

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

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

	Note	Group		Bank	
		As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
ASSETS					
Cash and short term funds		9,640	423,032	7,560	418,981
Deposits and placements with banks and other financial institutions		932,215	182,013	932,215	182,013
Investment securities	9	2,682,521	2,677,007	2,682,521	2,677,007
Loans, advances and financing	10	6,470,267	6,583,790	6,166,824	6,159,840
Other assets		118,724	27,614	536,135	526,956
Derivative financial asset		638	-	638	-
Investment in subsidiaries		-	-	3,582	3,582
Investment in associate		3,416	3,416	-	-
Property, plant and equipment		147,691	148,695	147,654	148,651
Investment properties		372,910	372,910	372,910	372,910
Intangible assets		11,828	11,830	11,749	11,733
Tax recoverable		26,152	27,136	25,690	26,034
Deferred tax assets		121,723	121,723	121,723	121,723
TOTAL ASSETS		10,897,725	10,579,166	11,009,201	10,649,430
LIABILITIES					
Deposits from customers	11	3,133,369	3,261,929	3,208,665	3,321,145
Deposits from banks and other financial institutions	12	568,937	100,172	568,937	100,172
Derivative financial liability		-	696	-	696
Medium-term notes		1,809,959	1,821,452	1,809,959	1,821,452
Borrowings	13	2,027,957	2,036,006	2,027,957	2,036,006
Other liabilities		1,085,773	1,088,286	1,123,703	1,099,933
Government funds	14	285,242	285,049	285,242	285,049
TOTAL LIABILITIES		8,911,237	8,593,590	9,024,463	8,664,453
EQUITY					
Share capital		1,850,000	1,850,000	1,850,000	1,850,000
Retained earnings		147,311	145,727	145,561	145,128
Other reserves		(10,823)	(10,151)	(10,823)	(10,151)
TOTAL EQUITY		1,986,488	1,985,576	1,984,738	1,984,977
TOTAL LIABILITIES AND EQUITY		10,897,725	10,579,166	11,009,201	10,649,430
COMMITMENTS AND CONTINGENCIES	20	1,341,671	1,393,634	1,341,671	1,393,634

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE First QUARTER ENDED 31 MARCH 2018**

Group	Note	First Quarter Ended		Cumulative 3 Months Ended	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Interest income	15	6,467	9,583	6,467	9,583
Interest expense	16	(13,717)	(14,649)	(13,717)	(14,649)
Net interest income		(7,250)	(5,066)	(7,250)	(5,066)
Gross income from Islamic banking business	22	94,904	82,540	94,904	82,540
Other operating income	17	2,204	2,461	2,204	2,461
Net income		89,858	79,935	89,858	79,935
Other operating expenses	18	(56,665)	(51,636)	(56,665)	(51,636)
Operating profit		33,193	28,299	33,193	28,299
Credit loss expense	19	(15,018)	(7,747)	(15,018)	(7,747)
		18,175	20,552	18,175	20,552
Share of loss after tax of associate		-	(383)	-	(383)
Profit before tax expense and zakat		18,175	20,169	18,175	20,169
Tax (expense)/credit		(344)	(1,528)	(344)	(1,528)
Zakat		(1,000)	(1,000)	(1,000)	(1,000)
Profit for the period		16,831	17,641	16,831	17,641
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of available-for-sale financial investments		875	24,094	875	24,094
Income tax relating to components of other comprehensive income		(203)	(8,507)	(203)	(8,507)
Other comprehensive income for the period, net of tax		672	15,587	672	15,587
Total comprehensive income for the period, net of tax		17,503	33,228	17,503	33,228
Profit for the period attributable to owner of the Bank		16,831	17,641	16,831	17,641
Total comprehensive income attributable to owner of the Bank		17,503	33,228	17,503	33,228

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE First QUARTER ENDED 31 MARCH 2018 (CONT'D.)**

Bank	Note	First Quarter Ended		Cumulative 3 Months Ended	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Interest income	15	6,467	8,564	6,467	8,564
Interest expense	16	(13,717)	(14,649)	(13,717)	(14,649)
Net interest income		(7,250)	(6,085)	(7,250)	(6,085)
Gross income from Islamic banking business	22	92,983	84,908	92,983	84,908
Other operating income	17	1,704	1,679	1,704	1,679
Net income		87,437	80,502	87,437	80,502
Other operating expenses	18	(55,395)	(51,100)	(55,395)	(51,100)
Operating profit		32,042	29,402	32,042	29,402
Credit loss expense	19	(15,018)	(7,747)	(15,018)	(7,747)
Profit before tax expense and zakat		17,024	21,655	17,024	21,655
Tax expense/(credit)		(344)	(694)	(344)	(694)
Zakat		(1,000)	(1,000)	(1,000)	(1,000)
Profit for the period		15,680	19,961	15,680	19,961
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of available-for-sale financial investments		875	24,094	875	24,094
Income tax relating to components of other comprehensive income		(203)	(8,507)	(203)	(8,507)
Other comprehensive income for the period, net of tax		672	15,587	672	15,587
Total comprehensive income for the period, net of tax		16,352	35,548	16,352	35,548
Profit for the period attributable to owner of the Bank		15,680	19,961	15,680	19,961
Total comprehensive income attributable to owner of the Bank		16,352	35,548	16,352	35,548

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR First QUARTER ENDED 31 MARCH 2018**

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

<u>Group</u>	Share capital RM'000	Fair value reserve RM'000	Distributable general reserve RM'000	Retained earnings RM'000	Total RM'000
At 31 December 2017	1,850,000	(20,265)	10,114	145,727	1,985,576
Impact of adopting MFRS 9	-	-	-	(15,247)	(15,247)
Restated opening balance under MFRS 9	1,850,000	(20,265)	10,114	130,480	1,970,329
Fair value loss of debt securities measured at FVOCI	-	(672)	-	-	(672)
Profit for the period	-	-	-	16,831	16,831
Total comprehensive income for the period	-	(672)	-	16,831	16,159
At 31 March 2018	1,850,000	(20,937)	10,114	147,311	1,986,488
At 1 January 2017	1,350,000	(36,678)	10,114	98,154	1,421,590
Conversion of borrowing	500,000	-	-	-	500,000
Unrealised gain on revaluation of available-for-sale financial investments	-	21,102	-	-	21,102
Income tax relating to components of other comprehensive income	-	(4,689)	-	-	(4,689)
Profit for the year	-	-	-	63,773	63,773
Total comprehensive income for the year	-	16,413	-	63,773	80,186
Transaction with owner: Dividend	-	-	-	(16,200)	(16,200)
At 31 December 2017	1,850,000	(20,265)	10,114	145,727	1,985,576

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

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR First QUARTER ENDED 31 MARCH 2018 (CONT'D.)**

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

	Share capital RM'000	Fair value reserve RM'000	Distributable general reserve RM'000	Retained earnings RM'000	Total RM'000
Bank					
At 31 December 2017	1,850,000	(20,265)	10,114	145,128	1,984,977
Impact of adopting MFRS 9	-	-	-	(15,247)	(15,247)
Restated opening balance under MFRS 9	1,850,000	(20,265)	10,114	129,881	1,969,730
Fair value loss of debt securities measured at FVOCI	-	(672)	-	-	(672)
Profit for the period	-	-	-	15,680	15,680
Total comprehensive income for the period	-	(672)	-	15,680	15,008
At 31 March 2018	1,850,000	(20,937)	10,114	145,561	1,984,738
At 1 January 2017	1,350,000	(36,678)	10,114	87,300	1,410,736
Conversion of borrowing	500,000	-	-	-	500,000
Unrealised gain on revaluation of available-for-sale financial investments	-	21,102	-	-	21,102
Income tax relating to components of other comprehensive income	-	(4,689)	-	-	(4,689)
Profit for the year	-	-	-	74,028	74,028
Total comprehensive income for the year	-	16,413	-	74,028	90,441
Dividend	-	-	-	(16,200)	(16,200)
At 31 December 2017	1,850,000	(20,265)	10,114	145,128	1,984,977

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

**Small Medium Enterprise Development Bank Malaysia Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOW
FOR THE First QUARTER ENDED 31 MARCH 2018**

	Note	Group		Bank	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Cash flows from/(used in) operating activities					
Profit before tax expense and zakat		18,175	20,169	17,024	21,655
Adjustments for:					
Net impairment loss on loan, advances and financing	19	16,715	17,347	16,715	17,347
Provision for debt instrument at FVOCI	19	847	-	847	-
Provision for debt instrument at amortised cost	19	4	-	4	-
Depreciation of property, plant and equipment	18(ii)	3,675	3,791	3,650	3,783
Amortisation of intangible assets	18(ii)	799	1,006	781	951
Government funds (writeback)/released, net	17,22(i)	869	1,090	869	1,090
Share of loss of associates		-	383	-	-
Interest income from financial assets measured at FVOCI	15,22(h)	(22,606)	-	(22,606)	-
Interest income from financial assets measured at amortised cost	22(h)	(4,870)	-	(4,870)	-
Profit expenses on medium-term notes	22(j)	17,370	-	17,370	-
Interest expenses on borrowing	16,22(j)	14,500	-	14,500	-
Interest and profit expenses		-	62,232	-	63,251
Interest and profit income		-	(34,555)	-	(34,555)
Operating profit before working capital changes		45,478	71,463	44,284	73,522
Changes in working capital:					
Other assets		(91,110)	(178,484)	(9,179)	(217,385)
Loans, advances and financing		81,036	-	(39,470)	-
Deposits and placements with banks and other financial institutions		(750,202)	-	(750,202)	-
Deposits from customers		(128,560)	-	(112,480)	-
Deposits from bank and other financial institutions		468,765	-	468,765	-
Other liabilities		(4,207)	548,508	21,435	593,048
Cash used in operating activities		(378,800)	441,487	(376,847)	449,185
Interest and profit paid		(51,916)	(66,760)	(51,916)	(66,760)
Interest and profit received		69,957	27,840	69,957	27,840
Tax paid		-	(462)	-	(462)
Zakat paid		-	998	-	998
Net cash used in operating activities		(360,759)	403,103	(358,806)	410,801
Cash flows from/(used in) investing activities					
Purchase of private debt securities		(35,151)	-	(35,151)	-
Purchase of islamic commercial paper		(29,367)	-	(29,367)	-
Proceeds from redemption of bonds		15,000	100,282	15,000	100,282
Purchase of property, plant and equipment		(2,671)	(2,678)	(2,653)	(2,678)
Purchase of intangible assets		(948)	(1)	(948)	(1)
Net cash (used in)/ from investing activities		(53,137)	97,603	(53,119)	97,603

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UNAUDITED STATEMENTS OF CASH FLOW
FOR THE First QUARTER ENDED 31 MARCH 2018 (CONT'D.)**

	Group		Bank	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Note	RM'000	RM'000	RM'000	RM'000
Cash flows from/(used in) financing activities				
Dividends paid	-	-	-	-
Drawdown of borrowings	3,804	-	3,804	-
Proceed from government funds	(3,300)	(18,483)	(3,300)	(18,483)
Net cash from/(used in) financing activities	504	(18,483)	504	(18,483)
Net decrease in cash and cash equivalents	(413,392)	482,223	(411,421)	489,921
Cash and cash equivalents at beginning of year	423,032	841,897	418,981	827,988
Cash and cash equivalents at end of year	9,640	1,324,120	7,560	1,317,909
Cash and cash equivalents comprise:				
- Cash and short term funds	9,640	1,324,120	7,560	1,317,909

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

1. Basis of preparation

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

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

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 December 2017. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2017.

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

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

The other significant accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the year ended 31 December 2017 except for adoption of the following amendments to Malaysian Financial Reporting Standards ("MFRS") and annual improvements to MFRSs, effective for annual periods beginning on or after 1 January 2018:-

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

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

2. Summary of Significant Accounting Policies

The audited financial statements of the Group and of the Bank for the financial year ended 31 December 2017 were prepared in accordance with MFRS and International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia. The significant accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2017 except for the application of MFRS 9.

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3. Significant Accounting Estimates and Judgements

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the financial year ended 31 December 2017.

4. Auditors' report on preceding audited annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2017 was not qualified.

5. Seasonal or cyclical factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the First quarter ended 31 March 2018.

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

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

7. Changes in estimates

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

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8. Transition disclosures

The impact of transition to MFRS 9 on reserves and retained earnings is, as follows

Group	Fair value reserve RM'000	Distributable general reserve RM'000	Retained earnings RM'000	Total RM'000
Closing balance under MFRS 139 (31 December 2017)	(20,265)	10,114	145,727	135,576
Impact of adopting MFRS 9	-	-	(15,247)	(15,247)
Opening balance under MFRS 9 (1 January 2018)	<u>(20,265)</u>	<u>10,114</u>	<u>130,480</u>	<u>120,329</u>
Bank	Fair value reserve RM'000	Distributable general reserve RM'000	Retained earnings RM'000	Total RM'000
Closing balance under MFRS 139 (31 December 2017)	(20,265)	10,114	145,128	134,977
Impact of adopting MFRS 9	-	-	(15,247)	(15,247)
Opening balance under MFRS 9 (1 January 2018)	<u>(20,265)</u>	<u>10,114</u>	<u>129,881</u>	<u>119,730</u>

The following table reconciles the aggregate opening loan loss provision allowances under MFRS 139 and provisions for loan commitments and financial guarantee contracts in accordance with MFRS 37 Provisions Contingent Liabilities and Contingent Assets to the ECL allowances under MFRS 9.

Group and Bank

	Loan loss provision under MFRS 139/ MFRS 7 at 31 December 2017 RM'000	Re- measurement RM'000	ECLs under MFRS 9 at 1 January 2018 RM'000
<u>Impairment allowance for</u>			
Loans, financing and advances as per MFRS 139/ Loans, financing and advances measured at amortised cost under MFRS 9	349,974	8,111	372,796
Held-to-maturity financial assets as per MFRS 139/ Debt securities measured at amortised cost under MFRS 9	-	78	78
Available-for-sale financial assets as per MFRS 139/ Debt securities measured at FVOCI under MFRS 9	-	603	603
Other assets as per MFRS 139/Other assets measured at amortised cost under MFRS 9	-	(4)	(4)
	<u>349,974</u>	<u>8,788</u>	<u>373,473</u>
Commitment and contingencies	-	6,459	6,459
	<u>349,974</u>	<u>15,247</u>	<u>379,932</u>

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9. Investment securities

Comparative information under MFRS 139

	Group and Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Investment securities measured at amortised cost	462,946	-
Investment securities measured at FVOCI - equity instruments	138,058	-
Investment securities measured at FVOCI - debt instruments	2,081,517	-
Held-to-maturity financial assets	-	568,585
Available-for-sale financial assets	-	2,108,422
	2,682,521	2,677,007
Investment securities measured at amortised cost		
Malaysian Government Investment Issues	99,644	-
Private debt securities	363,302	-
	462,946	-
Investment securities measured at FVOCI - debt instruments		
Malaysian Government Investment Issues	1,053,886	-
Malaysian Government Securities	179,971	-
Commercial papers	144,313	-
Private debt securities	703,347	-
	2,081,517	-
Investment securities measured at FVOCI - equity instruments		
Unquoted shares	3,123	-
Quoted shares	134,935	-
	138,058	-
Held-to-maturity financial assets		
Malaysian Government Investment Issues	-	111,705
Private debt securities	-	456,880
	-	568,585
Available-for-sale financial assets		
Malaysian Government Investment Issues	-	672,074
Malaysian Government Securities	-	177,021
Commercial papers	-	171,723
Private debt securities	-	1,084,481
Unquoted shares	-	3,123
	-	2,108,422

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9. Investment securities (cont'd.)

Comparative information under MFRS 139

Impairment losses on investment securities subject to impairment assessment:

Investment securities measured at FVOCI - debt instruments

	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<i>External rating grade</i>				
Performing				
RAM AAA	6,802	-	-	6,802
MARC AAA	25,201	-	-	25,201
RAM AA	95,572	-	-	95,572
MARC AA-	202,181	-	-	202,181
RAM BB	-	1,121,402	-	1,121,402
Total	329,756	1,121,402	-	1,451,158

Investment securities measured at FVOCI - debt instruments

	Stage1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<i>External rating grade</i>				
Performing				
RAM AAA	734	-	-	734
MARC AAA	12,830	-	-	12,830
RAM AA	48,071	-	-	48,071
MARC AA-	20,860	-	-	20,860
Total	82,495	-	-	82,495

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10. Loans, advances and financing

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

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Term loans				
- Hire purchase	351,479	396,404	322,075	338,429
- Leasing	44,372	48,205	43,924	47,702
- Other term loans	5,542,373	5,635,464	5,151,891	5,156,936
Revolving credits	1,029,478	953,637	1,028,111	948,435
Staff loans	17,960	18,312	17,960	18,312
Gross loans, advances and financing	6,985,662	7,052,022	6,563,961	6,509,814
Less: Allowance for ECL/impairment losses	(515,395)	(468,232)	(397,137)	(349,974)
Net loans, advances and financing	6,470,267	6,583,790	6,166,824	6,159,840
Gross impaired loans, advances and financing	1,400,764	1,370,947	858,556	828,739
Net impaired loans, advances and financing	1,039,206	1,058,462	575,857	595,113

Included in loans, advances and financing are gross loans, advances and financing of RM41,273,000 (2017: RM43,757,000) financed by the Government funds.

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

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Within one year	745,350	1,005,104	745,350	691,665
More than one year to three years	820,966	723,073	820,966	694,299
More than three years to five years	1,178,809	1,308,847	1,178,809	1,247,580
More than five years	4,240,537	4,014,998	3,818,836	3,876,270
	6,985,662	7,052,022	6,563,961	6,509,814

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

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

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Domestic business enterprise	6,967,702	7,033,710	6,546,001	6,491,502
Individual	17,960	18,312	17,960	18,312
	6,985,662	7,052,022	6,563,961	6,509,814

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

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Constructions	1,174,695	959,307	1,173,855	956,435
Education, health and others	636,838	1,156,537	621,048	1,103,915
Electricity, gas and water supply	129,124	36,396	129,124	36,396
Financial, insurance, real estate and business services	1,057,948	860,355	1,055,370	856,274
Manufacturing	1,134,789	1,234,191	1,055,853	1,121,292
Mining and quarrying	45,162	29,856	45,162	27,860
Primary agriculture	5,809	4,270	5,809	4,030
Transportation, storage and communication	861,633	799,913	817,763	736,442
Wholesale, retail trade, restaurants and hotels	1,921,704	1,952,885	1,642,017	1,648,858
Others	17,960	18,312	17,960	18,312
	6,985,662	7,052,022	6,563,961	6,509,814

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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	599,565	80,321	160,241	147,790	77,846	108,932	1,174,695
Education, health and others	371,629	51,278	55,756	110,091	22,587	25,497	636,838
Electricity, gas and water supply	121,699	2,040	85	4,464	436	400	129,124
Financial, insurance, real estate and business services	731,838	53,362	115,322	21,780	83,765	51,881	1,057,948
Manufacturing	581,242	119,163	196,566	137,909	52,135	47,774	1,134,789
Mining and quarrying	3,489	-	-	10,488	28,627	2,558	45,162
Primary agriculture	1,157	-	615	70	3,967	-	5,809
Transportation, storage and communication	373,056	111,216	95,050	143,651	42,691	95,969	861,633
Wholesale, retail trade, restaurants and hotels	969,402	228,772	106,706	237,283	285,933	93,608	1,921,704
Others	17,960	-	-	-	-	-	17,960
At 31 March 2018	3,771,037	646,152	730,341	813,526	597,987	426,619	6,985,662

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

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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	598,724	80,321	160,241	147,790	77,846	108,933	1,173,855
Education, health and others	355,839	51,278	55,756	110,091	22,587	25,497	621,048
Electricity, gas and water supply	121,699	2,040	85	4,464	436	400	129,124
Financial, insurance, real estate and business services	729,260	53,362	115,322	21,780	83,765	51,881	1,055,370
Manufacturing	502,306	119,163	196,566	137,909	52,135	47,774	1,055,853
Mining and quarrying	3,489	-	-	10,488	28,627	2,558	45,162
Primary agriculture	1,157	-	615	70	3,967	-	5,809
Transportation, storage and communication	329,186	111,216	95,050	143,651	42,691	95,969	817,763
Wholesale, retail trade, restaurants and hotels	689,715	228,772	106,706	237,283	285,933	93,608	1,642,017
Others	17,960	-	-	-	-	-	17,960
At 31 March 2018	3,349,335	646,152	730,341	813,526	597,987	426,620	6,563,961

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

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

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

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Fixed rate:				
- Staff loan/financing	17,960	18,312	17,960	18,312
- Hire purchase receivables	283,796	328,527	254,392	270,552
- Leasing	40,894	45,025	40,446	44,522
- Revolving credits	237,750	262,086	236,383	256,938
- Other term loans/financing	2,084,615	2,183,760	1,762,169	1,789,863
Variable rate:				
- Hire purchase receivables	67,683	67,877	67,683	67,877
- Leasing	3,478	3,180	3,478	3,180
- Revolving credits	3,395,226	691,551	3,396,062	691,497
- Other term loans/financing	854,260	3,451,704	785,388	3,367,073
	<u>6,985,662</u>	<u>7,052,022</u>	<u>6,563,961</u>	<u>6,509,814</u>

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

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Constructions	103,684	58,688	100,812	55,816
Education, health and others	144,660	193,317	92,038	140,695
Electricity, gas and water supply	56	54	56	54
Financial, insurance, real estate and business services	66,217	40,030	62,136	35,949
Manufacturing	306,815	311,067	193,916	198,168
Mining and quarrying	2,378	2,373	382	377
Primary agriculture	498	537	257	296
Transportation, storage and communication	245,359	207,387	181,889	143,917
Wholesale, retail trade, restaurants and hotels	531,097	557,494	227,070	253,467
	<u>1,400,764</u>	<u>1,370,947</u>	<u>858,556</u>	<u>828,739</u>

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

(viii) Amounts arising from ECL - Analysis of changes in the gross impaired carrying amount

Stage 3 Individual	Group	Bank
	As at 31 March 2018 RM'000	As at 31 March 2018 RM'000
Gross carrying amount as at 31 December 2017 based on MFRS 139	1,370,947	828,739
Impact of adopting MFRS 9	(43,189)	(43,189)
Transfers to Stage 1	(8,714)	(8,714)
Transfers to Stage 2	(7,213)	(7,213)
Transfers to Stage 3	121,923	121,923
New assets derecognised or paid	(32,990)	(32,990)
At 31 March 2018	<u>1,400,764</u>	<u>858,556</u>

Movements in impaired loans, advances and financing ("impaired loans") - Comparative information under MFRS 139

	Group	Bank
	As at 31 December 2017 RM'000	As at 31 December 2017 RM'000
At 1 January	1,318,504	761,443
Impaired during the period	307,804	307,804
Reclassified as non-impaired	(77,602)	(77,602)
Offsetted against other payables	(8,808)	(8,808)
Amount recovered	(89,034)	(74,181)
Amount write-off	(79,917)	(79,917)
At 31 December 2017	<u>1,370,947</u>	<u>828,739</u>

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

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Net impaired loans	<u>15.73%</u>	<u>15.75%</u>	<u>9.19%</u>	<u>9.51%</u>

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

(x) 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	29,038	4,047	64,866	869	3,982	882	103,684
Education, health and others	109,818	3,291	5,529	24,192	1,079	751	144,660
Electricity, gas and water supply	56	-	-	-	-	-	56
Financial, insurance, real estate and business services	53,560	1,149	4,846	1,567	4,902	193	66,217
Manufacturing	212,598	26,694	50,217	15,514	1,469	323	306,815
Mining and quarrying	-	-	-	2,378	-	-	2,378
Primary agriculture	-	-	60	-	438	-	498
Transportation, storage and communication	-	-	-	-	-	-	-
Wholesale, retail trade, restaurants and hotels	148,710	1,520	19,969	48,529	1,843	24,788	245,359
	381,353	17,709	14,366	35,387	77,553	4,729	531,097
At 31 March 2018	<u>935,133</u>	<u>54,410</u>	<u>159,853</u>	<u>128,436</u>	<u>91,266</u>	<u>31,666</u>	<u>1,400,764</u>

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

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

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

(x) 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	26,166	4,047	64,866	869	3,982	882	100,812
Education, health and others	57,196	3,291	5,529	24,192	1,079	751	92,038
Electricity, gas and water supply	56	-	-	-	-	-	56
Financial, insurance, real estate and business services	49,479	1,149	4,846	1,567	4,902	193	62,136
Manufacturing	99,699	26,694	50,217	15,514	1,469	323	193,916
Mining and quarrying	-	-	-	382	-	-	382
Primary agriculture	-	-	60	-	197	-	257
Transportation, storage and communication	85,240	1,520	19,969	48,529	1,843	24,788	181,889
Wholesale, retail trade, restaurants and hotels	77,326	17,709	14,366	35,387	77,553	4,729	227,070
At 31 March 2018	<u>395,162</u>	<u>54,410</u>	<u>159,853</u>	<u>126,440</u>	<u>91,025</u>	<u>31,666</u>	<u>858,556</u>

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

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

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

(xi) Movements in the allowance for impaired loans, advances and financing under MFRS 9

	Group	Bank
	As at 31	As at 31
	March	March
	2018	2018
	RM'000	RM'000
Stage 3 (Individual)		
Allowance as at 31 December 2017 based on MFRS 139	312,485	233,626
Impact of adopting MFRS 9	40,238	40,238
Transfers to Stage 1	(430)	(430)
Transfers to Stage 2	(3,294)	(3,294)
Transfers to Stage 3	21,631	21,631
New assets derecognised or paid	(9,072)	(9,072)
	<u>361,558</u>	<u>282,699</u>

(xi) Movements in the allowance for impaired loans, advances and financing under MFRS 139

	Group	Bank
	As at 31	As at 31
	December	December
	2017	2017
	RM'000	RM'000
Individual assessment allowance		
At 1 January	261,699	189,973
Transfer from collective allowance	12,163	12,163
Allowance made during the year	204,767	192,666
Writeback made during the year	(97,138)	(92,170)
Amount write-off	(69,006)	(69,006)
At 31 December 2017	<u>312,485</u>	<u>233,626</u>
Collective assessment allowance		
At 1 January	143,261	106,430
Transfer to individual allowance	(12,163)	(12,163)
Allowance made during the year	111,785	105,130
Writeback made during the year	(87,136)	(83,049)
At 31 December 2017	<u>155,747</u>	<u>116,348</u>

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11. Deposits from customers

	Group		Bank	
	As at 31	As at 31	As at 31	As at 31
	March	December	March	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Term deposit:				
- Commodity murabahah/Tawarruq	3,133,369	3,261,929	3,208,665	3,321,145
(i) By types of customers				
	Group		Bank	
	As at 31	As at 31	As at 31	As at 31
	March	December	March	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	1,681,037	2,051,954	1,681,037	2,051,954
Business enterprise	1,452,332	501,839	1,527,628	561,055
Others	-	708,136	-	708,136
	<u>3,133,369</u>	<u>3,261,929</u>	<u>3,208,665</u>	<u>3,321,145</u>
(ii) The maturity structure				
	Group		Bank	
	As at 31	As at 31	As at 31	As at 31
	March	December	March	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Less than three months	1,388,679	2,453,571	1,388,679	2,511,711
Three months to six months	154,591	736,520	154,591	737,596
More than six months to one year	1,590,099	71,838	1,665,395	71,838
	<u>3,133,369</u>	<u>3,261,929</u>	<u>3,208,665</u>	<u>3,321,145</u>

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12. Deposits from banks and other financial institutions

	Group and Bank	
	As at 31	As at 31
	March	December
	2018	2017
	RM'000	RM'000
Licensed banks and other financial institutions	568,937	100,172

The deposits maturity structure is as follows:

	Group and Bank	
	As at 31	As at 31
	March	December
	2018	2017
	RM'000	RM'000
Less than three months	568,937	100,172

13. Borrowings

	Group and Bank	
	As at 31	As at 31
	March	December
	2018	2017
	RM'000	RM'000
Unsecured borrowings	2,027,957	2,036,006

The maturity structure of the borrowings are as follows:

	Group and Bank	
	As at 31	As at 31
	March	December
	2018	2017
	RM'000	RM'000
Within twelve months	216,941	219,729
More than twelve months	1,811,016	1,816,279
	<u>2,027,957</u>	<u>2,036,006</u>

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13. Borrowings (cont'd.)

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

		Group and Bank	
		As at 31	As at 31
		March	December
		2018	2017
		RM'000	RM'000
	Note		
Borrowings from:			
- Government of Malaysia	(i)	1,054,783	1,057,979
- Other financial institutions	(ii)	973,174	978,027
		<u>2,027,957</u>	<u>2,036,006</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
		2018	2017
		RM'000	RM'000
Maturity structure:			
Within twelve months		170,996	174,398
More than twelve months		883,787	883,581
		<u>1,054,783</u>	<u>1,057,979</u>

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

(ii) Borrowing from other financial institutions

		Group and Bank	
		As at 31	As at 31
		March	December
		2018	2017
		RM'000	RM'000
Bank Negara Malaysia		157,291	171,903
Employee Provident Fund		815,883	806,124
		<u>973,174</u>	<u>978,027</u>

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13. Borrowings (cont'd.)

(ii) Borrowing from other financial institutions (cont'd.)

The loans from other financial institutions are repayable as follows:

	Group and Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Maturity structure:		
Within twelve months	40,476	45,329
More than twelve months	932,698	932,698
	<u>973,174</u>	<u>978,027</u>

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

14. Government funds

	Note	Group and Bank	
		As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
To finance:			
Purchase of investment properties	(a)	121,618	122,487
Loans, advances and financing	(b)	163,624	162,562
		<u>285,242</u>	<u>285,049</u>

(a) To finance the purchase of investment properties:

Group and Bank	Kompleks Kilang Bimbingan			Total RM'000
	Nursery Factory Scheme (RMK7) RM'000	Nursery Factory Scheme (RMK8) RM'000	Nursery Factory Scheme (RMK9) RM'000	
2018				
At 1 January	66,071	22,067	34,349	122,487
Government fund released	(58)	(718)	(93)	(869)
At 31 March	<u>66,013</u>	<u>21,349</u>	<u>34,256</u>	<u>121,618</u>
2017				
At 1 January	66,307	24,979	34,729	126,015
Government fund released	(236)	(2,912)	(380)	(3,528)
At 31 December	<u>66,071</u>	<u>22,067</u>	<u>34,349</u>	<u>122,487</u>

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14. Government funds (cont'd.)

(b) To finance loans, advances and financing:

Group and Bank	Soft Loan Scheme RM'000	Tabung Usahawan Pahang RM'000	Tabung Inkubator Pertanian Kelantan RM'000	Tabung Usahawan Siswazah RM'000	Dana Usahawan Negeri Terengganu RM'000	Program dan Skim Usahawan Batik RM'000	Balance c/f RM'000
At 1 January 2018	36,406	288	2,669	17,821	4,516	4,168	65,868
Loan and financing written-off recoverable	4	-	-	209	25	-	238
Muqasah	-	-	-	-	(23)	-	(23)
At 31 March 2018	36,410	288	2,669	18,030	4,518	4,168	66,083

	Balance b/f RM'000	Basis Capital Scheme (SMA) RM'000	Perusahaan Kapal Tradisional RM'000	Skim dan Skim Usahawan Kraf RM'000	Program Skim Anjakan Usahawan RM'000	Total RM'000
At 1 January 2018	65,868	30,090	3,000	4,756	58,848	162,562
Loan and financing written-off recoverable	238	847	-	-	-	1,085
Muqasah	(23)	-	-	-	-	(23)
At 31 March 2018	66,083	30,937	3,000	4,756	58,848	163,624

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14. Government funds (cont'd.)

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

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

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

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14. Government funds (cont'd.)

Summary of the government funds are as follows:

	Types of funds	Purpose of funds	Source	Allocation Received RM'000
(a)	Soft Loan Scheme	To provide soft loans to Bumiputera entrepreneurs	Ministry of International Trade and Industry (MITI)	34,400
(b)	Tabung Usahawan Pahang	To provide loans for furniture industry in Termerloh, Pahang	Pahang State Government	1,000
(c)	Tabung Inkubator Pertanian Kelantan	To support the business expansion of livestock industry in Jeli, Kelantan	Ministry of International Trade and Industry (MITI)	2,992
(d)	Tabung Usahawan Siswazah	To encourage graduates into entrepreneurship	Ministry of International Trade and Industry (MITI)	62,000
(e)	Dana Usahawan Negeri Terengganu	To promote Bumiputera entrepreneurs in Terengganu	Ministry of International Trade and Industry (MITI)	30,000
(f)	Program dan Skim Usahawan Batik	To promote Bumiputera entrepreneurs in the batik industry	Ministry of International Trade and Industry (MITI)	5,000
(g)	Basic Capital Scheme	To promote Bumiputera entrepreneurs with basic capital	Ministry of International Trade and Industry (MITI)	75,835
(h)	Skim Perusahaan Kapal Tradisional	To promote ship making in Terengganu	Ministry of International Trade and Industry (MITI)	3,000
(i)	Program dan Skim Usahawan Kraf	To promote Bumiputera entrepreneurs in the craft industry	Ministry of International Trade and Industry (MITI)	5,000
(j)	Kompleks Kilang Bimbingan	To provide premises for Bumiputera entrepreneurs	Ministry of International Trade and Industry (MITI)	220,775
(k)	Skim Anjakan Usahawan	To promote business expansion for Bumiputera entrepreneur	Ministry of International Trade and Industry (MITI)	60,000

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14. Government funds (cont'd.)

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

Summary of the performance of the government funds:

31 March 2018

Types of funds	Outstanding loan/financing RM'000	No. of borrowers assisted
(a) Soft Loan Scheme	8,043	118
(b) Tabung Usahawan Pahang	-	-
(c) Tabung Inkubator Pertanian Kelantan	-	-
(d) Tabung Usahawan Siswazah (TUS)	5,620	163
(e) Dana Usahawan Negeri Terengganu	5,519	69
(f) Program dan Skim Usahawan Batik	-	-
(g) Basic Capital Scheme (SMA)	11,930	90
(h) Skim Perusahaan Kapal Tradisional	-	-
(i) Program dan Skim Usahawan Kraf	89	1
(j) Kompleks Kilang Bimbingan	156,333	-
(k) Skim Anjakan Ushawan	10,073	209

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14. Government funds (cont'd.)

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

31 December 2017

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

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15. Interest income

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

Group	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	March	March	March	March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Interest income from financial assets measured at amortised cost</u>				
- loan, advances and financing	4,601	7,373	4,601	7,373
- investment securities	-	302	-	302
Derivative forex	137	88	137	88
<u>Interest income from financial assets measured at FVOCI</u>				
- investment securities	1,729	1,820	1,729	1,820
	<u>6,467</u>	<u>9,583</u>	<u>6,467</u>	<u>9,583</u>

Bank	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	March	March	March	March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Interest income from financial assets measured at amortised cost</u>				
- loan, advances and financing	4,601	6,354	4,601	6,354
- investment securities	-	302	-	302
Derivative forex	137	88	137	88
<u>Interest income from financial assets measured at FVOCI</u>				
- investment securities	1,729	1,820	1,729	1,820
	<u>6,467</u>	<u>8,564</u>	<u>6,467</u>	<u>8,564</u>

16. Interest expense

Group and Bank	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	March	March	March	March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Term loans	13,717	14,649	13,717	14,649
	<u>13,717</u>	<u>14,649</u>	<u>13,717</u>	<u>14,649</u>

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17. Other operating 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
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fee income	661	1,176	661	1,176
Other income:				
Gain on disposal of property, plant and equipment	-	1	-	1
Government fund released	869	-	869	-
Government compensation	630	1,072	630	1,072
Others	44	212	44	212
	<u>1,543</u>	<u>1,285</u>	<u>1,543</u>	<u>1,285</u>
Total other operating income	<u>2,204</u>	<u>2,461</u>	<u>2,204</u>	<u>2,461</u>

Bank	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31	As at 31	As at 31	As at 31
	March	March	March	March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fee income	161	394	161	394
Other income:				
Gain on disposal on property, plant and equipment	-	1	-	1
Government fund released	869	-	869	-
Government compensation	630	1,072	630	1,072
Others	44	212	44	212
	<u>1,543</u>	<u>1,285</u>	<u>1,543</u>	<u>1,285</u>
Total other operating income	<u>1,704</u>	<u>1,679</u>	<u>1,704</u>	<u>1,679</u>

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18. Other operating expenses

Group	Note	First Quarter Ended		Cumulative 3 Months Ended	
		As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Personnel expenses	(i)	36,650	33,535	36,650	33,535
Establishment related expenses	(ii)	11,145	9,279	11,145	9,279
Promotion and marketing expenses	(iii)	1,426	1,641	1,426	1,641
Administration and general expenses	(iv)	7,444	7,181	7,444	7,181
		<u>56,665</u>	<u>51,636</u>	<u>56,665</u>	<u>51,636</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		30,029	26,977	30,029	26,977
Social security cost		196	219	196	219
Contribution to Employee Provident Fund		3,027	3,097	3,027	3,097
Other staff related expenses		3,398	3,242	3,398	3,242
		<u>36,650</u>	<u>33,535</u>	<u>36,650</u>	<u>33,535</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,675	3,791	3,675	3,791
Amortisation of intangible assets		799	1,006	799	1,006
Rental of premises		1,003	1,040	1,003	1,040
Repairs and maintenance of property, plant and equipment		5,668	3,442	5,668	3,442
		<u>11,145</u>	<u>9,279</u>	<u>11,145</u>	<u>9,279</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		1,426	1,641	1,426	1,641
(iv) Administration and general expenses					
Administrative expenses		1,724	1,922	1,724	1,922
Auditors' remuneration		144	135	144	135
General expenses		5,576	5,124	5,576	5,124
		<u>7,444</u>	<u>7,181</u>	<u>7,444</u>	<u>7,181</u>

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18. Other operating expenses (cont'd.)

Bank	Note	First Quarter Ended		Cumulative 3 Months Ended	
		As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Personnel expenses	(i)	35,411	32,290	35,411	32,290
Establishment related expenses	(ii)	11,109	9,198	11,109	9,198
Promotion and marketing expenses	(iii)	1,496	1,631	1,496	1,631
Administration and general expenses	(iv)	7,379	7,981	7,379	7,981
		<u>55,395</u>	<u>51,100</u>	<u>55,395</u>	<u>51,100</u>
(i) Personnel expenses					
Salaries, allowances and bonuses		28,615	25,949	28,615	25,949
Social security cost		189	187	189	187
Contribution to Employee Provident Fund		2,913	2,995	2,913	2,995
Other staff related expenses		3,694	3,159	3,694	3,159
		<u>35,411</u>	<u>32,290</u>	<u>35,411</u>	<u>32,290</u>
(ii) Establishment related expenses					
Depreciation of property, plant and equipment		3,650	3,783	3,650	3,783
Amortisation of intangible assets		781	951	781	951
Rental of premises		1,003	1,040	1,003	1,040
Repairs and maintenance of property, plant and equipment		5,675	3,424	5,675	3,424
		<u>11,109</u>	<u>9,198</u>	<u>11,109</u>	<u>9,198</u>
(iii) Promotion and marketing expenses					
Advertisement and publicity		<u>1,496</u>	<u>1,631</u>	<u>1,496</u>	<u>1,631</u>
(iv) Administration and general expenses					
Administrative expenses		1,719	1,922	1,719	1,922
Auditors' remuneration		134	121	134	121
General expenses		5,526	5,938	5,526	5,938
		<u>7,379</u>	<u>7,981</u>	<u>7,379</u>	<u>7,981</u>

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19. Credit loss expense

Group	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Provision for impairment losses for loans, advances and financing made during the period				
- Stage 1	14,487	-	14,487	-
- Stage 2	48,322	-	48,322	-
- Stage 3	56,352	-	56,352	-
	<u>119,161</u>	<u>-</u>	<u>119,161</u>	<u>-</u>
Impairment reversal for loans, advances and financing made during the period				
- Stage 1	(19,110)	-	(19,110)	-
- Stage 2	(33,614)	-	(33,614)	-
- Stage 3	(48,489)	-	(48,489)	-
	<u>(101,213)</u>	<u>-</u>	<u>(101,213)</u>	<u>-</u>
Provision for commitment and contingencies made during the period	(1,233)	-	(1,233)	-
Debt instrument measured at FVOCI	847	-	847	-
Debt instrument measured at amortised cost	4	-	4	-
Impaired loan, advances and financing recovered	(2,548)	-	(2,548)	-
Total credit loss expenses	<u>15,018</u>	<u>-</u>	<u>15,018</u>	<u>-</u>

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19. Credit loss expense (contd')

Impairment charges recorded in income statement with comparative information under MFRS 139

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Group				
Allowance for impaired loans, advances and financing made during the period				
- Individual assessment allowance	-	30,956	-	30,956
- Collective assessment allowance	-	27,215	-	27,215
	-	58,171	-	58,171
Writeback/recoveries of allowance for impaired loans, advances and financing made during the period				
- Individual assessment allowance	-	(23,798)	-	(23,798)
- Collective assessment allowance	-	(17,026)	-	(17,026)
	-	(40,824)	-	(40,824)
Recoveries from bad loans, advances and financing written-off	-	(9,600)	-	(9,600)
Total credit loss expenses	-	7,747	-	7,747

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19. Credit loss expense (contd')

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Bank				
Provision for impairment losses for loans, advances and financing made during the period				
- Stage 1	14,487	-	14,487	-
- Stage 2	48,322	-	48,322	-
- Stage 3	56,352	-	56,352	-
	<u>119,161</u>	<u>-</u>	<u>119,161</u>	<u>-</u>
Impairment reversal for loans, advances and financing made during the period				
- Stage 1	(19,110)	-	(19,110)	-
- Stage 2	(33,614)	-	(33,614)	-
- Stage 3	(48,489)	-	(48,489)	-
	<u>(101,213)</u>	<u>-</u>	<u>(101,213)</u>	<u>-</u>
Provision for commitment and contingencies made during the period	<u>(1,233)</u>	<u>-</u>	<u>(1,233)</u>	<u>-</u>
Debt instrument measured at FVOCI	<u>847</u>	<u>-</u>	<u>847</u>	<u>-</u>
Debt instrument measured at amortised cost	<u>4</u>	<u>-</u>	<u>4</u>	<u>-</u>
Impaired loan, advances and financing recovered	<u>(2,548)</u>	<u>-</u>	<u>(2,548)</u>	<u>-</u>
Total credit loss expenses	<u>15,018</u>	<u>-</u>	<u>15,018</u>	<u>-</u>

**Small Medium Enterprise Development Bank Malaysia Berhad
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19. Credit loss expense (contd')

Impairment charges recorded in income statement with comparative information under MFRS 139

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Bank				
Allowance for impaired loans, advances and financing made during the period				
- Individual assessment allowance	-	30,956	-	30,956
- Collective assessment allowance	-	27,215	-	27,215
	-	58,171	-	58,171
Writeback/recoveries of allowance for impaired loans, advances and financing made during the period				
- Individual assessment allowance	-	(23,798)	-	(23,798)
- Collective assessment allowance	-	(17,026)	-	(17,026)
	-	(40,824)	-	(40,824)
Recoveries from bad loans, advances and financing written-off	-	(9,600)	-	(9,600)
Total credit loss expenses	-	7,747	-	7,747

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20. 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 2018 RM'000	As at 31 December 2017 RM'000
Direct credit substitutes	148,289	183,276
Transaction-related-contingent items	159,048	171,364
Irrevocable commitments to extend credit:		
- maturity exceeding one year	144,260	136,812
- maturity not exceeding one year	527,632	539,028
Profit rate related contract	350,000	350,000
	1,329,229	1,380,480

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

	Group and Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Approved and contracted for:		
Property, plant and equipment	4,563	4,563
Information technology system	7,841	8,553
Kompleks Kilang Bimbingan construction	38	38
	12,442	13,154
Total commitments and contingencies	1,341,671	1,393,634

21. 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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21. 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 Bank as at period end:

	Bank	
	As at 31	As at 31
	March	December
	2018	2017
	RM'000	RM'000
<u>Tier I Capital</u>		
Paid-up share capital	1,850,000	1,850,000
Retained earnings	145,561	145,128
General reserves	10,114	10,114
Less: Deferred tax	(121,723)	(121,723)
Less: Property revaluation reserve	(212,229)	(212,229)
Total Tier I capital	<u>1,671,723</u>	<u>1,671,290</u>
<u>Tier II Capital</u>		
Collective allowance for loans, advances and financing *	83,228	70,207
Property revaluation reserve [^]	106,115	106,115
Government funds	285,242	285,049
Total Tier II capital	<u>474,585</u>	<u>461,371</u>
Total capital	2,146,308	2,132,661
Less: Investment in subsidiaries	(3,582)	(3,582)
Total capital base	<u>2,142,726</u>	<u>2,129,079</u>

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

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

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21. Capital adequacy (cont'd.)

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

	Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
20%	187,073	114,197
50%	44,623	42,884
100%	8,720,599	8,783,849
	<u>8,952,295</u>	<u>8,940,930</u>

Before deducting proposed dividends:

Core capital ratio	18.67%	18.69%
Risk-weighted capital ratio	<u>23.93%</u>	<u>23.81%</u>

Capital monitoring

The Bank's capital is closely monitored and actively managed. Beside the regulatory capital requirement of 8%, 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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22. Islamic banking business

The state of affairs as at 31 March 2018 and results for the financial period then ended under the Islamic Banking business of the Bank and included in the Group's and the Bank's financial statements are summarised as follows:-

Unaudited Statements of Financial Position
As at 31 March 2018

	Note	Group		Bank	
		As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Assets					
Cash and short-term funds		7,335	421,706	6,679	417,655
Deposits and placements with financial institutions		932,215	182,013	932,215	182,013
Investment securities	22(b)	2,501,336	2,481,718	2,501,336	2,481,718
Advances and financing	22(c)	5,761,118	5,854,132	5,800,532	5,785,507
Other assets		9,653	5,612	518,217	510,945
Derivative financial asset		638	-	638	-
Investment in subsidiaries		-	-	3,582	3,582
Property and equipment		75,744	75,965	75,628	75,921
Investment properties		372,910	372,910	372,910	372,910
Deferred tax		118,066	118,066	118,066	118,066
Total assets		9,779,015	9,512,122	10,329,803	9,948,317
Liabilities					
Deposit from customer	22(d)	3,132,745	3,261,929	3,208,665	3,321,145
Deposits from other financial institutions	22(e)	568,937	100,172	568,937	100,172
Derivative financial liability		-	696	-	696
Medium term notes		1,809,959	1,821,452	1,809,959	1,821,452
Borrowings	22(f)	316,434	326,489	316,434	326,489
Other liabilities		983,921	1,018,536	997,936	1,009,833
Amount due to conventional operations		1,306,009	1,331,084	1,725,449	1,674,712
Government funds	22(g)	153,224	152,164	153,224	152,164
Total liabilities		8,271,229	8,012,522	8,780,604	8,406,663
Islamic general fund		1,507,786	1,499,600	1,549,199	1,541,654
Total liabilities and Islamic banking funds		9,779,015	9,512,122	10,329,803	9,948,317
Commitments	22(m)	1,328,071	1,379,323	1,328,071	1,379,323

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22. Islamic banking business (cont'd.)

**Unaudited Statements of Comprehensive Income
For the First quarter ended 31 March 2018**

Group	Note	First Quarter Ended		Cumulative 3 Months Ended	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Income from Islamic banking business	22(h)	149,710	133,063	149,710	133,063
Profit expense attributable to Islamic banking business	22(j)	(54,806)	(50,523)	(54,806)	(50,523)
Gross income from Islamic banking business		<u>94,904</u>	<u>82,540</u>	<u>94,904</u>	<u>82,540</u>
Other operating expenses	22(k)	(53,310)	(44,410)	(53,310)	(44,410)
Operating profit		<u>41,594</u>	<u>38,130</u>	<u>41,594</u>	<u>38,130</u>
Credit expense loss	22(l)	(15,576)	(10,632)	(15,576)	(10,632)
Profit before tax expense and zakat		<u>26,018</u>	<u>27,498</u>	<u>26,018</u>	<u>27,498</u>
Tax (expense)/credit		-	-	-	-
Zakat		(1,000)	(1,000)	(1,000)	(1,000)
Net profit for the period		<u>25,018</u>	<u>26,498</u>	<u>25,018</u>	<u>26,498</u>
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of available for sale financial investments		258	15,430	258	15,430
Income tax relating to components of other comprehensive income		(62)	(6,440)	(62)	(6,440)
Other comprehensive income for the period, net of tax		<u>196</u>	<u>8,990</u>	<u>196</u>	<u>8,990</u>
Total comprehensive income for the period, net of tax		<u>25,214</u>	<u>35,488</u>	<u>25,214</u>	<u>35,488</u>
Profit for the period attributable to owner of the Bank		<u>25,018</u>	<u>26,498</u>	<u>25,018</u>	<u>26,498</u>
Total comprehensive income attributable to owner of the Bank		<u>25,214</u>	<u>35,488</u>	<u>25,214</u>	<u>35,488</u>

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22. Islamic banking business (cont'd.)

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

	Note	First Quarter Ended		Cumulative 3 Months Ended	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Bank					
Income from Islamic banking business	22(h)	148,096	136,243	148,096	136,243
Profit expense attributable to Islamic banking business	22(j)	(55,113)	(51,335)	(55,113)	(51,335)
Gross income from Islamic banking business		<u>92,983</u>	<u>84,908</u>	<u>92,983</u>	<u>84,908</u>
Other operating expenses	22(k)	(52,030)	(46,203)	(52,030)	(46,203)
Operating profit		<u>40,953</u>	<u>38,705</u>	<u>40,953</u>	<u>38,705</u>
Provision for impairment on Credit loss expense	22(l)	(15,576)	(10,632)	(15,576)	(10,632)
Profit before tax expense and zakat		<u>25,377</u>	<u>28,073</u>	<u>25,377</u>	<u>28,073</u>
Tax (expense)/credit		-	-	-	-
Zakat		(1,000)	(1,000)	(1,000)	(1,000)
Net profit for the period		<u>24,377</u>	<u>27,073</u>	<u>24,377</u>	<u>27,073</u>
Other comprehensive income					
Item that may be reclassified to profit or loss:					
Unrealised gain on revaluation of available for sale financial assets		258	15,430	258	15,430
Income tax relating to components of other comprehensive income		(62)	(6,440)	(62)	(6,440)
Other comprehensive income for the period, net of tax		<u>196</u>	<u>8,990</u>	<u>196</u>	<u>8,990</u>
Total comprehensive income for the period, net of tax		<u>24,573</u>	<u>36,063</u>	<u>24,573</u>	<u>36,063</u>
Profit for the period attributable to owner of the Bank		<u>24,377</u>	<u>27,073</u>	<u>24,377</u>	<u>27,073</u>
Total comprehensive income attributable to owner of the Bank		<u>24,573</u>	<u>36,063</u>	<u>24,573</u>	<u>36,063</u>

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22. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
For the First quarter ended 31 March 2018**

Group	Capital funds RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2018 as previously stated	1,050,564	(17,688)	466,724	1,499,600
Impact of adopting MFRS 9 at 1 January 2018			(16,636)	(16,636)
At 1 January 2018 as restated	1,050,564	(17,688)	450,088	1,482,964
Fair value loss of debt securities measured at FVOCI	-	(196)	-	(196)
Net profit for the period	-	-	25,018	25,018
Total comprehensive income for the period	-	(196)	25,018	24,822
At 31 March 2018	1,050,564	(17,884)	475,106	1,507,786
At 1 January 2017, as previously stated	550,564	(28,790)	408,454	930,228
Conversion of term financing	500,000	-	-	500,000
Profit for the year	-	-	58,270	58,270
Unrealised gain on revaluation of available-for-sale financial investment	-	14,114	-	14,114
Income tax relating to components of other comprehensive income	-	(3,012)	-	(3,012)
Total comprehensive income for the period	-	11,102	58,270	69,372
At 31 December 2017	1,050,564	(17,688)	466,724	1,499,600

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22. Islamic banking business (cont'd.)

**Statements of changes in Islamic General Funds
For the First quarter ended 31 March 2018 (cont'd.)**

Bank	Capital funds RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2018 as previously stated	1,050,564	(17,688)	508,778	1,541,654
Impact of adopting MFRS 9 at 1 January 2018	-	-	(16,636)	(16,636)
At 1 January 2018 as restated	1,050,564	(17,688)	492,142	1,525,018
Fair value loss of debt securities measured at FVOCI	-	(196)	-	(196)
Net profit for the year	-	-	24,377	24,377
Total comprehensive income for the year	-	(196)	24,377	24,181
At 31 March 2018	1,050,564	(17,884)	516,519	1,549,199
At 1 January 2017, as previously stated	550,564	(28,790)	432,252	954,026
Conversion of term financing	500,000	-	-	500,000
Profit for the year	-	-	76,526	76,526
Unrealised gain on revaluation of available-for-sale financial investment	-	14,114	-	14,114
Income tax relating to components of other comprehensive income	-	(3,012)	-	(3,012)
Total comprehensive income for the year	-	11,102	76,526	87,628
At 31 December 2017	1,050,564	(17,688)	508,778	1,541,654

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22. Islamic banking business (cont'd.)

(b) Investment securities

Comparative information under MFRS 139

	Group and Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Investment securities measured at amortised cost	462,946	-
Investment securities measured at FVOCI - equity instruments	134,935	-
Investment securities measured at FVOCI - debt instruments	1,903,455	-
Held-to-maturity investment securities	-	568,585
Available-for-sale investment securities	-	1,913,133
	<u>2,501,336</u>	<u>2,481,718</u>
Investment securities measured at amortised cost		
Malaysian Government Investment Issues	99,644	-
Private debt securities	363,302	-
	<u>462,946</u>	<u>-</u>
Investment securities measured at FVOCI - debt instruments		
Malaysian Government Investment Issues	1,053,886	-
Islamic commercial papers	144,313	-
Private debt securities	705,256	-
	<u>1,903,455</u>	<u>-</u>
Investment securities measured at FVOCI - equity instruments		
Quoted shares	134,935	-
	<u>134,935</u>	<u>-</u>
Held-to-maturity investment securities		
Malaysian Government Investment Issues	-	111,705
Private debt securities	-	456,880
	<u>-</u>	<u>568,585</u>
Available-for-sale investment securities		
Malaysian Government Investment Issues	-	672,074
Commercial papers	-	171,723
Private debt securities	-	1,069,336
	<u>-</u>	<u>1,913,133</u>

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22. Islamic banking business (cont'd.)

(b) Investment securities (cont'd)

Impairment losses on financial investment subject to impairment assessment:

Investment securities measured at FVOCI debt instruments

	Stage1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>External rating grade</i>				
Performing				
RAM AAA	6,802	-	-	6,802
MARC AAA	25,201	-	-	25,201
RAM AA	95,572	-	-	95,572
MARC AA-	202,181	-	-	202,181
RAM BB	-	1,121,402	-	1,121,402
Total	<u>329,756</u>	<u>1,121,402</u>	<u>-</u>	<u>1,451,158</u>

Investment securities measured at amortised cost

	Stage1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
<i>External rating grade</i>				
Performing				
RAM AAA	734	-	-	734
MARC AAA	12,830.00	-	-	12,830
RAM AA	48,071	-	-	48,071
MARC AA-	20,860	-	-	20,860
Total	<u>82,495</u>	<u>-</u>	<u>-</u>	<u>82,495</u>

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22. Islamic banking business (cont'd.)

(c) Advances and financing

(i) By type

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Bai' Bithaman Ajil	1,700,300	1,839,631	1,700,300	1,771,725
Bai' Murabahah	175,946	953,699	175,946	947,512
Bai' Istisna	621,055	692,226	621,055	684,699
Ijarah	464,712	488,660	464,712	476,851
Ijarah Thumma Al-Bai	354,948	424,991	354,948	367,861
Bai' Dayn	67,802	63,930	67,802	63,930
Tawwaruq	2,725,785	1,402,269	2,682,120	1,402,269
Bai' Inah	58,688	33,655	58,688	33,488
Murabahah Dayn	-	364,254	-	363,276
Wakalah	45,982	-	45,982	-
Gross advances and financing	6,215,218	6,263,315	6,171,553	6,111,611
Less: Allowance for ECL/impairment losses	(454,100)	(409,183)	(371,021)	(326,104)
Net advances and financing	5,761,118	5,854,132	5,800,532	5,785,507
Gross impaired advances and financing	879,955	877,541	728,251	725,837
Net impaired advances and financing	536,627	468,358	468,002	399,733

Included in advances and financing are gross advances and financing of RM41,273,000 (2017: RM43,757,000) financed by the Government funds.

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22. Islamic banking business (cont'd.)

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

(ii) By residual contractual maturity

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Maturity within one year	720,320	775,519	720,320	664,940
More than one year to three years	793,833	691,632	793,833	678,259
More than three years to five years	1,149,335	1,229,309	1,149,335	1,212,012
More than five years	3,551,730	3,566,855	3,508,065	3,556,400
	<u>6,215,218</u>	<u>6,263,315</u>	<u>6,171,553</u>	<u>6,111,611</u>

(iii) By type of customers

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Domestic business enterprise	6,199,866	6,247,745	6,156,201	6,096,041
Individual	15,352	15,570	15,352	15,570
	<u>6,215,218</u>	<u>6,263,315</u>	<u>6,171,553</u>	<u>6,111,611</u>

(iv) By industry

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Constructions	1,141,368	950,129	1,141,368	948,164
Education, health and others	598,216	1,097,575	598,216	1,061,327
Electricity, gas and water supply	129,124	36,396	129,124	36,396
Financial, insurance, real estate and business services	1,034,693	857,930	1,034,693	854,469
Manufacturing	1,040,034	1,172,496	1,040,034	1,110,201
Mining and quarrying	45,162	27,860	45,162	27,860
Primary agriculture	5,809	4,030	5,809	4,030
Transportation, storage and communication	761,841	722,535	761,841	689,936
Wholesale, retail trade, restaurants and hotels	1,443,619	1,378,794	1,399,954	1,363,658
Others	15,352	15,570	15,352	15,570
	<u>6,215,218</u>	<u>6,263,315</u>	<u>6,171,553</u>	<u>6,111,611</u>

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22. Islamic banking business (cont'd.)

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

(iv) 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	566,237	80,321	160,241	147,790	77,846	108,933	1,141,368
Education, health and others	333,007	51,278	55,756	110,091	22,587	25,497	598,216
Electricity, gas and water supply	121,699	2,040	85	4,464	436	400	129,124
Financial, insurance, real estate and business services	708,583	53,362	115,322	21,780	83,765	51,881	1,034,693
Manufacturing	486,487	119,163	196,566	137,909	52,135	47,774	1,040,034
Mining and quarrying	3,489	-	-	10,488	28,627	2,558	45,162
Primary agriculture	1,157	-	615	70	3,967	-	5,809
Transportation, storage and communication	273,264	111,216	95,050	143,651	42,691	95,969	761,841
Wholesale, retail trade, restaurants and hotels	491,316	228,772	106,706	237,283	285,933	93,609	1,443,619
Others	15,352	-	-	-	-	-	15,352
At 31 March 2018	3,000,591	646,152	730,341	813,526	597,987	426,621	6,215,218

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22. Islamic banking business (cont'd.)

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

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

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22. Islamic banking business (cont'd.)

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

(iv) Gross 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	566,237	80,321	160,241	147,790	77,846	108,933	1,141,368
Education, health and others	333,007	51,278	55,756	110,091	22,587	25,497	598,216
Electricity, gas and water supply	121,699	2,040	85	4,464	436	400	129,124
Financial, insurance, real estate and business services	708,583	53,362	115,322	21,780	83,765	51,881	1,034,693
Manufacturing	486,487	119,163	196,566	137,909	52,135	47,774	1,040,034
Mining and quarrying	3,489	-	-	10,488	28,627	2,558	45,162
Primary agriculture	1,157	-	615	70	3,967	-	5,809
Transportation, storage and communication	273,264	111,216	95,050	143,651	42,691	95,969	761,841
Wholesale, retail trade, restaurants and hotels	447,651	228,772	106,706	237,283	285,933	93,609	1,399,954
Others	15,352	-	-	-	-	-	15,352
At 31 March 2018	2,956,926	646,152	730,341	813,526	597,987	426,621	6,171,553

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22. Islamic banking business (cont'd.)

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

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

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22. Islamic banking business (cont'd.)

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

(vi) By interest/profit rate sensitivity

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Fixed rate				
- Staff financing	15,352	15,570	15,352	15,570
- Hire purchase receivables	254,392	327,678	254,392	270,548
- Leasing	40,389	44,535	40,389	44,451
- Revolving credits	224,979	248,508	224,979	245,425
- Other term financing	1,445,488	1,561,855	1,445,488	1,471,401
Variable rate				
- Hire purchase receivables	67,683	67,878	67,683	67,878
- Leasing	3,478	3,180	3,478	3,180
- Revolving credits	776,160	682,773	776,160	682,773
- Other term financing	3,387,297	3,311,338	3,343,632	3,310,385
	<u>6,215,218</u>	<u>6,263,315</u>	<u>6,171,553</u>	<u>6,111,611</u>

(viii) Impaired advances and financing - Comparative information under MFRS 139

By industry

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Constructions	70,291	57,781	68,326	55,816
Education, health and others	120,037	168,956	83,789	132,708
Electricity, gas and water supply	56	54	56	54
Financial, insurance, real estate and business services	65,597	39,410	62,136	35,949
Manufacturing	253,944	258,322	191,648	196,026
Mining and quarrying	382	377	382	377
Primary agriculture	257	296	257	296
Transportation, storage and communication	178,230	168,277	145,631	135,678
Wholesale, retail trade, restaurants and hotels	191,162	184,068	176,027	168,933
	<u>879,956</u>	<u>877,541</u>	<u>728,252</u>	<u>725,837</u>

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22. Islamic banking business (cont'd.)

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

(viii) Amounts arising from ECL - Analysis of changes in the gross impaired carrying amount

	Group	Bank
	As at 31	As at 31
	March	March
	2018	2018
	RM'000	RM'000
Stage 3 Individual		
Gross carrying amount as at 31 December 2017 based on MFRS 139	877,541	725,837
Impact of adopting MFRS 9	40,238	40,238
Transfers to Stage 1	(295,135)	(295,135)
Transfers to Stage 2		
Transfers from Stage 1	257,311	257,311
Transfers from Stage 2	-	-
	<u>879,955</u>	<u>728,251</u>

Movements in impaired advances and financing ("impaired loans")

	Group	Bank
	As at 31	As at 31
	December	December
	2017	2017
	RM'000	RM'000
At 1 January	757,978	602,962
Impaired during the period	303,025	303,025
Reclassified as non-impaired	(39,148)	(39,148)
Offsetted with other payables	(8,808)	(8,808)
Amount recovered	(55,604)	(52,292)
Amount written-off	(79,902)	(79,902)
At 31 December 2017	<u>877,541</u>	<u>725,837</u>

Net impaired financing as % of net advances and financing are as follows:

	Group		Bank	
	As at 31	As at 31	As at 31	As at 31
	March	December	March	December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net impaired financing %	<u>9.14%</u>	<u>10.15%</u>	<u>7.9%</u>	<u>8.69%</u>

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22. Islamic banking business (cont'd.)

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

(vii) 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	28,131	4,047	32,380	869	3,982	882	70,291
Education, health and others	85,196	3,290	5,529	24,192	1,079	751	120,037
Electricity, gas and water supply	56	-	-	-	-	-	56
Financial, insurance, real estate and business services	52,940	1,149	4,846	1,567	4,902	193	65,597
Manufacturing	160,321	26,100	50,217	15,514	1,469	323	253,944
Mining and quarrying	-	-	-	382	-	-	382
Primary agriculture	-	-	60	-	197	-	257
Transportation, storage and communication	90,008	1,520	19,969	40,104	1,840	24,789	178,230
Wholesale, retail trade, restaurants and hotels	83,274	10,612	9,722	30,767	52,058	4,729	191,162
At 31 March 2018	499,926	46,718	122,723	113,395	65,527	31,667	879,956

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22. Islamic banking business (cont'd.)

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

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

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22. Islamic banking business (cont'd.)

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

(vii) 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	26,166	4,047	32,380	869	3,982	882	68,326
Education, health and others	48,948	3,290	5,529	24,192	1,079	751	83,789
Electricity, gas and water supply	56	-	-	-	-	-	56
Financial, insurance, real estate and business services	49,479	1,149	4,846	1,567	4,902	193	62,136
Manufacturing	98,025	26,100	50,217	15,514	1,469	323	191,648
Mining and quarrying	-	-	-	382	-	-	382
Primary agriculture	-	-	60	-	197	-	257
Transportation, storage and communication	57,409	1,520	19,969	40,104	1,840	24,789	145,631
Wholesale, retail trade, restaurants and hotels	68,139	10,612	9,722	30,767	52,058	4,729	176,027
At 31 March 2018	348,222	46,718	122,723	113,395	65,527	31,667	728,252

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22. Islamic banking business (cont'd.)

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

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

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22. Islamic banking business (cont'd.)

(xi) Movements in the allowance for impaired loans, advances and financing under MFRS 9

	Group	Bank
	As at 31	As at 31
	March	March
	2018	2018
	RM'000	RM'000
Allowance as at 31 December 2017 based on MFRS 139	271,193	214,997
Impact of adopting MFRS 9	37,534	37,534
Transfers to Stage 1	(8,344)	(8,344)
Transfers to Stage 2	(3,195)	(3,195)
Transfers from Stage 1	-	-
Transfers from Stage 2	46,140	19,257
	<u>343,328</u>	<u>260,249</u>

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

(ix) Movements in the allowance for impaired advances and financing - Comparative information under MFRS 139

	Group	Bank
	As at 31	As at 31
	December	December
	2017	2017
	RM'000	RM'000
Individual assessment allowance		
At 1 January	233,283	178,752
Transfer from collective allowance	12,105	12,105
Allowance made during the period	184,820	180,476
Writeback made during the period	(90,009)	(87,330)
Amount written-off	(69,006)	(69,006)
At 31 December 2017	<u>271,193</u>	<u>214,997</u>
Collective assessment allowance		
At 1 January	121,476	98,430
Transfer to individual allowance	(12,105)	(12,105)
Allowance made during the period	106,802	101,990
Writeback made during the period	(78,183)	(77,208)
At 31 December 2017	<u>137,990</u>	<u>111,107</u>

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22. Islamic banking business (cont'd.)

(d) Deposit from customer

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Term deposit:				
- Commodity Murabahah	3,132,745	3,261,929	3,208,665	3,321,145
	<u>3,132,745</u>	<u>3,261,929</u>	<u>3,208,665</u>	<u>3,321,145</u>

(i) By types of customers

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Government and statutory bodies	1,681,037	2,051,954	1,681,037	2,051,954
Business enterprises	1,451,708	501,839	1,527,628	561,055
Others	-	708,136	-	708,136
	<u>3,132,745</u>	<u>3,261,929</u>	<u>3,208,665</u>	<u>3,321,145</u>

(ii) The maturity structure

	Group		Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Less than three months	1,388,679	2,453,571	2,190,962	2,511,711
Three months to six months	154,591	736,520	789,245	737,596
Six months to one year	1,589,475	71,838	228,458	71,838
	<u>3,132,745</u>	<u>3,261,929</u>	<u>3,208,665</u>	<u>3,321,145</u>

(e) Deposits from other financial institutions

	Group and Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Licensed banks	<u>568,937</u>	<u>100,172</u>

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22. Islamic banking business (cont'd.)

(e) Deposits from other financial institutions (cont'd.)

The deposits maturity structure are as follows:

	Group and Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Less than three months	568,937	100,172

(f) Term financing

	Group and Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Unsecured term financing	316,434	326,489

The maturity structure of the term financing are as follows:

	Group and Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Within twelve months	30,061	37,909
More than twelve months	286,373	288,580
	<u>316,434</u>	<u>326,489</u>

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

	Group and Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Financing from:		
- Government of Malaysia	156,088	155,882
- Bank Negara Malaysia ("BNM")	160,346	170,607
	<u>316,434</u>	<u>326,489</u>

The profit rates on the financing from the Government of Malaysia is 1.50% and (2017: 1.50%) per annum. The rate for BNM ranges from 4.00% - 5.00% (2016: 4.00% - 5.00%)

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22. Islamic banking business (cont'd.)

(g) Government funds (cont'd.)

To finance advances and financing:

Group and Bank	Soft Loan Scheme RM'000	Program dan Skim Usahawan Batik RM'000	Soft Loan Scheme RM'000	Tabung Usahawan Siswazah RM'000	Dana Usahawan Negeri Terengganu RM'000	Program dan Skim Usahawan Kraf RM'000	Skim Anjakan Usahawan RM'000	Total RM'000
At 1 January 2018	36,406	4,168	30,090	13,380	4,516	4,756	58,848	152,164
Addition	-	-	-	-	-	-	-	-
Utilised to offset expenses	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-
Financing written-off recoverable	2	-	847	209	25	-	-	1,083
Muqasah	-	-	-	-	(23)	-	-	(23)
At 31 March 2018	36,408	4,168	30,937	13,589	4,518	4,756	58,848	153,224

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

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22. Islamic banking business (cont'd.)

(h) Income from Islamic banking business

Group	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
<u>Income from financial assets measured at amortised cost</u>				
Income from advances and financing				
- Bai' Bithaman Ajil	29,260	34,563	29,260	34,563
- Bai' Murabahah	3,028	9,064	3,028	9,064
- Bai' Istisna	10,688	13,800	10,688	13,800
- Ijarah	7,997	12,722	7,997	12,722
- Ijarah Thumma Al-Bai	6,108	4,455	6,108	4,455
- Bai' Dayn	1,167	2,397	1,167	2,397
- Tawwaruq	46,576	17,577	46,576	17,577
- Bai' Inah	1,010	517	1,010	517
- Wakalah	791	-	791	-
	<u>106,625</u>	<u>95,095</u>	<u>106,625</u>	<u>95,095</u>
- Investment securities	4,870	-	4,870	-
<u>Income from financial assets measured at FVOCI</u>				
- Investment securities	20,877	21,922	20,877	21,922
<u>Income from financial assets measured at FVTPL</u>				
- Mudharabah deposit acceptance	9,902	10,733	9,902	10,733
- Derivative financial asset	1,963	872	1,963	872
Other income (Note (i))	5,473	4,441	5,473	4,441
	<u>149,710</u>	<u>133,063</u>	<u>149,710</u>	<u>133,063</u>
Bank	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
<u>Income from financial assets measured at amortised cost</u>				
Income from advances and financing				
- Bai' Bithaman Ajil	28,106	34,036	28,106	34,036
- Bai' Murabahah	2,908	9,025	2,908	9,025
- Bai' Istisna	10,266	13,828	10,266	13,828
- Ijarah	7,682	12,405	7,682	12,405
- Ijarah Thumma Al-Bai	5,867	3,885	5,867	3,885
- Bai' Dayn	1,121	2,421	1,121	2,421
- Tawwaruq	44,337	17,799	44,337	17,799
- Bai' Inah	970	369	970	369
- Wakalah	760	-	760	-
	<u>102,017</u>	<u>93,768</u>	<u>102,017</u>	<u>93,768</u>
- Investment securities	4,870	6,400	4,870	6,400
<u>Income from financial assets measured at FVOCI</u>				
- Investment securities	20,877	15,522	20,877	15,522
<u>Income from financial assets measured at FVTPL</u>				
- Mudharabah deposit acceptance	9,902	10,733	9,902	10,733
- Derivative financial asset	1,963	872	1,963	872
Other income (Note (i))	8,467	8,948	8,467	8,948
	<u>148,096</u>	<u>136,243</u>	<u>148,096</u>	<u>136,243</u>

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22. Islamic banking business (cont'd.)

(i) Other income

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Group				
Fee income	2,815	2,894	2,815	2,894
Rental income	2,541	2,512	2,541	2,512
Government fund release/(writeback)	-	(1,090)	-	(1,090)
Management fees	-	-	-	-
Profit income on amount owing by subsidiaries companies	-	-	-	-
Others	117	125	117	125
	<u>5,473</u>	<u>4,441</u>	<u>5,473</u>	<u>4,441</u>

	First Quarter Ended		Cumulative 12 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Bank				
Fee income	1,873	2,895	1,873	2,895
Rental income	2,541	2,512	2,541	2,512
Government fund release/(writeback)	-	(1,090)	-	(1,090)
Management fees	105	105	105	105
Profit income on amount owing by subsidiaries companies	3,834	-	3,834	-
Others	114	4,526	114	4,526
	<u>8,467</u>	<u>8,948</u>	<u>8,467</u>	<u>8,948</u>

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22. Islamic banking business (cont'd.)

(j) Profit expense attributable to Islamic banking business

Group	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Commodity murabahah	31,297	32,311	31,297	32,311
Medium term notes	17,370	13,242	17,370	13,242
Long term financing	783	991	783	991
Deposits from bank and other financial institutions	3,942	1,246	3,942	1,246
Others	1,414	2,733	1,414	2,733
	54,806	50,523	54,806	50,523

Bank	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Commodity murabahah	31,604	33,123	31,604	33,123
Medium term notes	17,370	13,242	17,370	13,242
Long term financing	783	991	783	991
Deposits from bank and other financial institutions	3,942	1,246	3,942	1,246
Others	1,414	2,733	1,414	2,733
	55,113	51,335	55,113	51,335

(k) Other operating expenses

Group	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Personnel expenses	34,480	29,739	34,480	29,739
Establishment related expenses	10,485	7,906	10,485	7,906
Promotion and marketing expenses	1,342	1,502	1,342	1,502
Administration and general expenses	7,003	5,263	7,003	5,263
	53,310	44,410	53,310	44,410

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22. Islamic banking business (cont'd.)

(k) Other operating expenses (cont'd.)

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Bank				
Personnel expenses	33,299	29,739	33,299	29,739
Establishment related expenses	9,893	7,906	9,893	7,906
Promotion and marketing expenses	1,407	1,502	1,407	1,502
Administration and general expenses	7,431	7,056	7,431	7,056
	<u>52,030</u>	<u>46,203</u>	<u>52,030</u>	<u>46,203</u>

(l) Credit loss expenses

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Group				
Provision for impairment losses for loans, advances and financing made during the period				
- Stage 1	13,987	-	13,987	-
- Stage 2	44,864	-	44,864	-
- Stage 3	54,330	-	54,330	-
	<u>113,181</u>	<u>-</u>	<u>113,181</u>	<u>-</u>
Impairment reversal for loans, advances and financing made during the period				
- Stage 1	(18,405)	-	(18,405)	-
- Stage 2	(31,262)	-	(31,262)	-
- Stage 3	(46,886)	-	(46,886)	-
	<u>(96,553)</u>	<u>-</u>	<u>(96,553)</u>	<u>-</u>
Provision for commitment and contingencies made during the period	<u>(1,173)</u>		<u>(1,173)</u>	
Debt instrument measured at FVOCI	<u>847</u>		<u>847</u>	
Debt instrument measured at amortised cost	<u>4</u>		<u>4</u>	
Recoveries from bad loans, advances and financing written-off	<u>(730)</u>	<u>-</u>	<u>(730)</u>	<u>-</u>
Total credit loss expenses	<u>15,576</u>	<u>-</u>	<u>15,576</u>	<u>-</u>

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22 Islamic banking business (cont'd.)

(I) Credit loss expenses (cont'd)

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

Group	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Provision for impaired loans, advances and financing made during the period				
- Individual assessment allowance	-	26,006	-	26,006
- Collective assessment allowance	-	26,422	-	26,422
	-	52,428	-	52,428
Writeback/recoveries of allowance for impaired loans, advances and financing made during the period				
- Individual assessment allowance	-	(22,296)	-	(22,296)
- Collective assessment allowance	-	(16,056)	-	(16,056)
	-	(38,352)	-	(38,352)
Recoveries from bad loans, advances and financing written-off	-	(3,444)	-	(3,444)
Total credit loss expenses	-	10,632	-	10,632

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22 Islamic banking business (cont'd.)

(I) Credit loss expenses (cont'd)

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Bank				
Provision for impairment losses for loans, advances and financing made during the period				-
- Stage 1	13,987	-	13,987	-
- Stage 2	44,864	-	44,864	-
- Stage 3	54,330	-	54,330	-
	<u>113,181</u>	<u>-</u>	<u>113,181</u>	<u>-</u>
Impairment reversal for loans, advances and financing made during the period				
Stage 1	(18,405)	-	(18,405)	-
- Stage 2	(31,262)	-	(31,262)	-
- Stage 3	(46,886)	-	(46,886)	-
	<u>(96,553)</u>	<u>-</u>	<u>(96,553)</u>	<u>-</u>
Provision for commitment and contingencies made during the period	(1,173)	-	(1,173)	-
Debt instrument measured at FVOCI	847	-	847	-
Debt instrument measured at amortised cost	4	-	4	-
Recoveries from bad loans, advances and financing written-off	(730)	-	(730)	-
Total credit loss expenses	<u>15,576</u>	<u>-</u>	<u>15,576</u>	<u>-</u>

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22 Islamic banking business (cont'd.)

(l) Credit loss expenses (cont'd)

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

	First Quarter Ended		Cumulative 3 Months Ended	
	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000	As at 31 March 2018 RM'000	As at 31 March 2017 RM'000
Bank				
Provision for impaired loans, advances and financing made during the period				
- Individual assessment allowance	-	26,006	-	26,006
- Collective assessment allowance	-	26,422	-	26,422
	-	52,428	-	52,428
Writeback/recoveries of allowance for impaired loans, advances and financing made during the period				
- Individual assessment allowance	-	(22,296)	-	(22,296)
- Collective assessment allowance	-	(16,056)	-	(16,056)
	-	(38,352)	-	(38,352)
Recoveries from bad loans, advances and financing written-off	-	(3,444)	-	(3,444)
Total credit loss expenses	-	10,632	-	10,632

(m) Commitments

	Group and Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Direct credit substitutes	147,289	182,276
Transaction-related-contingent items	158,890	171,207
Irrevocable commitments to extend credit:		
- maturity exceeding one year	144,260	136,812
- maturity not exceeding one year	527,632	539,028
Profit rate related contract	350,000	350,000
	1,328,071	1,379,323

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22. Islamic banking business (cont'd.)

(n) Capital adequacy

Capital management

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

	Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
<u>Tier I Capital</u>		
Capital funds	1,050,564	1,050,564
Retained profit	516,519	508,778
Less: Deferred tax	(118,066)	(118,066)
Less: Property revaluation reserves	(212,229)	(212,229)
Total Tier I capital	<u>1,236,788</u>	<u>1,229,047</u>
<u>Tier II Capital</u>		
Collective allowance for advances and financing*	79,996	67,508
Property revaluation reserves	106,115	106,115
Government funds	153,224	152,164
Total Tier II capital	<u>339,335</u>	<u>325,787</u>
Total capital	1,576,123	1,554,834
Less: Investment in subsidiaries	(3,582)	(3,582)
Total capital base	<u>1,572,541</u>	<u>1,551,252</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:

	Bank	
	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
20%	186,913	114,037
50%	43,362	41,590
100%	8,259,949	8,267,405
	<u>8,490,224</u>	<u>8,423,032</u>

Before deducting proposed dividends:

Core capital ratio	14.57%	14.59%
Risk-weighted capital ratio	<u>18.52%</u>	<u>18.42%</u>