

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

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Notes	Group		Bank	
		As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
ASSETS					
Cash and short term funds		1,324,349	485,308	1,322,047	481,615
Deposits and placements with banks		-	151,878	-	151,878
Financial assets	9	2,355,276	2,722,241	2,355,276	2,722,241
Loans, advances and financing	10	5,587,642	5,657,732	5,587,642	5,657,732
Other assets		17,553	14,903	49,549	132,218
Derivative financial assets		-	2,816	-	2,816
Investment in subsidiaries		-	-	-	-
Investment in associate		3,548	3,548	-	-
Property, plant and equipment		134,457	139,517	134,444	139,497
Investment properties		373,196	373,214	373,196	373,214
Intangible assets		20,090	17,785	20,081	17,759
Tax recoverable		28,776	29,857	25,458	26,083
Deferred tax assets		120,059	120,059	120,059	120,059
TOTAL ASSETS		9,964,946	9,718,858	9,987,752	9,825,112
LIABILITIES					
Deposits from customers	11	3,434,660	2,974,984	3,464,271	3,071,441
Deposits from banks and other financial institutions	12	94,142	301,417	94,142	301,417
Medium-term notes		1,758,686	1,821,436	1,758,686	1,821,436
Borrowings	13	1,882,214	1,982,921	1,882,214	1,982,921
Other liabilities		1,126,195	1,039,958	1,158,360	1,055,495
Government funds		269,435	326,344	269,435	326,344
TOTAL LIABILITIES		8,565,332	8,447,060	8,627,108	8,559,054
EQUITY					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Accumulated Lossess		(501,484)	(583,618)	(540,454)	(589,358)
Other reserves		51,098	5,416	51,098	5,416
TOTAL EQUITY		1,399,614	1,271,798	1,360,644	1,266,058
TOTAL LIABILITIES AND EQUITY		9,964,946	9,718,858	9,987,752	9,825,112
COMMITMENTS AND CONTINGENCIES		1,653,490	1,675,103	1,653,490	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 THIRD QUARTER ENDED 30 SEPTEMBER 2019**

Group	Notes	Third Quarter Ended		Nine Months Ended	
		30 September 2019	30 September 2018	30 September 2019	30 September 2018
		RM'000	RM'000	RM'000	RM'000
Interest income	14	11,104	7,365	21,982	21,080
Interest expense	15	(13,304)	(13,989)	(40,520)	(41,700)
Net interest income		(2,200)	(6,624)	(18,538)	(20,620)
Gross income from Islamic banking business	21	88,843	98,255	283,678	283,472
Other operating income	16	2,504	1,788	6,848	5,100
Net income		89,147	93,419	271,988	267,952
Other operating expenses	17	(57,610)	(53,951)	(138,610)	(169,563)
Operating profit		31,537	39,468	133,378	98,389
Net impairment loss on financial assets:					
- loans, advances and financing	18	8,032	(45,987)	(45,384)	(78,432)
- commitment and contingencies	10(xi)	92	(160)	116	856
- debt instruments at FVOCI	9(a)	7	(3)	(3,317)	(608)
- debt instruments at AC	9(c)	(594)	(2)	(581)	(6)
- other assets		47	(185)	(516)	(741)
		39,121	(6,869)	83,696	19,458
Share of loss after tax of associate		-	-	-	(754)
Profit/(Loss) before tax expense and zakat		39,121	(6,869)	83,696	18,704
Tax expense		(545)	(7,972)	(1,130)	(7,972)
Zakat		1,568	(3,000)	(432)	(3,000)
Profit/(Loss) for the period		40,144	(17,841)	82,134	7,732
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of debt instruments at FVOCI		22,059	12,248	55,743	2,735
Changes in expected credit losses of debt instruments at FVOCI		(7)	3	3,317	608
Income tax relating to components of other comprehensive income		(5,294)	-	(13,378)	-
Other comprehensive income for the period, net of tax		16,758	12,251	45,682	3,343
Total comprehensive income/(loss) for the period, net of tax		56,902	(5,590)	127,816	11,075
Profit/(Loss) for the period attributable to owner of the Bank		40,144	(17,841)	82,134	7,732
Total comprehensive income/(loss) attributable to owner of the Bank		56,902	(5,590)	127,816	11,075

(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 THIRD QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)**

Bank	Notes	Third Quarter Ended		Nine Months Ended	
		30 September 2019	30 September 2018	30 September 2019	30 September 2018
		RM'000	RM'000	RM'000	RM'000
Interest income	14	3,398	6,481	14,276	19,361
Interest expense	15	(13,304)	(13,989)	(40,520)	(41,700)
Net interest income		(9,906)	(7,508)	(26,244)	(22,339)
Gross income from Islamic banking business	21	92,360	100,850	276,915	284,685
Other operating income	16	2,504	1,788	6,848	5,100
Net income		84,958	95,130	257,519	267,446
Other operating expenses	17	(56,660)	(51,729)	(136,274)	(162,485)
Operating profit		28,298	43,401	121,245	104,961
Net impairment loss on financial assets:					
- loans, advances and financing	18	(12,262)	(45,987)	(66,129)	(78,432)
- commitment and contingencies	10(xi)	92	(160)	116	856
- debt instruments at FVOCI	9(a)	7	(3)	(3,317)	(608)
- debt instruments at AC	9(c)	(594)	(2)	(581)	(6)
- other assets		(305)	(185)	(868)	(741)
Profit/(Loss) before tax expense and zakat		15,236	(2,936)	50,466	26,030
Tax expense		(545)	(5,550)	(1,130)	(7,972)
Zakat		1,568	(1,000)	(432)	(3,000)
Profit/(Loss) for the period		16,259	(9,486)	48,904	15,058
Other comprehensive income/(loss)					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of debt instruments at FVOCI		22,059	12,248	55,743	2,735
Changes in expected credit losses of debt instruments at FVOCI		(7)	3	3,317	608
Income tax relating to components of other comprehensive income		(5,294)	-	(13,378)	-
Other comprehensive income for the period, net of tax		16,758	12,251	45,682	3,343
Total comprehensive income/(loss) for the period, net of tax		33,017	2,765	94,586	18,401
Profit/(Loss) for the period attributable to owner of the Bank		16,259	(9,486)	48,904	15,058
Total comprehensive income attributable to owner of the Bank		33,017	2,765	94,586	18,401

(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 CHANGES IN EQUITY
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**

	<=====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
Group					
At 1 January 2019	1,850,000	(4,698)	10,114	(583,618)	1,271,798
Unrealised gain on revaluation of debt instruments at FVOCI		55,743	-	-	55,743
Changes in expected credit losses of debt instruments at FVOCI	-	3,317	-	-	3,317
Income tax relating to components of other comprehensive income	-	(13,378)	-	-	(13,378)
Profit for the period	-	-	-	82,134	82,134
Total comprehensive income for the period	-	45,682	-	82,134	127,816
At 30 September 2019	1,850,000	40,984	10,114	(501,484)	1,399,614
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 THIRD QUARTER ENDED 30 SEPTEMBER 2019 (CONT'D)**

	<=====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
Bank					
At 1 January 2019	1,850,000	(4,698)	10,114	(589,358)	1,266,058
Unrealised gain on revaluation of debt instruments at FVOCI	-	55,743	-	-	55,743
Changes in expected credit losses of debt instruments at FVOCI	-	3,317	-	-	3,317
Income tax relating to components of other comprehensive income	-	(13,378)	-	-	(13,378)
Profit for the period	-	-	-	48,904	48,904
Total comprehensive income for the period	-	45,682	-	48,904	94,586
At 30 September 2019	1,850,000	40,984	10,114	(540,454)	1,360,644
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 THIRD QUARTER ENDED 30 SEPTEMBER 2019**

	Group		Bank	
	As at 30 September 2019 RM'000	As at 30 September 2018 RM'000	As at 30 September 2019 RM'000	As at 30 September 2018 RM'000
Cash flows from/(used in) operating activities				
Profit before tax expense and zakat	83,696	18,704	50,466	26,030
Adjustments for:				
Net impairment loss on loans, advances and financing	45,384	78,432	66,129	78,432
Impairment writeback of commitment and contingencies	(116)	(856)	(116)	(856)
Impairment loss on debt instruments at FVOCI	3,317	608	3,317	608
Impairment loss on debt instruments at AC	581	6	581	6
Impairment loss on other assets	516	741	868	741
Depreciation of property, plant and equipment	10,321	10,442	10,314	10,423
Amortisation of intangible assets	5,158	3,324	5,141	3,271
Net government funds writeback	(2,636)	(2,638)	(2,636)	(2,638)
Interest income on financial assets at FVOCI	(56,710)	-	(56,710)	-
Interest income on financial assets at AC	(20,383)	-	(20,383)	-
Profit expense on medium term note	55,598	-	55,598	-
Profit expense on borrowings	41,647	-	41,647	-
Share of loss of associate	-	754	-	-
Operating profit before working capital changes	166,373	109,517	154,216	116,017
Changes in working capital:				
Net changes in operating assets	157,035	(75,528)	270,291	(50,151)
Net changes in operating liabilities	328,870	415,788	229,162	385,546
Cash from operating activities	652,278	449,777	653,669	451,412
Interest and profit paid	(177,674)	-	(177,674)	-
Interest and profit received	48,477	-	48,477	-
Tax paid	(487)	-	(487)	-
Tax refund	235	-	235	-
Zakat paid	(3,036)	-	(3,036)	-
Net cash from operating activities	519,793	449,777	521,184	451,412
Cash flows from/(used in) investing activities				
Net proceeds/(purchase) from financial assets	395,000	(94,528)	395,000	(94,528)
Net purchase of property, plant and equipment	(5,261)	(12,963)	(5,261)	(12,963)
Net purchase of intangible assets	(7,463)	-	(7,463)	-
Net cash from/(used in) investing activities	382,276	(107,491)	382,276	(107,491)
Cash flows from/(used in) financing activities				
Net proceeds from Sukuk	(50,000)	-	(50,000)	-
Net repayments of borrowings	(33,028)	(51,180)	(33,028)	(51,180)
Proceed from government funds	20,000	-	20,000	-
Dividend paid	-	(33,300)	-	(33,300)
Net cash from used in financing activities	(63,028)	(84,480)	(63,028)	(84,480)
Net increase in cash and cash equivalents	839,041	257,806	840,432	259,441
Cash and cash equivalents at beginning of year	485,308	423,032	481,615	418,981
Cash and cash equivalents at end of year	1,324,349	680,838	1,322,047	678,422
Cash and cash equivalents comprise:				
- Cash and short term funds	1,324,349	680,838	1,322,047	678,422

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

The accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 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)
- Employee Benefits Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)
- Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)
- Uncertainty over Income Tax Treatments (IC Interpretation 23)
- Annual improvements to MFRSs 2015-2017 cycle (Amendments to MFRSs)

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 audited 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 audited 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 audited 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 third quarter ended 30 September 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 third quarter ended 30 September 2019.

7. Changes in estimates

There were no material changes in estimates that have a material effect in the third quarter ended 30 September 2019.

8. Dividends

No dividend has been proposed or paid for the third quarter ended 30 September 2019.

**Small Medium Enterprise Development Bank Malaysia Berhad
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9. Financial assets

Total financial assets as at 30 September 2019 are as below:

	Group and Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
(a) Debt instruments at FVOCI	1,393,109	1,904,721
(b) Equity instruments at FVOCI	39,726	143,387
(c) Debt instruments at AC	922,441	674,133
	<u>2,355,276</u>	<u>2,722,241</u>

(a) Debt instruments at FVOCI

	Group and Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Government securities		
Malaysian Government Investment Issues	534,305	710,577
Malaysian Government Securities	-	175,323
	<u>534,305</u>	<u>885,900</u>
Non-money market securities		
Private debt securities	858,804	1,018,821
	<u>858,804</u>	<u>1,018,821</u>
Total debt instruments at FVOCI	<u>1,393,109</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 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	301	-	10,000	10,301
Transfer to Stage 2	(7)	7	-	-
New remeasurement of allowances	(158)	3,498	-	3,340
New financial assets originated or purchased	1	-	-	1
Financial assets derecognised	(24)	-	-	(24)
At 30 September 2019	<u>113</u>	<u>3,505</u>	<u>10,000</u>	<u>13,618</u>

The impairment losses by external rating grade are as follows:

	Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
RAM AAA	2	-	-	2
MARC AAA	6	-	-	6
RAM AA	14	-	-	14
MARC AA	2	-	-	2
MARC AA-	89	-	-	89
RAM BB	-	3,505	-	3,505
RAM C	-	-	10,000	10,000
Total	<u>113</u>	<u>3,505</u>	<u>10,000</u>	<u>13,618</u>

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9. Financial assets (cont'd.)

(b) Equity instruments at FVOCI

	Group and Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Non-money market instruments		
Private debt securities	30,844	134,504
Unquoted shares	8,882	8,883
Total Equity instruments at FVOCI	<u>39,726</u>	<u>143,387</u>

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

	Group and Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Government securities		
Malaysian Government Investment Issues	<u>111,709</u>	<u>111,631</u>
Money market securities		
Commercial papers	<u>268,448</u>	<u>243,076</u>
Non-money market securities		
Private debt securities	<u>542,928</u>	<u>319,489</u>
	923,085	674,196
Less: Accumulated impairment losses	<u>(644)</u>	<u>(63)</u>
Total Debt instruments at AC	<u>922,441</u>	<u>674,133</u>

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9. Financial assets (cont'd.)

(c) Debt instruments at AC (cont'd)

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

	Group and Bank	
	Stage 1	Total
	RM'000	RM'000
At 1 January 2019	63	63
New remeasurement of allowances	(25)	(25)
New financial assets originated or purchased	630	630
Financial assets derecognised	(24)	(24)
At 30 September 2019	<u>644</u>	<u>644</u>

The impairment losses by external rating grade are as follows:

	Group and Bank	
	Stage 1	Total
	RM'000	RM'000
MARC AAA	5	5
RAM AA	60	60
MARC BBB	579	579
Total	<u>644</u>	<u>644</u>

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

	Group and Bank	
	As at 30	As at 31
	September	December
	2019	2018
	RM'000	RM'000
Within one year	557,666	344,418
More than one year to three years	264,022	95,101
More than three years to five years	61,048	194,277
More than five years	40,349	40,400
	<u>923,085</u>	<u>674,196</u>

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10. Loans, advances and financing

Total financial assets as at 30 September are as below:

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
(a) At AC	5,575,448	5,645,449	5,575,448	5,645,449
(b) At FVTPL	12,194	12,283	12,194	12,283
	<u>5,587,642</u>	<u>5,657,732</u>	<u>5,587,642</u>	<u>5,657,732</u>

(a) At AC

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Term loans				
- Hire purchase	314,988	373,469	277,236	335,424
- Leasing	344	363	1	15
- Other term loans	5,162,229	5,456,488	4,711,245	4,985,567
Revolving credits	1,272,613	1,166,536	1,259,593	1,153,006
Gross loans, advances and financing	<u>6,750,174</u>	<u>6,996,856</u>	<u>6,248,075</u>	<u>6,474,012</u>
Less: Allowance for impairment losses				
- Stage 1	(49,716)	(49,528)	(49,716)	(49,528)
- Stage 2	(48,313)	(55,642)	(48,313)	(55,642)
- Stage 3	(1,076,697)	(1,246,237)	(574,598)	(723,393)
Net loans, advances and financing	<u>5,575,448</u>	<u>5,645,449</u>	<u>5,575,448</u>	<u>5,645,449</u>
Gross impaired loans, advances and financing	<u>1,926,299</u>	<u>2,005,646</u>	<u>1,424,200</u>	<u>1,482,802</u>
Net impaired loans, advances and financing	<u>849,602</u>	<u>759,409</u>	<u>849,602</u>	<u>759,409</u>

(b) At FVTPL

Staff loan/financing	<u>12,194</u>	<u>12,283</u>	<u>12,194</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 1 January 2019	4,153,556	837,654	2,005,646	6,996,856
- Transfer to Stage 1	382,358	(353,704)	(28,654)	-
- Transfer to Stage 2	(246,473)	277,314	(30,841)	-
- Transfer to Stage 3	(87,103)	(154,958)	242,061	-
(Partial repayment)/additional drawdown	(292,276)	(19,651)	(7,240)	(319,167)
New financial assets originated	980,917	12,837	15,958	1,009,712
Financial assets derecognised	(608,317)	(58,279)	(36,294)	(702,890)
Amount written off	-	-	(234,337)	(234,337)
At 30 September 2019	4,282,662	541,213	1,926,299	6,750,174

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	4,153,556	837,654	1,482,802	6,474,012
- Transfer to Stage 1	382,358	(353,704)	(28,654)	-
- Transfer to Stage 2	(246,473)	277,314	(30,841)	-
- Transfer to Stage 3	(87,103)	(154,958)	242,061	-
(Partial repayment)/additional drawdown	(292,276)	(19,651)	13,505	(298,422)
New financial assets originated	980,917	12,837	15,958	1,009,712
Financial assets derecognised	(608,317)	(58,279)	(36,294)	(702,890)
Amount written off	-	-	(234,337)	(234,337)
At 30 September 2019	4,282,662	541,213	1,424,200	6,248,075

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

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Within one year	1,280,931	1,188,541	932,772	843,653
More than one year to three years	926,216	1,004,449	881,926	987,876
More than three years to five years	850,350	975,451	800,423	909,282
More than five years	3,692,677	3,828,415	3,632,954	3,733,201
	6,750,174	6,996,856	6,248,075	6,474,012

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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 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Domestic business enterprise	6,750,174	6,996,856	6,248,075	6,474,012

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

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Constructions	1,159,122	1,346,818	1,156,364	1,343,958
Education, health and others	622,107	584,409	574,341	536,376
Electricity, gas and water supply	28,486	1,306	28,486	1,306
Financial, insurance, real estate and business services	1,087,131	1,026,569	1,084,178	1,023,412
Manufacturing	1,150,628	1,182,571	1,055,228	1,071,990
Mining and quarrying	80,212	46,701	78,216	44,705
Primary agriculture	6,246	6,693	5,995	6,446
Transportation, storage and communication	796,977	919,112	740,842	862,747
Wholesale, retail trade, restaurants and hotels	1,819,265	1,882,677	1,524,425	1,583,072
	6,750,174	6,996,856	6,248,075	6,474,012

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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	581,746	33,264	246,600	82,949	74,130	140,433	1,159,122
Education, health and others	421,327	26,231	53,440	77,073	22,567	21,469	622,107
Electricity, gas and water supply	25,938	-	-	2,548	-	-	28,486
Financial, insurance, real estate and business services	706,866	55,405	178,003	24,272	75,509	47,076	1,087,131
Manufacturing	657,508	137,478	161,500	111,724	42,730	39,688	1,150,628
Mining and quarrying	35,574	-	7,488	14,389	19,411	3,350	80,212
Primary agriculture	798	-	619	29	4,700	100	6,246
Transportation, storage and communication	399,602	102,038	66,165	111,545	38,632	78,995	796,977
Wholesale, retail trade, restaurants and hotels	992,410	155,521	73,671	219,556	252,811	125,296	1,819,265
At 30 September 2019	3,821,769	509,937	787,486	644,085	530,490	456,407	6,750,174

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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	3,919,965	520,176	728,075	786,300	591,996	450,344	6,996,856

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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	578,988	33,264	246,600	82,949	74,130	140,433	1,156,364
Education, health and others	373,561	26,231	53,440	77,073	22,567	21,469	574,341
Electricity, gas and water supply	25,938	-	-	2,548	-	-	28,486
Financial, insurance, real estate and business services	703,913	55,405	178,003	24,272	75,509	47,076	1,084,178
Manufacturing	562,108	137,478	161,500	111,724	42,730	39,688	1,055,228
Mining and quarrying	33,578	-	7,488	14,389	19,411	3,350	78,216
Primary agriculture	547	-	619	29	4,700	100	5,995
Transportation, storage and communication	343,467	102,038	66,165	111,545	38,632	78,995	740,842
Wholesale, retail trade, restaurants and hotels	697,570	155,521	73,671	219,556	252,811	125,296	1,524,425
At 30 September 2019	3,319,670	509,937	787,486	644,085	530,490	456,407	6,248,075

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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	3,397,121	520,176	728,075	786,300	591,996	450,344	6,474,012

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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 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Fixed rate:				
- Hire purchase receivables	235,148	287,849	198,273	250,681
- Leasing receivables	344	363	1	15
- Other term loans/financing	1,554,698	1,824,045	1,250,163	1,513,380
- Revolving credits	221,896	255,001	208,934	241,529
Variable rate:				
- Hire purchase receivables	79,840	85,620	78,963	84,743
- Other term loans/financing	3,607,531	3,632,443	3,461,082	3,472,187
- Revolving credits	1,050,717	911,535	1,050,659	911,477
	<u>6,750,174</u>	<u>6,996,856</u>	<u>6,248,075</u>	<u>6,474,012</u>

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

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Constructions	188,224	202,178	185,466	199,318
Education, health and others	174,886	160,824	127,120	112,791
Electricity, gas and water supply	-	-	-	-
Financial, insurance, real estate and business services	191,030	187,301	188,077	184,144
Manufacturing	383,156	416,512	287,756	305,931
Mining and quarrying	3,084	3,045	1,088	1,049
Primary agriculture	521	507	270	260
Transportation, storage and communication	255,570	299,457	199,435	243,092
Wholesale, retail trade, restaurants and hotels	729,828	735,822	434,988	436,217
	<u>1,926,299</u>	<u>2,005,646</u>	<u>1,424,200</u>	<u>1,482,802</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	130,429	2,157	27,159	14,578	9,736	4,165	188,224
Education, health and others	118,173	3,600	21,502	23,575	7,192	844	174,886
Electricity, gas and water supply	-	-	-	-	-	-	-
Financial, insurance, real estate and business services	154,603	7,472	9,710	11,199	6,673	1,373	191,030
Manufacturing	257,305	16,506	47,507	50,482	6,268	5,088	383,156
Mining and quarrying	2,677	-	-	407	-	-	3,084
Primary agriculture	251	-	64	-	206	-	521
Transportation, storage and communication	155,242	7,212	28,484	36,046	19,332	9,254	255,570
Wholesale, retail trade, restaurants and hotels	503,280	44,811	27,204	65,174	83,852	5,507	729,828
At 30 September 2019	1,321,960	81,758	161,630	201,461	133,259	26,231	1,926,299

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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
Electricity, gas and water supply	-	-	-	-	-	-	-
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	498,043	39,424	24,345	56,571	112,690	4,749	735,822
At 31 December 2018	1,334,911	94,639	200,173	183,446	148,145	44,332	2,005,646

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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	127,671	2,157	27,159	14,578	9,736	4,165	185,466
Education, health and others	70,407	3,600	21,502	23,575	7,192	844	127,120
Electricity, gas and water supply	-	-	-	-	-	-	-
Financial, insurance, real estate and business services	151,650	7,472	9,710	11,199	6,673	1,373	188,077
Manufacturing	161,905	16,506	47,507	50,482	6,268	5,088	287,756
Mining and quarrying	681	-	-	407	-	-	1,088
Primary agriculture	-	-	64	-	206	-	270
Transportation, storage and communication	99,107	7,212	28,484	36,046	19,332	9,254	199,435
Wholesale, retail trade, restaurants and hotels	208,440	44,811	27,204	65,174	83,852	5,507	434,988
At 30 September 2019	819,861	81,758	161,630	201,461	133,259	26,231	1,424,200

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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
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	146,642	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	198,438	39,424	24,345	56,571	112,690	4,749	436,217
At 31 December 2018	812,067	94,639	200,173	183,446	148,145	44,332	1,482,802

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

(ix) Movement in allowances for impairment losses 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	49,527	55,642	1,246,237	1,351,406
-Transfers to Stage 1	26,098	(21,241)	(4,857)	-
-Transfers to Stage 2	(2,300)	14,729	(12,429)	-
-Transfers to Stage 3	(1,226)	(10,413)	11,639	-
Net remeasurement of allowances	(25,014)	11,571	83,572	70,129
New financial assets originated	11,397	595	7,486	19,478
Financial assets derecognised	(8,766)	(2,570)	(15,014)	(26,350)
Amount written off	-	-	(239,937)	(239,937)
At 30 September 2019	49,716	48,313	1,076,697	1,174,726
	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Bank				
At 1 January 2019	49,527	55,642	723,393	828,562
-Transfers to Stage 1	26,098	(21,241)	(4,857)	-
-Transfers to Stage 2	(2,300)	14,729	(12,429)	-
-Transfers to Stage 3	(1,226)	(10,413)	11,639	-
Net remeasurement of allowances	(25,014)	11,571	104,317	90,874
New financial assets originated	11,397	595	7,486	19,478
Financial assets derecognised	(8,766)	(2,570)	(15,014)	(26,350)
Amount written off	-	-	(239,937)	(239,937)
At 30 September 2019	49,716	48,313	574,598	672,627

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

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Net impaired loans, advances and financing as a percentage	14.97%	13.21%	14.97%	13.21%

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11. Deposits from customers

	Group		Bank	
	As at 30	As at 31	As at 30	As at 31
	September	December	September	December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Term deposit:				
- Commodity Murabahah/Tawarruq	3,434,660	2,974,984	3,464,271	3,071,441

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

	Group		Bank	
	As at 30	As at 31	As at 30	As at 31
	September	December	September	December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	2,276,217	2,253,186	2,276,217	2,253,186
Business enterprise	985,676	643,188	1,015,287	739,645
Others	172,767	78,610	172,767	78,610
	3,434,660	2,974,984	3,464,271	3,071,441

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

	Group		Bank	
	As at 30	As at 31	As at 30	As at 31
	September	December	September	December
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Less than three months	2,857,541	2,526,180	2,869,721	2,557,124
Three months to six months	424,129	369,604	440,439	377,057
More than six months to one year	152,990	79,200	154,111	137,260
	3,434,660	2,974,984	3,464,271	3,071,441

12. Deposits from banks and other financial institutions

	Group and Bank	
	As at 30	As at 31
	September	December
	2019	2018
	RM'000	RM'000
Licensed banks and other financial institutions	94,142	301,417

The deposits maturity structure is as follows:

	Group and Bank	
	As at 30	As at 31
	September	December
	2019	2018
	RM'000	RM'000
Less than three months	94,142	301,417

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13. Borrowings

	Group and Bank	
	As at 30	As at 31
	September	December
	2019	2018
	RM'000	RM'000
Unsecured borrowings	1,882,214	1,982,921

The maturity structure of the borrowings are as follows:

	Group and Bank	
	As at 30	As at 31
	September	December
	2019	2018
	RM'000	RM'000
Within one year	112,109	98,880
Within one year to five years	988,772	789,842
More than five years	781,333	1,094,199
	<u>1,882,214</u>	<u>1,982,921</u>

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

	Note	Group and Bank	
		As at 30	As at 31
		September	December
		2019	2018
		RM'000	RM'000
Borrowings from:			
- Government of Malaysia	(i)	1,022,946	1,050,185
- Other institutions	(ii)	859,268	932,736
		<u>1,882,214</u>	<u>1,982,921</u>

(i) Borrowings from Government of Malaysia

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

	Group and Bank	
	As at 30	As at 31
	September	December
	2019	2018
	RM'000	RM'000
Maturity structure:		
Within one year	34,412	29,113
Within one year to five years	607,200	570,459
More than five years	381,334	450,613
	<u>1,022,946</u>	<u>1,050,185</u>

The interest rates on the borrowing from Government of Malaysia ranges from 0% to 2.75% (2018: 0% to 4.00%) per annum during the year.

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13. Borrowings (cont'd.)

(ii) Borrowings from other institutions

	Group and Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Bank Negara Malaysia	93,970	126,590
Employee Provident Fund	765,298	806,146
	<u>859,268</u>	<u>932,736</u>

The borrowings from other institutions are repayable as follows:

	Group and Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Maturity structure:		
Within one year	77,697	69,766
Within one year to five years	381,571	219,384
More than five years	400,000	643,586
	<u>859,268</u>	<u>932,736</u>

The interest rates on the borrowings from other institutions range from 0% to 5.00% (2018: 0% to 5.00%) per annum during the year.

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14. Interest income

Group	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	10,972	5,593	18,422	15,658
- Debt instruments at FVOCI	24	1,687	3,224	5,095
- Derivative at FVTPL	108	85	336	327
	<u>11,104</u>	<u>7,365</u>	<u>21,982</u>	<u>21,080</u>

Bank	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
- Loans, advances and financing	3,266	4,709	10,716	13,939
- Debt instruments at FVOCI	24	1,687	3,224	5,095
- Derivative at FVTPL	108	85	336	327
	<u>3,398</u>	<u>6,481</u>	<u>14,276</u>	<u>19,361</u>

15. Interest expense

Group and Bank	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Term loans	13,304	13,989	40,520	41,700

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16. Other operating income

Group	Third Quarter Ended		Nine Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Fee income	105	230	175	416
Commission fee income	-	-	-	13
	<u>105</u>	<u>230</u>	<u>175</u>	<u>429</u>
Investment in unquoted shares:				
Gross dividend income	349	-	349	-
	<u>349</u>	<u>-</u>	<u>349</u>	<u>-</u>
Other income:				
Government fund released	917	889	2,636	2,638
Government compensation	522	634	1,732	1,895
Others	611	35	1,956	138
	<u>2,050</u>	<u>1,558</u>	<u>6,324</u>	<u>4,671</u>
Total other operating income	<u>2,504</u>	<u>1,788</u>	<u>6,848</u>	<u>5,100</u>

Bank	Third Quarter Ended		Nine Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Fee income	105	230	175	416
Commission fee income	-	-	-	13
	<u>105</u>	<u>230</u>	<u>175</u>	<u>429</u>
Investment in unquoted shares:				
Gross dividend income	349	-	349	-
	<u>349</u>	<u>-</u>	<u>349</u>	<u>-</u>
Other income:				
Government fund released	917	889	2,636	2,638
Government compensation	522	634	1,732	1,895
Others	611	35	1,956	138
	<u>2,050</u>	<u>1,558</u>	<u>6,324</u>	<u>4,671</u>
Total other operating income	<u>2,504</u>	<u>1,788</u>	<u>6,848</u>	<u>5,100</u>

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17. Other operating expenses

Group	Note	Third Quarter Ended		Nine Months Ended	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Personnel expenses	(i)	40,334	36,519	89,666	110,207
Establishment related expenses	(ii)	10,186	11,192	30,948	33,030
Promotion and marketing expenses	(iii)	1,023	1,780	2,763	4,838
Administration and general expenses	(iv)	6,067	4,460	15,233	21,488
		<u>57,610</u>	<u>53,951</u>	<u>138,610</u>	<u>169,563</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		31,844	28,773	65,488	87,237
Non-executive Directors fees and remuneration		423	413	1,025	1,245
Social security cost		225	217	589	633
Contribution to Employee Provident Fund		3,546	3,306	10,545	9,827
Other staff related expenses		4,296	3,810	12,019	11,265
		<u>40,334</u>	<u>36,519</u>	<u>89,666</u>	<u>110,207</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,494	3,321	10,321	10,442
Amortisation of intangible assets		1,721	1,359	5,158	3,324
Rental of premises		(1,433)	1,208	2,699	3,153
Repairs and maintenance of property, plant and equipment		6,404	5,304	12,770	16,111
		<u>10,186</u>	<u>11,192</u>	<u>30,948</u>	<u>33,030</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		1,023	1,780	2,763	4,838
(iv) Administration and general expenses					
Administrative expenses		1,610	2,062	5,055	6,458
Auditors' remuneration		242	177	666	467
General expenses		4,215	2,221	9,512	14,563
		<u>6,067</u>	<u>4,460</u>	<u>15,233</u>	<u>21,488</u>

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17. Other operating expenses (cont'd.)

Bank	Note	Third Quarter Ended		Nine Months Ended	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Personnel expenses	(i)	39,394	35,287	87,307	106,519
Establishment related expenses	(ii)	10,165	10,912	30,888	32,680
Promotion and marketing expenses	(iii)	1,089	1,750	2,963	4,781
Administration and general expenses	(iv)	6,012	3,780	15,116	18,505
		<u>56,660</u>	<u>51,729</u>	<u>136,274</u>	<u>162,485</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		31,144	27,706	63,690	84,042
Non-executive Directors fees and remuneration		423	413	1,025	1,245
Social security cost		219	211	572	613
Contribution to Employee Provident Fund		3,466	3,202	10,279	9,503
Other staff related expenses		4,142	3,755	11,741	11,116
		<u>39,394</u>	<u>35,287</u>	<u>87,307</u>	<u>106,519</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,492	3,315	10,314	10,423
Amortisation of intangible assets		1,714	1,341	5,141	3,271
Rental of premises		(1,433)	967	2,699	2,912
Repairs and maintenance of property, plant and equipment		6,392	5,289	12,734	16,074
		<u>10,165</u>	<u>10,912</u>	<u>30,888</u>	<u>32,680</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		1,089	1,750	2,963	4,781
(iv) Administration and general expenses					
Administrative expenses		1,516	1,906	5,045	5,781
Auditors' remuneration		217	133	617	400
General expenses		4,279	1,741	9,454	12,324
		<u>6,012</u>	<u>3,780</u>	<u>15,116</u>	<u>18,505</u>

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18. Allowances for impairment on loans, advances and financing

Group	Third Quarter Ended		Nine Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Stage 1, net (Note 10(ix))	3,227	(2,867)	305	(9,654)
- Stage 2, net (Note 10(ix))	(15,462)	12,779	(7,329)	42,262
- Stage 3, net (Note 10(ix))	14,767	44,590	70,397	61,232
	<u>2,532</u>	<u>54,502</u>	<u>63,373</u>	<u>93,840</u>
Impaired loan, advances and financing recovered	(10,564)	(8,515)	(17,989)	(15,408)
Total allowances for impairment on loans, advances and financing	<u>(8,032)</u>	<u>45,987</u>	<u>45,384</u>	<u>78,432</u>
Bank	Third Quarter Ended		Nine Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Stage 1, net (Note 10(ix))	3,227	(2,867)	305	(9,654)
- Stage 2, net (Note 10(ix))	(15,462)	12,779	(7,329)	42,262
- Stage 3, net (Note 10(ix))	35,061	44,590	91,142	61,232
	<u>22,826</u>	<u>54,502</u>	<u>84,118</u>	<u>93,840</u>
Impaired loan, advances and financing recovered	(10,564)	(8,515)	(17,989)	(15,408)
Total allowances for impairment on loans, advances and financing	<u>12,262</u>	<u>45,987</u>	<u>66,129</u>	<u>78,432</u>

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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 30 September 2019 RM'000	As at 31 December 2018 RM'000
Direct credit substitutes	172,507	190,108
Transaction-related-contingent items	111,211	138,014
Irrevocable commitments to extend credit:		
- maturity exceeding one year	1,368,122	1,140,227
Profit rate related contract	-	200,000
	1,651,840	1,668,349

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

	Group and Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Approved and contracted for:		
Information technology system	1,650	6,716
Kompleks Kilang Bimbingan construction	-	38
	1,650	6,754
Total commitments and contingencies	1,653,490	1,675,103

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 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 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
Accumulated losses	(583,618)	(583,618)	(589,358)	(589,358)
General reserves	10,114	10,114	10,114	10,114
Less: Deferred tax assets	(120,059)	(120,059)	(120,059)	(120,059)
Less: Property revaluation reserve	(212,533)	(212,533)	(212,533)	(212,533)
Total Tier I capital	943,904	943,904	938,164	938,164
<u>Tier II Capital</u>				
General provision for loans, advances and financing*	98,029	105,170	98,029	105,170
Property revaluation reserve [^]	106,267	106,267	106,267	106,267
Government funds	393,780	375,113	393,780	375,113
Total Tier II capital	598,076	586,550	598,076	586,550
Total capital base	1,541,980	1,530,454	1,536,240	1,524,714

* 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 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
20%	280,954	143,338	280,954	143,338
50%	349,552	291,347	349,552	291,347
100%	7,709,491	7,727,764	7,733,291	7,837,710
	<u>8,339,997</u>	<u>8,162,449</u>	<u>8,363,797</u>	<u>8,272,395</u>

Before deducting dividends:

Core capital ratio	11.318%	11.564%	11.217%	11.341%
Risk-weighted capital ratio	<u>18.489%</u>	<u>18.750%</u>	<u>18.368%</u>	<u>18.431%</u>

Capital monitoring

The Group and Bank's capital are closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Group and the Bank adhere to an internal capital limit that would act as a trigger to the regulatory capital and 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 30 September 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 30 September 2019**

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Assets				
Cash and short-term funds	1,323,067	484,082	1,320,765	480,389
Deposits and placements with bank	-	151,878	-	151,878
Financial investment	21(a) 2,346,394	2,538,035	2,346,394	2,538,035
Advances and financing	21(b) 5,327,067	5,357,110	5,327,067	5,357,110
Other assets	5,804	7,172	37,437	123,865
Derivative financial assets	-	2,816	-	2,816
Property, plant and equipment	60,101	67,126	60,079	67,080
Investment properties	373,196	373,214	373,196	373,214
Deferred tax assets	117,393	117,393	117,393	117,393
Total assets	9,553,022	9,098,826	9,582,331	9,211,780
Liabilities				
Deposits from customers	11 3,434,660	2,974,984	3,464,271	3,071,441
Deposits from banks and other financial institutions	12 94,142	301,417	94,142	301,417
Medium term notes	1,758,686	1,821,436	1,758,686	1,821,436
Term financing	21(c) 251,319	283,309	251,319	283,309
Other liabilities	990,647	967,534	1,009,316	980,470
Amount due to conventional operations	1,554,986	1,352,932	1,857,728	1,659,113
Government funds	142,712	196,985	142,712	196,985
Total liabilities	8,227,152	7,898,597	8,578,174	8,314,171
Islamic general funds	1,325,870	1,200,229	1,004,157	897,609
Total liabilities and Islamic banking funds	9,553,022	9,098,826	9,582,331	9,211,780
Commitments	1,641,724	1,658,473	1,641,724	1,658,473

(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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21. Islamic banking business

Unaudited Statements of Comprehensive Income
For the third quarter ended 30 September 2019

Group	Note	Third Quarter Ended		Nine Months Ended	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Income from Islamic banking business	21(d)	128,280	149,939	402,699	431,651
Profit expense attributable to Islamic banking business	21(f)	(49,903)	(58,021)	(145,055)	(165,648)
Gross income from Islamic banking business		78,377	91,918	257,644	266,003
Other income	21(e)	10,466	6,337	26,034	17,469
Other operating expenses	21(g)	(55,414)	(50,313)	(131,778)	(156,855)
Operating profit		33,429	47,942	151,900	126,617
Net impairment loss on financial assets:					
- advances and financing		(18,660)	(51,989)	(63,385)	(85,125)
- commitment and contingencies	21(xii)	81	(164)	108	801
- debt instruments at FVOCI	9(a)	7	(3)	(3,317)	(608)
- debt instruments at AC	9(c)	(594)	(2)	(581)	(6)
- other asset		47	(185)	(516)	(741)
Profit/(Loss) before tax expense and zakat		14,310	(4,401)	84,209	40,938
Zakat		1,568	(1,000)	(432)	(3,000)
Net profit/(loss) for the period		15,878	(5,401)	83,777	37,938
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of debt instruments at FVOCI		22,060	11,046	50,720	4,952
Changes in expected credit losses of debt instruments at FVOCI		(7)	3	3,317	608
Income tax relating to components of other comprehensive income		(5,294)	-	(12,173)	-
Other comprehensive income for the period, net of tax		16,759	11,049	41,864	5,560
Total comprehensive income for the period, net of tax		32,637	5,648	125,641	43,498
Profit/(Loss) for the period attributable to owner of the Bank		15,878	(5,401)	83,777	37,938
Total comprehensive income attributable to owner of the Bank		32,637	5,648	125,641	43,498

(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)

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21. Islamic banking business (cont'd.)

**Unaudited Statements of Comprehensive Income
For the third quarter ended 30 September 2019 (cont'd.)**

Bank	Note	Third Quarter Ended		Nine Months Ended	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Income from Islamic banking business	21(d)	132,414	148,607	397,825	423,876
Profit expense attributable to Islamic banking business	21(f)	(50,133)	(58,561)	(146,178)	(167,513)
Gross income from Islamic banking business		82,281	90,046	251,647	256,363
Other income	21(e)	10,079	10,804	25,268	28,322
Other operating expenses	21(g)	(54,464)	(48,610)	(129,442)	(152,156)
Operating profit		37,896	52,240	147,473	132,529
Net impairment loss on financial assets:					
- advances and financing		(20,673)	(51,989)	(77,699)	(85,125)
- commitment and contingencies	21(xii)	81	(164)	108	801
- debt instruments at FVOCI	9(a)	7	(3)	(3,317)	(608)
- debt instruments at AC	9(c)	(594)	(2)	(581)	(6)
- other asset		(305)	(185)	(868)	(741)
Profit/(Loss) before tax expense and zakat		16,412	(103)	65,116	46,850
Zakat		1,568	(1,000)	(432)	(3,000)
Net profit/(loss) for the period		17,980	(1,103)	64,684	43,850
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of debt instruments at FVOCI		22,060	11,046	50,720	4,952
Changes in expected credit losses of debt instruments at FVOCI		(7)	3	3,317	608
Income tax relating to components of other comprehensive income		(5,294)	-	(12,173)	-
Other comprehensive income for the period, net of tax		16,759	11,049	41,864	5,560
Total comprehensive income for the period, net of tax		34,739	9,946	106,548	49,410
Profit/(Loss) for the period attributable to owner of the Bank		17,980	(1,103)	64,684	43,850
Total comprehensive income attributable to owner of the Bank		34,739	9,946	106,548	49,410

(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)

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21. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
For the third quarter ended 30 September 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 gain on revaluation of debt instruments at FVOCI	-	50,720	-	50,720
Changes in expected credit losses of debt instruments at FVOCI	-	3,317	-	3,317
Income tax relating to components of other comprehensive income	-	(12,173)	-	(12,173)
Profit for the period	-	-	83,777	83,777
Total comprehensive income for the period	-	41,864	83,777	125,641
At 30 September 2019	1,050,564	36,607	238,699	1,325,870
At 1 January 2018	1,050,564	(14,283)	334,805	1,371,086
Unrealised loss on revaluation of debt instruments at FVOCI	-	(884)	-	(884)
Changes in expected credit losses of debt instruments at FVOCI	-	9,698	-	9,698
Income tax relating to components of other comprehensive income	-	212	-	212
Loss for the period	-	-	(179,883)	(179,883)
Total comprehensive income for the period	-	9,026	(179,883)	(170,857)
At 31 December 2018	1,050,564	(5,257)	154,922	1,200,229

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

**Statements of changes in Islamic General Funds
For the third quarter ended 30 September 2019 (cont'd.)**

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 gain on revaluation of debt instruments at FVOCI	-	50,720	-	50,720
Changes in expected credit losses of debt instruments at FVOCI	-	3,317	-	3,317
Income tax relating to components of other comprehensive income	-	(12,173)	-	(12,173)
Profit for the period	-	-	64,684	64,684
Total comprehensive income for the period	-	41,864	64,684	106,548
At 30 September 2019	1,050,564	36,607	(83,014)	1,004,157
At 1 January 2018	1,050,564	(14,283)	315,092	1,351,373
Unrealised loss on revaluation of debt instruments at FVOCI	-	(884)	-	(884)
Changes in expected credit losses of debt instruments at FVOCI	-	9,698	-	9,698
Income tax relating to components of other comprehensive income	-	212	-	212
Loss for the period	-	-	(462,790)	(462,790)
Total comprehensive income for the period	-	9,026	(462,790)	(453,764)
At 31 December 2018	1,050,564	(5,257)	(147,698)	897,609

(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)

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21. Islamic banking business (cont'd.)

(a) Total financial assets as at 30 September 2019 are as below:

	Group and Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
(i) Debt instruments at FVOCI (Note 9(a))	1,393,109	1,729,398
(ii) Equity instruments at FVOCI	30,844	134,504
(iii) Debt instruments at AC (Note 9(c))	922,441	674,133
	2,346,394	2,538,035

(i) Debt instruments at FVOCI

	Group and Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Government securities		
Malaysian Government Investment Issues	534,305	710,577
Non-money market securities		
Private debt securities	858,804	1,018,821
Total debt instruments at FVOCI	1,393,109	1,729,398

(ii) Equity instruments at FVOCI

	Group and Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Non-money market instruments		
Private debt securities	30,844	134,504
Total equity instruments at FVOCI	30,844	134,504

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21. Islamic banking business (cont'd.)

(b) Advances and financing

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
(ba) At AC	5,315,067	5,346,602	5,315,067	5,346,602
(bb) At FVTPL	12,000	10,508	12,000	10,508
	5,327,067	5,357,110	5,327,067	5,357,110

(ba) At AC

(i) Gross advances and financing analysed by type;

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Bai' Bithaman Ajil	1,509	1,509	-	-
Bai' Murabahah	2,076,739	2,589,397	2,019,776	2,524,519
Bai' Istisna	150,648	162,651	141,376	162,611
Ijarah	84	84	-	-
Ijarah Thumma Al-Bai	364,267	410,721	299,640	363,667
Bai' Dayn	10,450	7,397	10,450	7,397
Tawwaruq	3,454,782	3,080,903	3,454,776	3,047,075
Bai' Inah	46,475	20,444	45,197	19,784
Gross advances and financing	6,104,954	6,273,106	5,971,215	6,125,053
Less: Allowance for impairment losses on				
- Stage 1	(49,194)	(48,828)	(49,194)	(48,828)
- Stage 2	(45,945)	(51,522)	(45,945)	(51,522)
- Stage 3	(694,748)	(826,154)	(561,009)	(678,101)
Net advances and financing	5,315,067	5,346,602	5,315,067	5,346,602
Gross impaired advances and financing	1,442,649	1,492,925	1,308,910	1,344,872
Net impaired advances and financing	747,901	666,771	747,901	666,771
(bb) At FVTPL				
Staff loan/financing	12,000	10,508	12,000	10,508

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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	4,029,113	751,068	1,492,925	6,273,106
- Transfer to Stage 1	388,568	(359,914)	(28,654)	-
- Transfer to Stage 2	(243,003)	273,844	(30,841)	-
- Transfer to Stage 3	(86,249)	(128,054)	214,303	-
(Partial repayment)/additional drawdown	(286,339)	(10,371)	13,740	(282,970)
New financial assets originated	976,792	11,882	15,958	1,004,632
Financial asset derecognised	(603,622)	(51,410)	(32,184)	(687,216)
Amount written off	-	-	(202,598)	(202,598)
At 30 September 2019	4,175,260	487,045	1,442,649	6,104,954
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Bank				
At 1 January 2019	4,029,113	751,068	1,344,872	6,125,053
- Transfer to Stage 1	388,568	(359,914)	(28,654)	-
- Transfer to Stage 2	(243,003)	273,844	(30,841)	-
- Transfer to Stage 3	(86,249)	(128,054)	214,303	-
(Partial repayment)/additional drawdown	(286,339)	(10,371)	28,054	(268,656)
New financial assets originated	976,792	11,882	15,958	1,004,632
Financial asset derecognised	(603,622)	(51,410)	(32,184)	(687,216)
Amount written off	-	-	(202,598)	(202,598)
At 30 September 2019	4,175,260	487,045	1,308,910	5,971,215

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

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Maturity within one year	1,022,617	941,018	916,376	816,559
More than one year to three years	890,563	960,543	870,448	958,558
More than three years to five years	761,494	883,724	760,305	869,041
More than five years	3,430,280	3,487,821	3,424,086	3,480,895
	6,104,954	6,273,106	5,971,215	6,125,053

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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 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Domestic business enterprise	6,104,954	6,273,106	5,971,215	6,125,053

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

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Constructions	1,140,985	1,314,444	1,139,471	1,312,930
Education, health and others	595,214	552,812	559,271	516,680
Electricity, gas and water supply	28,486	1,306	28,486	1,306
Financial, insurance, real estate and business services	1,069,949	1,007,608	1,068,098	1,005,035
Manufacturing	1,095,425	1,118,262	1,047,374	1,057,836
Mining and quarrying	78,216	44,705	78,216	44,705
Primary agriculture	5,995	6,446	5,995	6,446
Transportation, storage and communication	731,828	841,759	699,739	809,120
Wholesale, retail trade, restaurants and hotels	1,358,856	1,385,764	1,344,565	1,370,995
	6,104,954	6,273,106	5,971,215	6,125,053

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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	580,503	33,264	229,707	82,949	74,129	140,433	1,140,985
Education, health and others	396,323	26,047	52,173	77,073	22,129	21,469	595,214
Electricity, gas and water supply	25,938	-	-	2,548	-	-	28,486
Financial, insurance, real estate and business services	703,478	53,675	165,939	24,272	75,509	47,076	1,069,949
Manufacturing	605,198	136,958	161,263	109,588	42,730	39,688	1,095,425
Mining and quarrying	33,578	-	7,488	14,389	19,411	3,350	78,216
Primary agriculture	547	-	619	29	4,700	100	5,995
Transportation, storage and communication	345,726	94,957	62,035	111,486	38,629	78,995	731,828
Wholesale, retail trade, restaurants and hotels	686,704	129,154	72,649	153,315	191,756	125,278	1,358,856
At 30 September 2019	3,377,995	474,055	751,873	575,649	468,993	456,389	6,104,954

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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	3,455,584	466,906	672,804	707,627	519,859	450,326	6,273,106

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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	578,989	33,264	229,707	82,949	74,129	140,433	1,139,471
Education, health and others	360,380	26,047	52,173	77,073	22,129	21,469	559,271
Electricity, gas and water supply	25,938	-	-	2,548	-	-	28,486
Financial, insurance, real estate and business services	701,627	53,675	165,939	24,272	75,509	47,076	1,068,098
Manufacturing	557,147	136,958	161,263	109,588	42,730	39,688	1,047,374
Mining and quarrying	33,578	-	7,488	14,389	19,411	3,350	78,216
Primary agriculture	547	-	619	29	4,700	100	5,995
Transportation, storage and communication	313,637	94,957	62,035	111,486	38,629	78,995	699,739
Wholesale, retail trade, restaurants and hotels	672,413	129,154	72,649	153,315	191,756	125,278	1,344,565
At 30 September 2019	3,244,256	474,055	751,873	575,649	468,993	456,389	5,971,215

**Small Medium Enterprise Development Bank Malaysia Berhad
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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 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Fixed rate				
- Hire purchase receivables	233,365	286,066	198,273	250,680
- Leasing receivables	84	84	-	-
- Other term financing	1,117,838	1,326,787	1,028,736	1,234,758
- Revolving credits	203,068	244,078	200,173	231,015
Variable rate				
- Hire purchase receivables	79,833	85,613	78,963	84,743
- Other term financing	3,418,418	3,427,471	3,412,780	3,420,908
- Revolving credits	1,052,348	903,007	1,052,290	902,949
	6,104,954	6,273,106	5,971,215	6,125,053

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

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Constructions	170,087	169,805	168,573	168,291
Education, health and others	154,918	137,179	118,975	101,047
Electricity, gas and water supply	-	-	-	-
Financial, insurance, real estate and business services	189,928	186,716	188,077	184,143
Manufacturing	331,575	364,207	283,524	303,781
Mining and quarrying	1,088	1,049	1,088	1,049
Primary agriculture	270	260	270	260
Transportation, storage and communication	198,052	231,413	165,963	198,774
Wholesale, retail trade, restaurants and hotels	396,731	402,296	382,440	387,527
	1,442,649	1,492,925	1,308,910	1,344,872

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21. Islamic banking business (cont'd.)

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

(ix) Gross 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	129,184	2,157	10,267	14,578	9,736	4,165	170,087
Education, health and others	98,205	3,600	21,502	23,575	7,192	844	154,918
Electricity, gas and water supply	-	-	-	-	-	-	-
Financial, insurance, real estate and business services	153,501	7,472	9,710	11,199	6,673	1,373	189,928
Manufacturing	208,382	15,985	47,507	48,345	6,268	5,088	331,575
Mining and quarrying	681	-	-	407	-	-	1,088
Primary agriculture	-	-	64	-	206	-	270
Transportation, storage and communication	101,857	7,212	24,354	36,046	19,329	9,254	198,052
Wholesale, retail trade, restaurants and hotels	214,985	44,397	27,090	44,390	60,362	5,507	396,731
At 30 September 2019	906,795	80,823	140,494	178,540	109,766	26,231	1,442,649

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21. Islamic banking business (cont'd.)

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

(ix) Gross 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
Electricity, gas and water supply	-	-	-	-	-	-	-
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	909,225	93,667	161,803	162,327	121,571	44,332	1,492,925

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21. Islamic banking business (cont'd.)

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

(ix) Gross 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	127,670	2,157	10,267	14,578	9,736	4,165	168,573
Education, health and others	62,262	3,600	21,502	23,575	7,192	844	118,975
Electricity, gas and water supply	-	-	-	-	-	-	-
Financial, insurance, real estate and business services	151,650	7,472	9,710	11,199	6,673	1,373	188,077
Manufacturing	160,331	15,985	47,507	48,345	6,268	5,088	283,524
Mining and quarrying	681	-	-	407	-	-	1,088
Primary agriculture	-	-	64	-	206	-	270
Transportation, storage and communication	69,768	7,212	24,354	36,046	19,329	9,254	165,963
Wholesale, retail trade, restaurants and hotels	200,694	44,397	27,090	44,390	60,362	5,507	382,440
At 30 September 2019	773,056	80,823	140,494	178,540	109,766	26,231	1,308,910

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

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

(ix) Gross 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
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	-	-	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	761,172	93,667	161,803	162,327	121,571	44,332	1,344,872

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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	48,828	51,522	826,154	926,504
-Transfers to Stage 1	26,098	(21,241)	(4,857)	-
-Transfers to Stage 2	(2,286)	14,715	(12,429)	-
-Transfers to Stage 3	(1,226)	(9,763)	10,989	-
Net remeasurement of allowances	(25,442)	12,615	84,852	72,025
New financial assets originated	11,912	593	7,486	19,991
Financial assets derecognised	(8,690)	(2,496)	(12,385)	(23,571)
Amount written off	-	-	(205,062)	(205,062)
At 30 September 2019	49,194	45,945	694,748	789,887
	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Bank				
At 1 January 2019	48,828	51,522	678,101	778,451
-Transfers to Stage 1	26,098	(21,241)	(4,857)	-
-Transfers to Stage 2	(2,286)	14,715	(12,429)	-
-Transfers to Stage 3	(1,226)	(9,763)	10,989	-
Net remeasurement of allowances	(25,442)	12,615	99,166	86,339
New financial assets originated	11,912	593	7,486	19,991
Financial assets derecognised	(8,690)	(2,496)	(12,385)	(23,571)
Amount written off	-	-	(205,062)	(205,062)
At 30 September 2019	49,194	45,945	561,009	656,148

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

	Group		Bank	
	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Net impaired advances and financing as a percentage	13.82%	12.24%	13.82%	12.24%

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21. Islamic banking business (cont'd.)

(c) Term financing

	Group and Bank	
	As at 30	As at 31
	September	December
	2019	2018
	RM'000	RM'000
Unsecured term financing	251,319	283,309

The maturity structure of the term financing are as follows:

	Group and Bank	
	As at 30	As at 31
	September	December
	2019	2018
	RM'000	RM'000
Within one year	20,377	15,230
More than one year to five years	125,895	45,684
More than five years	105,047	222,395
	<u>251,319</u>	<u>283,309</u>

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

	Group and Bank	
	As at 30	As at 31
	September	December
	2019	2018
	RM'000	RM'000
Financing from:		
- Government of Malaysia	157,349	156,719
- Bank Negara Malaysia	93,970	126,590
	<u>251,319</u>	<u>283,309</u>

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21. Islamic banking business (cont'd.)

(d) Income from Islamic banking business

Group	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income from advances and financing measured at AC				
- Bai' Bithaman Ajil	23	25,602	75	80,476
- Bai' Murabahah	23,913	6,301	103,847	27,167
- Bai' Istisna	1,955	8,005	7,533	27,386
- Ijarah	1	6,267	4	21,582
- Ijarah Thumma Al-Bai	4,954	6,265	18,215	19,613
- Bai' Dayn	123	41	523	4,049
- Tawwaruq	61,817	53,240	172,756	131,943
- Bai' Inah	799	1,315	2,324	3,964
Total income from advances and financing	93,585	107,036	305,277	316,180
Mudharabah deposit acceptance	11,316	11,654	25,307	28,455
Derivative financial asset	-	3,825	(1,754)	7,003
Financial assets at FVOCI	15,472	22,477	53,486	65,282
Financial assets at amortised cost	7,907	4,947	20,383	14,731
Other income (Note 21 (e))	10,466	6,337	26,034	17,469
Total income from Islamic banking business	138,746	156,276	428,733	449,120

Bank	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income from advances and financing measured at AC				
- Bai' Bithaman Ajil	-	24,647	-	77,020
- Bai' Murabahah	25,307	6,286	101,612	26,962
- Bai' Istisna	1,985	7,991	7,112	26,990
- Ijarah	-	6,155	-	20,982
- Ijarah Thumma Al-Bai	4,271	5,379	15,074	16,783
- Bai' Dayn	134	41	526	3,923
- Tawwaruq	65,198	53,884	173,805	131,794
- Bai' Inah	824	1,321	2,274	3,951
Total income from advances and financing	97,719	105,704	300,403	308,405
Mudharabah deposit acceptance	11,316	11,654	25,307	28,455
Derivative financial asset	-	3,825	(1,754)	7,003
Financial assets at FVOCI	15,472	22,477	53,486	65,282
Financial assets at amortised cost	7,907	4,947	20,383	14,731
Other income (Note 21 (e))	10,079	10,804	25,268	28,322
Total income from Islamic banking business	142,493	159,411	423,093	452,198

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21. Islamic banking business (cont'd.)

(e) Other income

Group	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income	2,705	2,283	6,741	6,892
Commission fee	686	243	1,646	1,059
Rental income	2,739	2,614	7,868	7,743
Others	4,336	1,197	9,779	1,775
	10,466	6,337	26,034	17,469

Bank	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income	2,392	1,852	5,889	4,888
Commission fee	686	243	1,646	1,059
Rental income	2,668	2,614	7,868	7,743
Management fees	45	105	134	314
Profit income on amount owing by subsidiary company	-	5,007	-	12,769
Others	4,288	983	9,731	1,549
	10,079	10,804	25,268	28,322

(f) Profit expense attributable to Islamic banking business

Group	Third Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Commodity murabahah	26,020	31,252	80,271	92,357
Medium term notes	18,585	17,756	55,598	52,689
Long term financing	347	720	1,127	2,262
Deposits from banks and other financial institutions	3,018	6,732	5,609	13,822
Others	1,933	1,561	2,450	4,518
	49,903	58,021	145,055	165,648

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21. Islamic banking business (cont'd.)

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

	Third Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Bank	RM'000	RM'000	RM'000	RM'000
Commodity murabahah	26,250	31,792	81,394	94,222
Medium term notes	18,585	17,756	55,598	52,689
Long term financing	347	720	1,127	2,262
Deposits from banks and other financial institutions	3,018	6,732	5,609	13,822
Others	1,933	1,561	2,450	4,518
	50,133	58,561	146,178	167,513

(g) Other operating expenses

	Third Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Group	RM'000	RM'000	RM'000	RM'000
Personnel expenses	38,521	34,540	85,332	104,035
Establishment related expenses	10,077	10,043	29,462	29,835
Promotion and marketing expenses	973	1,680	2,615	4,560
Administration and general expenses	5,843	4,050	14,369	18,425
	55,414	50,313	131,778	156,855

	Third Quarter Ended		Nine Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Bank	RM'000	RM'000	RM'000	RM'000
Personnel expenses	37,581	33,307	82,973	100,346
Establishment related expenses	10,057	10,004	29,403	29,726
Promotion and marketing expenses	1,039	1,651	2,815	4,503
Administration and general expenses	5,787	3,648	14,251	17,581
	54,464	48,610	129,442	152,156

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21. Islamic banking business (cont'd.)

(h) Allowances for impairment on advances and financing

Group	Third Quarter Ended		Nine Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Net allowance for impairment losses on advances, and financing made during the period				
- Stage 1 (Note 21(b)(x))	3,246	(2,779)	474	(9,097)
- Stage 2 (Note 21(b)(x))	(15,268)	12,659	(5,577)	40,559
- Stage 3 (Note 21(b)(x))	33,245	43,104	73,656	57,935
	<u>21,223</u>	<u>52,984</u>	<u>68,553</u>	<u>89,397</u>
Impaired advances and financing recovered	<u>(2,563)</u>	<u>(995)</u>	<u>(5,168)</u>	<u>(4,272)</u>
Total allowances for impairment on advances and financing	18,660	51,989	63,385	85,125
Bank				
Net allowance for impairment losses on advances, and financing made during the period				
- Stage 1 (Note 21(b)(x))	3,246	(2,779)	474	(9,097)
- Stage 2 (Note 21(b)(x))	(15,268)	12,659	(5,577)	40,559
- Stage 3 (Note 21(b)(x))	35,258	43,104	87,970	57,935
	<u>23,236</u>	<u>52,984</u>	<u>82,867</u>	<u>89,397</u>
Impaired advances and financing recovered	<u>(2,563)</u>	<u>(995)</u>	<u>(5,168)</u>	<u>(4,272)</u>
Total allowances for impairment on advances and financing	20,673	51,989	77,699	85,125

(i) Commitments

	Group and Bank	
	As at 31 September 2019 RM'000	As at 31 December 2018 RM'000
Direct credit substitutes	172,507	189,758
Transaction-related-contingent items	111,211	138,014
Irrevocable commitments to extend credit:		
- maturity exceeding one year	1,358,006	1,130,701
Profit rate related contract	-	200,000
	<u>1,641,724</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 banking business as at reporting date:

	Group		Bank	
	As at 31 September 2019 RM'000	As at 31 December 2018 RM'000	As at 31 September 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 assets	(117,393)	(117,393)	(117,393)	(117,393)
Less: Property revaluation reserves	(212,533)	(212,533)	(212,533)	(212,533)
Total Tier I capital	875,560	875,560	572,940	572,940
<u>Tier II Capital</u>				
General provision for advances and financing*	95,139	100,350	95,139	100,350
Property revaluation reserves	106,267	106,267	106,267	106,267
Government funds	267,057	245,754	267,057	245,754
Total Tier II capital	468,463	452,371	468,463	452,371
Total capital base	1,344,023	1,327,931	1,041,403	1,025,311

* 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.

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

	Group		Bank	
	As at 31 September 2019 RM'000	As at 31 December 2018 RM'000	As at 31 September 2019 RM'000	As at 31 December 2018 RM'000
20%	280,603	142,986	280,603	142,986
50%	346,912	288,143	346,912	288,143
100%	7,301,617	7,290,007	7,330,929	7,407,015
	7,929,132	7,721,136	7,958,444	7,838,144

Before deducting dividends:

Core capital ratio	11.042%	11.340%	7.199%	7.310%
Risk-weighted capital ratio	16.950%	17.199%	13.086%	13.081%