
Bai' Murabahah	2,529,253	2,589,418	2,465,103	2,524,519
Bai' Istisna	158,322	162,651	158,282	162,611
Ijarah	84	84	-	-
Ijarah Thumma Al-Bai	394,040	410,721	347,042	363,667
Bai' Dayn	8,800	7,397	8,800	7,397
Tawwaruq	3,183,405	3,080,882	3,149,598	3,047,075
Bai' Inah	20,868	20,444	20,213	19,784
Gross advances and financing	<u>6,296,281</u>	<u>6,273,106</u>	<u>6,149,038</u>	<u>6,125,053</u>
Less: Allowance for impairment losses on				
- Stage 1	(40,192)	(42,207)	(40,192)	(42,207)
- Stage 2	(69,636)	(51,522)	(69,636)	(51,522)
- Stage 3	(836,561)	(826,154)	(689,318)	(678,101)
- Commitment and contingencies	(6,817)	(6,621)	(6,817)	(6,621)
Net advances and financing	<u>5,343,075</u>	<u>5,346,602</u>	<u>5,343,075</u>	<u>5,346,602</u>
Gross impaired advances and financing	<u>1,525,376</u>	<u>1,492,925</u>	<u>1,378,133</u>	<u>1,344,872</u>
Net impaired advances and financing	<u>688,815</u>	<u>666,771</u>	<u>688,815</u>	<u>666,771</u>
(bb) At FVTPL				
Staff loan/financing	<u>10,173</u>	<u>10,508</u>	<u>10,173</u>	<u>10,508</u>

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21. Islamic banking business (cont'd.)

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

(ba) At AC (cont'd.)

(ii) Movement in gross loan, advances and financing are as follows:

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	4,516,394	263,787	1,492,925	6,273,106
- Transfer to Stage 1	67,169	(56,672)	(10,497)	-
- Transfer to Stage 2	(268,268)	270,268	(2,000)	-
- Transfer to Stage 3	(13,669)	(45,454)	59,123	-
Partial (repayment)/additional drawdown	(140,323)	(14,141)	(9,717)	(164,181)
New financial assets originated	408,680	19,710	955	429,345
Financial asset derecognised	(213,155)	(23,421)	(5,413)	(241,989)
At 31 March 2019	<u>4,356,828</u>	<u>414,077</u>	<u>1,525,376</u>	<u>6,296,281</u>

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	4,029,115	751,066	1,344,872	6,125,053
- Transfer to Stage 1	67,169	(56,672)	(10,497)	-
- Transfer to Stage 2	(268,268)	270,268	(2,000)	-
- Transfer to Stage 3	(13,669)	(45,454)	59,123	-
Partial (repayment)/additional drawdown	(140,323)	(14,141)	(9,717)	(164,181)
New financial assets originated	408,680	19,710	955	429,345
Financial asset derecognised	(213,155)	(23,421)	(4,603)	(241,179)
At 31 March 2019	<u>3,869,549</u>	<u>901,356</u>	<u>1,378,133</u>	<u>6,149,038</u>

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Maturity within one year	1,018,664	941,018	893,037	816,559
More than one year to three years	958,311	960,543	951,903	958,558
More than three years to five years	812,771	883,724	803,971	869,041
More than five years	3,506,535	3,487,821	3,500,127	3,480,895
	<u>6,296,281</u>	<u>6,273,106</u>	<u>6,149,038</u>	<u>6,125,053</u>

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21. Islamic banking business (cont'd.)

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

(ba) At AC (cont'd.)

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Domestic business enterprise	<u>6,296,281</u>	<u>6,273,106</u>	<u>6,149,038</u>	<u>6,125,053</u>

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Constructions	1,277,162	1,314,444	1,275,648	1,312,930
Education, health and others	572,522	552,812	536,404	516,680
Electricity, gas and water supply	1,921	1,306	1,921	1,306
Financial, insurance, real estate and business services	992,974	1,007,608	990,401	1,005,035
Manufacturing	1,189,506	1,118,262	1,129,841	1,057,836
Mining and quarrying	66,144	44,705	66,144	44,705
Primary agriculture	6,276	6,446	6,276	6,446
Transportation, storage and communication	817,356	841,759	784,717	809,120
Wholesale, retail trade, restaurants and hotels	1,372,420	1,385,764	1,357,686	1,370,995
	<u>6,296,281</u>	<u>6,273,106</u>	<u>6,149,038</u>	<u>6,125,053</u>

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21. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	696,105	76,592	161,395	142,750	77,943	122,377	1,277,162
Education, health and others	365,124	24,534	54,968	83,318	22,887	21,691	572,522
Electricity, gas and water supply	-	-	-	1,921	-	-	1,921
Financial, insurance, real estate and business services	693,487	54,575	89,887	23,040	83,483	48,502	992,974
Manufacturing	635,736	145,896	195,670	126,805	44,147	41,252	1,189,506
Mining and quarrying	18,364	-	5,597	16,091	22,600	3,492	66,144
Primary agriculture	707	-	747	43	4,779	-	6,276
Transportation, storage and communication	377,031	95,330	76,944	117,707	41,927	108,417	817,356
Wholesale, retail trade, restaurants and hotels	711,308	104,216	86,304	158,919	216,987	94,686	1,372,420
At 31 March 2019	<u>3,497,862</u>	<u>501,143</u>	<u>671,512</u>	<u>670,594</u>	<u>514,753</u>	<u>440,417</u>	<u>6,296,281</u>

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21. Islamic banking business (cont'd.)

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

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

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	711,339	77,295	156,989	162,472	81,064	125,285	1,314,444
Education, health and others	343,350	24,185	54,401	84,409	23,272	23,195	552,812
Electricity, gas and water supply	-	-	-	1,306	-	-	1,306
Financial, insurance, real estated and business services	702,607	51,792	93,421	23,655	84,924	51,209	1,007,608
Manufacturing	592,322	112,700	194,260	130,667	44,677	43,636	1,118,262
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	386,195	96,952	81,021	125,647	42,903	109,041	841,759
Wholesale, retail trade, restaurants and hotels	715,572	103,982	91,214	164,955	214,050	95,991	1,385,764
At 31 December 2018	<u>3,455,584</u>	<u>466,906</u>	<u>672,804</u>	<u>707,627</u>	<u>519,859</u>	<u>450,326</u>	<u>6,273,106</u>

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21. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	694,591	76,592	161,395	142,750	77,943	122,377	1,275,648
Education, health and others	329,006	24,534	54,968	83,318	22,887	21,691	536,404
Electricity, gas and water supply	-	-	-	1,921	-	-	1,921
Financial, insurance, real estate and business services	690,914	54,575	89,887	23,040	83,483	48,502	990,401
Manufacturing	576,071	145,896	195,670	126,805	44,147	41,252	1,129,841
Mining and quarrying	18,364	-	5,597	16,091	22,600	3,492	66,144
Primary agriculture	707	-	747	43	4,779	-	6,276
Transportation, storage and communication	344,392	95,330	76,944	117,707	41,927	108,417	784,717
Wholesale, retail trade, restaurants and hotels	696,574	104,216	86,304	158,919	216,987	94,686	1,357,686
At 31 March 2019	3,350,619	501,143	671,512	670,594	514,753	440,417	6,149,038

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21. Islamic banking business (cont'd.)

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

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

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
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	700,803	103,982	91,214	164,955	214,050	95,991	1,370,995
At 31 December 2018	3,307,531	466,906	672,804	707,627	519,859	450,326	6,125,053

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21. Islamic banking business (cont'd.)

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

(vii) Gross advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Fixed rate				
- Hire purchase receivables	273,652	286,066	238,266	250,680
- Leasing receivables	84	84	-	-
- Revolving credits	243,091	244,078	230,073	231,015
- Other term financing	1,281,382	1,326,787	1,190,109	1,234,758
Variable rate				
- Hire purchase receivables	83,291	85,613	82,421	84,743
- Revolving credits	964,699	903,007	964,642	902,949
- Other term financing	3,450,082	3,427,471	3,443,527	3,420,908
	<u>6,296,281</u>	<u>6,273,106</u>	<u>6,149,038</u>	<u>6,125,053</u>

(viii) Impaired advances and financing by industry are as follows:

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Constructions	164,106	169,805	162,592	168,291
Education, health and others	139,178	137,179	103,060	101,047
Financial, insurance, real estate and business services	191,167	186,716	188,594	184,143
Manufacturing	372,486	364,207	312,821	303,781
Mining and quarrying	2,920	1,049	2,920	1,049
Primary agriculture	266	260	266	260
Transportation, storage and communication	236,090	231,413	203,451	198,774
Wholesale, retail trade, restaurants and hotels	419,163	402,296	404,429	387,527
	<u>1,525,376</u>	<u>1,492,925</u>	<u>1,378,133</u>	<u>1,344,872</u>

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21. Islamic banking business (cont'd.)

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

(ix) Impaired advances and financing analysed by location and sector are as follows:

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	105,343	4,206	35,567	7,651	7,540	3,799	164,106
Education, health and others	113,035	3,614	5,488	14,065	2,165	811	139,178
Financial, insurance, real estate and business services	156,640	7,402	4,525	11,001	10,237	1,362	191,167
Manufacturing	204,014	28,570	73,357	55,918	5,722	4,905	372,486
Mining and quarrying	662	-	-	2,258	-	-	2,920
Primary agriculture	-	-	64	-	202	-	266
Transportation, storage and communication	121,876	7,177	23,816	40,714	12,208	30,299	236,090
Wholesale, retail trade, restaurants and hotels	206,590	44,029	26,467	46,935	90,567	4,575	419,163
At 31 March 2019	<u>908,160</u>	<u>94,998</u>	<u>169,284</u>	<u>178,542</u>	<u>128,641</u>	<u>45,751</u>	<u>1,525,376</u>

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21. Islamic banking business (cont'd.)

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

(ix) Impaired advances and financing analysed by location and sector are as follows (cont'd.) :

Group	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	114,263	4,273	36,627	2,804	8,027	3,811	169,805
Education, health and others	111,612	3,608	5,442	13,698	2,151	668	137,179
Financial, insurance, real estate and business services	152,822	8,109	3,224	10,852	10,167	1,542	186,716
Manufacturing	205,466	31,689	68,932	48,677	5,744	3,699	364,207
Mining and quarrying	652	-	-	397	-	-	1,049
Primary agriculture	-	-	60	-	200	-	260
Transportation, storage and communication	120,611	6,988	23,284	41,503	9,164	29,863	231,413
Wholesale, retail trade, restaurants and hotels	203,799	39,000	24,234	44,396	86,118	4,749	402,296
At 31 December 2018	<u>909,225</u>	<u>93,667</u>	<u>161,803</u>	<u>162,327</u>	<u>121,571</u>	<u>44,332</u>	<u>1,492,925</u>

**Small Medium Enterprise Development Bank Malaysia Berhad
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21. Islamic banking business (cont'd.)

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

(ix) Impaired advances and financing analysed by location and sector are as follows (cont'd.) :

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	103,829	4,206	35,567	7,651	7,540	3,799	162,592
Education, health and others	76,917	3,614	5,488	14,065	2,165	811	103,060
Financial, insurance, real estate and business services	154,067	7,402	4,525	11,001	10,237	1,362	188,594
Manufacturing	144,349	28,570	73,357	55,918	5,722	4,905	312,821
Mining and quarrying	662	-	-	2,258	-	-	2,920
Primary agriculture	-	-	64	-	202	-	266
Transportation, storage and communication	89,237	7,177	23,816	40,714	12,208	30,299	203,451
Wholesale, retail trade, restaurants and hotels	191,856	44,029	26,467	46,935	90,567	4,575	404,429
At 31 March 2019	<u>760,917</u>	<u>94,998</u>	<u>169,284</u>	<u>178,542</u>	<u>128,641</u>	<u>45,751</u>	<u>1,378,133</u>

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21. Islamic banking business (cont'd.)

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

(ix) Impaired advances and financing analysed by location and sector are as follows (cont'd.) :

Bank	Central Region RM'000	Northern Region RM'000	Southern Region RM'000	East Coast Region RM'000	Sabah Region RM'000	Sarawak Region RM'000	Total RM'000
Constructions	112,749	4,273	36,627	2,804	8,027	3,811	168,291
Education, health and others	75,480	3,608	5,442	13,698	2,151	668	101,047
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	-	-	60	-	200	-	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	39,000	24,234	44,396	86,118	4,749	387,527
At 31 December 2018	<u>761,172</u>	<u>93,667</u>	<u>161,803</u>	<u>162,327</u>	<u>121,571</u>	<u>44,332</u>	<u>1,344,872</u>

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21. Islamic banking business (cont'd.)

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

(x) Movement in allowance for impairment losses on advances and financing 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 2019	42,207	51,522	826,154	919,883
-Transfers to Stage 1	6,608	(5,602)	(1,006)	-
-Transfers to Stage 2	(2,828)	3,137	(309)	-
-Transfers to Stage 3	(176)	(4,808)	4,984	-
Net remeasurement of allowances	(7,288)	26,073	11,351	30,136
New financial assets originated	4,389	379	255	5,023
Financial assets derecognised	(2,720)	(1,065)	(4,868)	(8,653)
At 31 March 2019	<u>40,192</u>	<u>69,636</u>	<u>836,561</u>	<u>946,389</u>
	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	42,207	51,522	678,101	771,830
-Transfers to Stage 1	6,608	(5,602)	(1,006)	-
-Transfers to Stage 2	(2,828)	3,137	(309)	-
-Transfers to Stage 3	(176)	(4,808)	4,984	-
Net remeasurement of allowances	(7,288)	26,073	12,161	30,946
New financial assets originated	4,389	379	255	5,023
Financial assets derecognised	(2,720)	(1,065)	(4,868)	(8,653)
At 31 March 2019	<u>40,192</u>	<u>69,636</u>	<u>689,318</u>	<u>799,146</u>

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

	Group		Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Net impaired advances and financing	<u>12.62%</u>	<u>12.24%</u>	<u>12.62%</u>	<u>12.24%</u>

	Group and Bank Stage1 RM'000
At 1 January 2019	6,621
Changes to inputs used in ECL computation	225
New financial assets originated	538
Amount settled	(567)
At 31 March 2019	<u>6,817</u>

(xii) Commitment and Contingencies

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21. Islamic banking business (cont'd.)

(c) Term financing

	Group and Bank	
	As at 31	As at 31
	March	December
	2019	2018
	RM'000	RM'000
Unsecured term financing	267,898	283,309

The maturity structure of the term financing are as follows:

	Group and Bank	
	As at 31	As at 31
	March	December
	2019	2018
	RM'000	RM'000
Within one year	13,702	15,959
More than five years	254,196	267,350
	<u>267,898</u>	<u>283,309</u>

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

	Group and Bank	
	As at 31	As at 31
	March	December
	2019	2018
	RM'000	RM'000
Financing from:		
- Government of Malaysia	156,927	156,719
- Bank Negara Malaysia ("BNM")	110,971	126,590
	<u>267,898</u>	<u>283,309</u>

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21. Islamic banking business (cont'd.)

(d) Income from Islamic banking business

Group	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000
<u>Income from advances and financing measured at AC</u>				
- Bai' Bithaman Ajil	25	29,260	25	29,260
- Bai' Murabahah	42,355	3,028	42,355	3,028
- Bai' Istisna	2,651	10,688	2,651	10,688
- Ijarah	1	7,997	1	7,997
- Ijarah Thumma Al-Bai	6,599	6,108	6,599	6,108
- Bai' Dayn	147	1,167	147	1,167
- Tawwaruq	53,309	46,576	53,309	46,576
- Bai' Inah	349	1,010	349	1,010
- Wakalah	-	791	-	791
Total	105,436	106,625	105,436	106,625
<u>Income from debt instruments at AC</u>	4,173	4,870	4,173	4,870
<u>Income from debt instruments at FVOCI</u>	19,662	18,871	19,662	18,871
<u>Income from equity instruments at FVOCI</u>	2,009	2,006	2,009	2,006
<u>Income from financial assets at FVTPL</u>				
- Mudharabah deposit acceptance	5,696	9,902	5,696	9,902
- Derivatives	4,217	1,963	4,217	1,963
	9,913	11,865	9,913	11,865
<u>Other income (Note (e))</u>	7,577	5,473	7,577	5,473
Total income from Islamic banking business	148,770	149,710	148,770	149,710

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21. Islamic banking business (cont'd.)

(d) Income from Islamic banking business (cont'd.)

Bank	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000
<u>Income from advances and financing measured at AC</u>				
- Bai' Bithaman Ajil	-	28,106	-	28,106
- Bai' Murabahah	41,384	2,908	41,384	2,908
- Bai' Istisna	2,657	10,266	2,657	10,266
- Ijarah	-	7,682	-	7,682
- Ijarah Thumma Al-Bai	5,826	5,867	5,826	5,867
- Bai' Dayn	148	1,121	148	1,121
- Tawwaruq	52,875	43,602	52,875	43,602
- Bai' Inah	339	970	339	970
- Wakalah	-	760	-	760
Total	103,229	101,282	103,229	101,282
<u>Income from debt instruments at AC</u>	4,173	4,870	4,173	4,870
<u>Income from debt instruments at FVOCI</u>	19,662	18,871	19,662	18,871
<u>Income from equity instruments at FVOCI</u>	2,009	2,006	2,009	2,006
<u>Income from financial assets at FVTPL</u>				
- Mudharabah deposit acceptance	5,696	9,902	5,696	9,902
- Derivatives	4,217	1,963	4,217	1,963
	9,913	11,865	9,913	11,865
<u>Other income (Note (e))</u>	7,298	9,202	7,298	9,202
Total income from Islamic banking business	146,284	148,096	146,284	148,096

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21. Islamic banking business (cont'd.)

(e) Other income

Group	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	March	March	March	March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income	2,258	2,272	2,258	2,272
Commission fee	457	543	457	543
Rental income	2,534	2,541	2,534	2,541
Others	2,328	117	2,328	117
	7,577	5,473	7,577	5,473

Bank	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	March	March	March	March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income	1,841	1,330	1,841	1,330
Commission fee	457	543	457	543
Rental income	2,569	2,541	2,569	2,541
Management fees	105	105	105	105
Profit income on amount owing by subsidiary company	-	3,834	-	3,834
Others	2,326	849	2,326	849
	7,298	9,202	7,298	9,202

(f) Profit expense attributable to Islamic banking business

Group	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	March	March	March	March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Commodity murabahah	26,739	31,297	26,739	31,297
Medium term notes	17,436	17,370	17,436	17,370
Long term financing	402	783	402	783
Deposits from bank and other financial institutions	1,895	3,942	1,895	3,942
Others	495	1,414	495	1,414
	46,967	54,806	46,967	54,806

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21. Islamic banking business (cont'd.)

(f) Profit expense attributable to Islamic banking business (cont'd.)

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	March	March	March	March
	2019	2018	2019	2018
Bank	RM'000	RM'000	RM'000	RM'000
Commodity murabahah	27,508	31,604	27,508	31,604
Medium term notes	17,436	17,370	17,436	17,370
Long term financing	402	783	402	783
Deposits from bank and other financial institutions	1,895	3,942	1,895	3,942
Others	495	1,414	495	1,414
	47,736	55,113	47,736	55,113

(g) Other operating expenses

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	March	March	March	March
	2019	2018	2019	2018
Group	RM'000	RM'000	RM'000	RM'000
Personnel expenses	36,907	34,480	36,907	34,480
Establishment related expenses	10,057	10,485	10,057	10,485
Promotion and marketing expenses	837	1,342	837	1,342
Administration and general expenses	4,816	6,743	4,816	6,743
	52,617	53,050	52,617	53,050

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	March	March	March	March
	2019	2018	2019	2018
Bank	RM'000	RM'000	RM'000	RM'000
Personnel expenses	35,897	33,299	35,897	33,299
Establishment related expenses	10,037	9,893	10,037	9,893
Promotion and marketing expenses	897	1,407	897	1,407
Administration and general expenses	4,875	7,171	4,875	7,171
	51,706	51,770	51,706	51,770

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21. Islamic banking business (cont'd.)

(h) Allowances for impairment on advances and financing

Group	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000	As at 31 March 2019 RM'000	As at 31 March 2018 RM'000
Net allowance for impairment losses on advances, and financing made during the period				
- Stage 1 (Note 21(b)(x))	(2,015)	(4,418)	(2,015)	(4,418)
- Stage 2 (Note 21(b)(x))	18,114	13,602	18,114	13,602
- Stage 3 (Note 21(b)(x))	10,407	7,444	10,407	7,444
	<u>26,506</u>	<u>16,628</u>	<u>26,506</u>	<u>16,628</u>
Impaired advances and financing recovered	(1,462)	(730)	(1,462)	(730)
Total allowances for impairment on advances and financing	<u>25,044</u>	<u>15,898</u>	<u>25,044</u>	<u>15,898</u>
Bank				
Net allowance for impairment losses on advances, and financing made during the period				
- Stage 1 (Note 21(b)(x))	(2,015)	(4,418)	(2,015)	(4,418)
- Stage 2 (Note 21(b)(x))	18,114	13,602	18,114	13,602
- Stage 3 (Note 21(b)(x))	11,217	7,444	11,217	7,444
	<u>27,316</u>	<u>16,628</u>	<u>27,316</u>	<u>16,628</u>
Impaired advances and financing recovered	(1,462)	(730)	(1,462)	(730)
Total allowances for impairment on advances and financing	<u>25,854</u>	<u>15,898</u>	<u>25,854</u>	<u>15,898</u>

(i) Commitments

	Group and Bank	
	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
Direct credit substitutes	204,246	189,758
Transaction-related-contingent items	125,680	138,014
Irrevocable commitments to extend credit:		
- maturity exceeding one year	1,137,084	1,130,701
- maturity not exceeding one year	-	-
Profit rate related contract	100,000	200,000
	<u>1,567,010</u>	<u>1,658,473</u>

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21. Islamic banking business (cont'd.)

(j) 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 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
<u>Tier I Capital</u>				
Capital funds	1,050,564	1,050,564	1,050,564	1,050,564
Retained earning/(Accumulated loss)	154,922	154,922	(147,698)	(147,698)
Less: Deferred tax	(117,393)	(117,393)	(117,393)	(117,393)
Less: Property revaluation reserves	(212,533)	(212,533)	(212,533)	(212,533)
Total Tier I capital	<u>875,560</u>	<u>875,560</u>	<u>572,940</u>	<u>572,940</u>
<u>Tier II Capital</u>				
Expected credit losses/ collective allowances for advances and financing**	116,662	100,350	116,662	100,350
Property revaluation reserves	106,267	106,267	106,267	106,267
Government funds	256,354	245,754	256,354	245,754
Total Tier II capital	<u>479,283</u>	<u>452,371</u>	<u>479,283</u>	<u>452,371</u>
Total capital	1,354,843	1,327,931	1,052,223	1,025,311
Less: Investment in subsidiaries	-	-	-	-
Total capital base	<u>1,354,843</u>	<u>1,327,931</u>	<u>1,052,223</u>	<u>1,025,311</u>

** 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 March 2019 RM'000	As at 31 December 2018 RM'000	As at 31 March 2019 RM'000	As at 31 December 2018 RM'000
20%	190,774	142,986	190,774	142,986
50%	289,584	288,143	289,584	288,143
100%	<u>7,226,749</u>	<u>7,290,007</u>	<u>7,236,222</u>	<u>7,407,015</u>
	<u>7,707,107</u>	<u>7,721,136</u>	<u>7,716,580</u>	<u>7,838,144</u>

Before deducting proposed dividends:

Core capital ratio	11.360%	11.340%	7.425%	7.310%
Risk-weighted capital ratio	<u>17.579%</u>	<u>17.199%</u>	<u>13.636%</u>	<u>13.081%</u>